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analysis of financial results

for the six months ended 31 December 2011

FIRSTRAND BANK

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FIRSTRAND BANK

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

www.firstrand.co.za

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

INTRODUCTION

This report covers the unaudited financial results of FirstRand Bank Limited (the Bank or FRB) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2011, as well as the normalised results of the Bank, and deals with the financial and operating performance of its main business units. The Bank 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 results and accompanying commentary are presented on a normalised basis as the Bank believes this most accurately reflects its economic performance. A detailed description of the difference between normalised and IFRS results is provided on page 9.

Detailed reconciliations of normalised results and IFRS are provided on pages 22 to 25. Commentary is based on the normalised results, unless indicated otherwise. Normalised results are unaudited.

The Bank is a wholly-owned subsidiary of FirstRand Limited (the Group or FirstRand).

Financial highlights

	Six months ended 31 December			Year ended 30 June
	2011	2010	% change	2011
Normalised earnings (R million)	**4 280**	3 102	38	6 595
Normalised return on equity (%)	**21.5**	18.1		18.8
Capital adequacy – Tier 1 (%)	**13.0**	11.9		12.4
Capital adequacy ratio (%)	**14.7**	13.8		14.2
Credit loss ratio (%)	**0.77**	1.05		0.98
NPLs (%)	**3.80**	4.66		4.35
Gross advances (R million)	**468 310**	432 132	8	438 596
Cost to income ratio (%)	**58.7**	60.1		62.0
Net interest margin (%)	**4.35**	4.03		4.19

Reconciliation from headline earnings to normalised earnings

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Attributable earnings to ordinary shareholders (per page 10)	**4 529**	4 296	5	7 785
Adjusted for:	**(277)**	(1 224)	(77)	(1 245)
Profit on sale of available-for-sale assets	**(327)**	(174)	88	(335)
Gain on the disposal of intergroup subsidiaries/ associates*	**–**	(1 072)	(100)	(1 072)
Profit on disposal of subsidiaries	**–**	–	–	33
Loss on sale of property and equipment	**30**	3	>100	47
Other	**–**	19	(100)	69
Tax effects of adjustments	**20**	–	n/a	13
Headline earnings	**4 252**	3 072	38	6 540
Adjusted for:				
IFRS 2 Share-based payment expense	**28**	30	(7)	55
Normalised earnings	**4 280**	3 102	38	6 595

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

Reconciliation of IFRS attributable earnings to normalised attributable earnings

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Attributable earnings to ordinary shareholders (per page 10)	**4 529**	4 296	5	7 785
Adjusted for:				
Profit on sale of available-for-sale assets	**–**	(1 072)	(100)	(1 072)
Profit on disposal of subsidiaries	**–**	–	n/a	33
IFRS 2 Share-based payment expense	**28**	30	(7)	55
Attributable earnings – normalised	**4 557**	3 254	40	6 801

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.

Overview of results

Despite this challenging background, the Bank produced excellent results for the six months to 31 December 2011, achieving normalised earnings of R4 280 million, an increase of 38% on the comparative period, and producing a normalised return on equity (ROE) of 21.5% (2010: 18.1%).

With regards to the Bank'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 has reduced. 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 22% increase in profit before tax, a strong performance given the tough trading environment and the high base created in recent years.

FirstRand Bank

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

SOURCES OF NORMALISED EARNINGS

R million	Six months ended 31 December 2011	% composition	2010	% composition	% change
Total FNB	2 629	62	2 161	70	22
FNB South Africa	2 643	62	2 185	70	21
FNB Africa	(14)	–	(24)	–	(42)
Total RMB and GTS	1 286	30	1 036	33	24
RMB	1 154	27	927	30	24
GTS	132	3	109	3	21
WesBank	620	14	410	13	51
Corporate Centre and consolidation adjustments	(163)	(4)	(399)	(13)	(59)
Non-cumulative non-redeemable (NCNR) preference dividend	(92)	(2)	(106)	(3)	(13)
Normalised earnings	4 280	100	3 102	100	38

The Bank's income statement benefited from an excellent increase of 17% in net interest income (NII). This was driven by good growth in advances at FNB, WesBank and RMB. In addition, the Bank'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 repricing strategies in the large retail lending books such as VAF 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.

Total non-interest revenue (NIR) was up 12% on the comparative period. Fee and commission income at FNB and WesBank was stronger than expected, increasing 16% on the comparative period, 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 operating expenses increased 12%, which is in line with targets. Core operational costs increased 9%. The cost-to-income ratio improved to 58.7% (2010: 60.1%).

The Bank'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 Bank's strategy to grow its lending books in certain targeted segments.

R million	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

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 (4%) of total advances.

Overview of operating franchises

The Group'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. Although the Group's African subsidiaries do not form part of the Bank's operations, the African and corridor growth strategy impacts the Bank in the following areas:

- representative offices in Nigeria, Angola, Kenya and the Indian and London branches reside in the Bank; and
- the Bank's balance sheet is utilised for certain transactions executed as part of the African and corridor strategy.

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 produced a strong performance for the year, growing pre-tax profits 20%.

The growth in NIR of 7% reflects FNB's strategy to grow customers (+5%) and transactional volumes (+10%), which has been achieved through FNB's 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 residential mortgages (3%) 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.

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.

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 grew 25% to R1 570 million for the six months to December 2011, a very strong performance given the significant base created in previous periods and the current tough macro environment for investment banks.

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. Equities experienced pressure in client and trading activities, with client agency and structuring revenues only increasing marginally and trading activities performing below expectations.

GTS produced net income of R180 million, 3% 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 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.

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's pre-tax profits increased 50% over the prior year to R845 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 (WesBank loans).

Bad debts in the local lending business decreased 27% and NPLs decreased from 5.4% to 4.1% (June 2011 4.5%).

Advances grew R9.6 billion (10%) 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 45%, 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 27%, 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.

Strategic issues

PROGRESS ON DOMESTIC AND AFRICAN EXPANSION STRATEGIES

Given FirstRand'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 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.

RMB recently established a Kenyan representative office. 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.

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 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 Bank (FRB)*		
%	Actual	Target	Regulatory minimum
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.

FirstRand 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 operating franchises continue to generate good returns at a time when there is limited opportunity to grow risk-weighted assets.

With regards to the impact of Basel 2.5 and 3, the Bank'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 Bank 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 Bank 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.

The Bank 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 Bank 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.

The quality of the Bank's operating franchises and their respective strategies domestically should underpin the Bank's ability to produce sustainable returns.

Board changes

Mrs Mary Sina Bomela was appointed to the Boards of FirstRand Bank and the Group 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.

Basis of presentation

The Bank prepares its standalone interim financial results in accordance with:

- IFRS including IAS 34 Interim Financial Reporting;
- the AC 500 standards issued by the Accounting Practices Board;
- JSE Debt 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 standalone interim financial results.

The Bank believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 9.

BW Unser
Company secretary

29 March 2012

Description of difference between normalised and IFRS results

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

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.

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

For purposes of calculating 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 Bank and loans to share trusts are recognised as external loans.

Economic hedges

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

The Bank 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.

Income statement – IFRS

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Interest and similar income	18 464	17 425	6	34 684
Interest expense and similar charges	(11 229)	(11 795)	(5)	(22 875)
Net interest income before impairment of advances	7 235	5 630	29	11 809
Impairment losses on loans and advances	(1 615)	(2 029)	(20)	(3 637)
Net interest income after impairment of advances	5 620	3 601	56	8 172
Non-interest income	12 331	12 461	(1)	23 774
Income from operations	17 951	16 062	12	31 946
Operating expenses	(11 599)	(10 369)	12	(21 191)
Income before tax	6 352	5 693	12	10 755
Indirect tax	(356)	(307)	16	(503)
Profit before direct tax	5 996	5 386	11	10 252
Direct tax	(1 375)	(984)	40	(2 266)
Profit for the period	4 621	4 402	5	7 986
Attributable to:				
NCNR preference shareholders	92	106	(13)	201
Ordinary equityholders	4 529	4 296	5	7 785
Profit for the period	4 621	4 402	5	7 986

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 year	4 621	4 402	5	7 986
Other comprehensive income				
Cash flow hedges	(275)	(131)	>100	21
Available-for-sale financial assets	142	167	(15)	(47)
Exchange differences on translating foreign operations	174	(155)	(>100)	(133)
Other comprehensive income for the period before tax	41	(119)	(>100)	(159)
Income tax relating to components of other comprehensive income	10	(45)	(>100)	(46)
Other comprehensive income for the period after tax	51	(164)	(>100)	(205)
Total comprehensive income for the period	4 672	4 238	10	7 781
Total comprehensive income attributable to:				
NCNR preference shares	92	106	(13)	201
Equityholders of the group	4 580	4 132	11	7 580
Total comprehensive income for the period	4 672	4 238	10	7 781

FirstRand Bank

Statement of financial position – IFRS

R million	As at 31 December 2011	As at 31 December 2010	% change	As at 30 June 2011
ASSETS				
Cash and short-term funds	**30 937**	27 019	15	29 012
Derivative financial instruments	**57 321**	50 446	14	36 666
Advances	**458 965**	422 864	9	429 134
Investment securities and other investments	**85 691**	87 306	(2)	83 810
Commodities	**5 880**	4 164	41	4 388
Accounts receivable	**2 829**	3 152	(10)	2 744
Investments in associates and joint ventures	**152**	116	31	116
Amounts due by holding company and fellow subsidiary companies	**20 827**	16 251	28	19 234
Property and equipment	**8 792**	8 168	8	8 480
Post-retirement benefit asset	**2 913**	2 833	3	2 830
Intangible assets and deferred acquisition costs	**233**	205	14	281
Tax asset	**–**	641	(100)	–
Loans to insurance group	**–**	18	(100)	–
Total assets	**674 540**	623 183	8	616 695
EQUITY AND LIABILITIES				
Liabilities				
Deposits and current accounts	**530 167**	489 722	8	493 406
Short trading positions	**8 036**	5 737	40	5 777
Derivative financial instruments	**58 166**	49 733	17	36 150
Creditors and accruals	**7 408**	5 045	47	6 199
Provisions	**2 482**	2 492	–	2 945
Tax liability	**95**	–	n/a	95
Post-retirement liabilities	**2 305**	2 166	6	2 252
Deferred tax liability	**1 474**	1 873	(21)	1 348
Long-term liabilities	**6 098**	6 775	(10)	7 040
Amounts due to holding and fellow subsidiary companies	**13 272**	20 626	(36)	20 841
Loans from insurance group	**–**	228	(100)	–
Total liabilities	**629 503**	584 397	8	576 053
Equity				
Ordinary shares	**4**	4	–	4
Share premium	**14 604**	11 304	29	11 455
Reserves attributable to equityholders	**27 429**	24 478	12	26 183
Total ordinary equityholders funds	**42 037**	35 786	17	37 642
NCNR preference shares	**3 000**	3 000	–	3 000
Total equity	**45 037**	38 786	16	40 642
Total equity and liabilities	**674 540**	623 183	8	616 695

Statement of cash flows – IFRS

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	Year ended 30 June 2011
Cash flows from operating activities			
Cash receipts from customers	29 455	28 208	56 932
Cash paid to customers, suppliers and employees	(21 372)	(23 076)	(42 172)
Dividends received	1 184	1 407	2 721
Ordinary dividends paid	(3 361)	(1 354)	(3 072)
Preference dividends paid	(92)	(106)	(201)
Net cash flows from operating activities	5 814	5 079	14 208
Increase in income-earning assets	(33 060)	(31 458)	(35 676)
Increase in deposits and other liabilities	29 605	30 648	30 214
Net cash utilised in operations	(3 455)	(810)	(5 462)
Tax paid	(1 634)	(758)	(2 333)
Net cash inflow from operating activities	725	3 511	6 413
Cash flows from investing activities			
Acquisition of property and equipment	(1 195)	(1 021)	(2 187)
Proceeds from the disposal of property and equipment	105	57	192
Proceeds on the disposal of subsidiaries	–	688	967
Acquisition of associates and joint ventures	(36)	(185)	(96)
Proceeds on disposal from associates and joint ventures	–	1 021	1 530
Proceeds on disposal of investment securities	–	–	(69)
Acquisition of intangible assets	(14)	(16)	(205)
Net cash (outflow)/inflow from investing activities	(1 140)	544	132
Cash flows from financing activities			
Proceeds from share issue	3 149	339	490
Repayment of long-term liabilities	(809)	(120)	(760)
Net cash inflow/(outflow) from financing activities	2 340	219	(270)
Net increase in cash and cash equivalents	1 925	4 274	6 275
Cash and cash equivalents at the beginning of the year	29 012	22 745	22 745
Cash and cash equivalents at the end of the period	30 937	27 019	29 020
Effect of exchange rate changes on cash and cash equivalents	–	–	(8)
Cash and cash equivalents at the end of the period	30 937	27 019	29 012

Statement of changes in equity – IFRS

for the six months ended 31 December

R million	Share capital	Share premium	Share capital and share premium	Cash flow hedge reserve	Available-for-sale reserve
Balance as at 1 July 2010	4	10 965	**10 969**	(467)	530
Issue of share capital	–	339	**339**	–	–
Total comprehensive income	–	–	**–**	(94)	85
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Contribution from parent company	–	–	**–**	–	–
Balance as at 31 December 2010	4	11 304	**11 308**	(561)	615
Balance as at 1 July 2011	4	11 455	**11 459**	(452)	443
Issue of share capital	–	3 149	**3 149**	–	–
Total comprehensive income	–	–		(197)	75
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Contribution from parent company	–	–	**–**	–	–
Balance as at 31 December 2011	4	14 604	**14 608**	(649)	518

Share-based payment reserve	Currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	Non-cumulative non-redeemable preference shares	Total equity
411	(291)	1 345	20 128	**21 656**	3 000	**35 625**
–	–	–	–	**–**	–	**339**
–	(155)	–	4 296	**4 132**	106	**4 238**
–	–	–	13	**13**	–	**13**
–	–	–	(1 354)	**(1 354)**	–	**(1 354)**
–	–	–	–	**–**	(106)	**(106)**
(56)	–	–	87	**31**	–	**31**
355	(446)	1 345	23 170	**24 478**	3 000	**38 786**
342	(424)	1 345	24 929	**26 183**	3 000	**40 642**
–	–	–	–	**–**	–	**3 149**
–	173	–	4 529	**4 580**	92	**4 672**
–	–	–	(3 361)	**(3 361)**	–	**(3 361)**
–	–	–	–	**–**	(92)	**(92)**
26	–	–	1	**27**	–	**27**
368	(251)	1 345	26 098	**27 429**	3 000	**45 037**

Notes

Detailed financial analysis

Income statement – normalised

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Continuing operations				
Interest and similar income	**21 378**	20 446	5	41 097
Interest expense and similar charges	**(11 229)**	(11 795)	(5)	(22 875)
Net interest income before impairment of advances	**10 149**	8 651	17	18 222
Impairment of advances	**(1 752)**	(2 222)	(21)	(4 151)
Net interest income after impairment of advances	**8 397**	6 429	31	14 071
Non-interest income	**9 554**	8 561	12	16 836
Income from operations	**17 951**	14 990	20	30 907
Operating expenses	**(11 571)**	(10 339)	12	(21 136)
Income before tax	**6 380**	4 651	37	9 771
Indirect tax	**(356)**	(307)	16	(503)
Profit before direct tax	**6 024**	4 344	39	9 268
Direct tax	**(1 375)**	(984)	40	(2 266)
Profit for the year	**4 649**	3 360	38	7 002
NCNR preference shareholders	**(92)**	(106)	(13)	(201)
Ordinary equityholders of the Bank	**4 557**	3 254	40	6 801
Headline earnings adjustments	**(277)**	(152)	82	(206)
Normalised earnings	**4 280**	3 102	38	6 595

Detailed financial analysis

Statement of comprehensive income – normalised

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Profit for the period	4 649	3 360	38	7 002
Other comprehensive income				
Cash flow hedges	(275)	(131)	>100	21
Available-for-sale financial assets	142	167	(15)	(47)
Exchange differences in translating foreign operations	174	(155)	(>100)	(133)
Other comprehensive income for the period before tax	41	(119)	(>100)	(159)
Income tax relating to components of other comprehensive income	10	(45)	(>100)	(46)
Other comprehensive income for the period	51	(164)	(>100)	(205)
Total comprehensive income for the period	4 700	3 196	47	6 797
Total comprehensive income attributable to:				
NCNR preference shares	92	106	(13)	201
Equityholders of the Bank	4 608	3 090	49	6 596
Total comprehensive income for the period	4 700	3 196	47	6 797

Statement of normalised earnings

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Attributable earnings to ordinary shareholders (per page 2)	**4 557**	3 254	40	6 801
Adjusted for:	**(277)**	(152)	82	(206)
Profit on sale of available-for-sale assets	**(327)**	(174)	88	(335)
Loss on sale of property and equipment	**30**	3	>100	47
Other	**–**	19	(100)	69
Tax effects of adjustments	**20**	–	n/a	13
Normalised earnings	**4 280**	3 102	38	6 595

Abridged statement of financial position – normalised

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
ASSETS				
Derivative financial instruments	**57 321**	50 446	14	36 666
Advances	**458 965**	422 864	9	429 134
Investment securities and other investments	**85 691**	87 306	(2)	83 810
Other assets	**72 563**	62 567	16	67 085
Total assets	**674 540**	623 183	8	616 695
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**530 167**	489 722	8	493 406
Short trading positions and derivative financial instruments	**8 036**	5 737	40	5 777
Other liabilities	**91 300**	88 938	3	76 870
Total equity	**45 037**	38 786	16	40 642
Total equity and liabilities	**674 540**	623 183	8	616 695

Reconciliation of IFRS income statement to normalised income statement

for the six months ended 31 December 2011

R million	December 2011 IFRS	Fair value income-funding cost	IFRS 2 share-based payment expense	Economic hedges
Interest and similar income	18 464	1 748	–	80
Interest expense and similar charges	(11 229)	–	–	–
Net interest income before impairment of advances	7 235	1 748	–	80
Impairment of advances	(1 615)	–	–	–
Net interest income after impairment of advances	5 620	1 748	–	80
Non-interest income	12 331	(1 748)	–	(80)
Income from operations	17 951	–	–	–
Operating expenses	(11 599)	–	28	–
Income before tax	6 352	–	28	–
Indirect tax	(356)	–	–	–
Profit before direct tax	5 996	–	28	–
Direct tax	(1 375)	–	–	–
Profit for the period	4 621	–	28	–
Profit attributable to:				
NCNR preference shareholders	92	–	–	–
Ordinary equityholders	4 529	–	28	–
Profit for the period	4 621	–	28	–
Equityholders of FirstRand Bank	4 529	–	28	–
Profit/(loss) on sale of property and equipment	30	–	–	–
Profit on sale of available-for-sale assets	(327)	–	–	–
Tax effect on adjustments	20	–	–	–
Headline earnings	4 252	–	28	–
Impact of IFRS 2	28	–	(28)	–
Normalised headline earnings	4 280	–	–	–

	Fair value annuity income (lending)	December 2011 normalised
	1 086	21 378
	–	(11 229)
	1 086	10 149
	(137)	(1 752)
	949	8 397
	(949)	9 554
	–	17 951
	–	(11 571)
	–	6 380
	–	(356)
	–	6 024
	–	(1 375)
	–	4 649
	–	92
	–	4 557
	–	4 649
	–	4 557
	–	30
	–	(327)
	–	20
	–	4 280
	–	–
	–	4 280

Reconciliation of IFRS income statement to normalised income statement

for the six months ended 31 December 2010

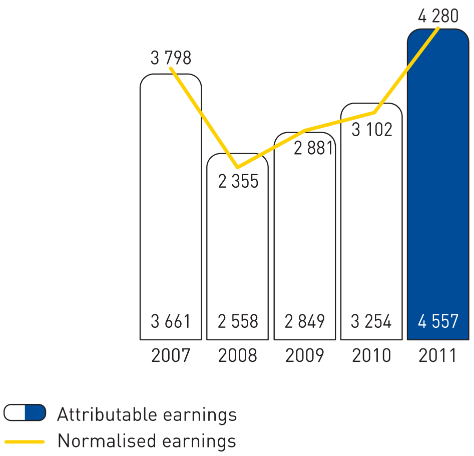
R million	2010 IFRS	Fair value income-funding cost	IFRS 2 share-based payment expense	Economic hedges
Interest and similar income	17 425	1 398	–	57
Interest expense and similar charges	(11 795)	–	–	–
Net interest income before impairment of advances	5 630	1 398	–	57
Impairment of advances	(2 029)	–	–	–
Net interest income after impairment of advances	3 601	1 398	–	57
Non-interest income	12 461	(1 398)	–	(57)
Income from operations	16 062	–	–	–
Operating expenses	(10 369)	–	30	–
Income before tax	5 693	–	30	–
Indirect tax	(307)	–	–	–
Profit before direct tax	5 386	–	30	–
Direct tax	(984)	–	–	–
Profit for the period	4 402	–	30	–
Profit attributable to:				
NCNR preference shareholders	106	–	–	–
Ordinary equityholders	4 296	–	30	–
Profit for the period	4 402	–	30	–
Equityholders of FirstRand Bank	4 296	–	30	–
Profit/(loss) on sale of property and equipment	3	–	–	–
Sale of subsidiaries/associates*	(1 072)	–	–	–
Profit on sale of available-for-sale assets	(174)	–	–	–
Other	19	–	–	–
Headline earnings	3 072	–	30	–
Impact of IFRS 2	30	–	(30)	–
Normalised headline earnings	3 102	–	–	–

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

	Fair value annuity income (lending)	Profit on restructure	2010 normalised
	1 566	–	20 446
	–	–	(11 795)
	1 566	–	8 651
	(193)	–	(2 222)
	1 373	–	6 429
	(1 373)	(1 072)	8 561
	–	(1 072)	14 990
	–	–	(10 339)
	–	(1 072)	4 651
	–	–	(307)
	–	(1 072)	4 344
	–	–	(984)
	–	(1 072)	3 360
	–	–	106
	–	(1 072)	3 254
	–	(1 072)	3 360
	–	(1 072)	3 254
	–	–	3
	–	1 072	–
	–	–	(174)
	–	–	19
	–	–	3 102
	–	–	–
	–	–	3 102

Overview of results

Earnings performance (R million)



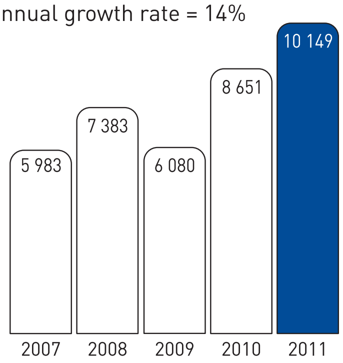
These results are characterised by the following themes:

Positives	Negatives
• Robust growth in NII, benefiting from: – change in advances mix, with strong advances growth in higher yielding asset classes; – ongoing repricing benefit, albeit at lower levels than the prior year; – the continued unwind of ISP; and – satisfactory gross advances growth of 8% 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 16% in fee and commission income.	
• Resilient fair value income from client flow activities.	
• Good containment of core operating costs to 9%, with overall cost growth at 12%. Overall cost growth was negatively affected by higher variable costs related to income-producing activities as well as expansion costs.	

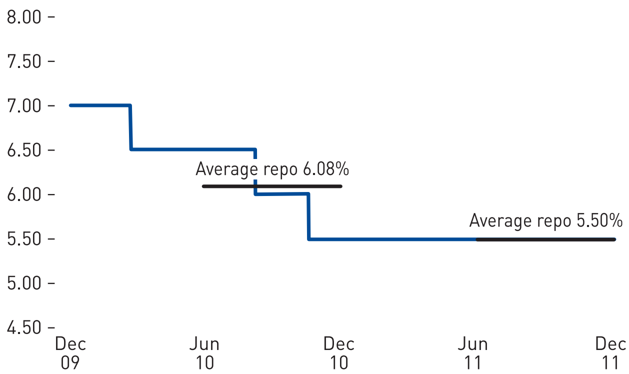
Net interest income (before impairment of advances) – up 17%

Net interest income (R million)

Compound annual growth rate = 14%



Endowment impact graph (repo %)



Note: 2007 to 2009 have been presented on an IFRS-basis, 2010 onwards is presented on a normalised basis.

Margin cascade table

Based on average interest-earning banking assets	%
December 2010 normalised	4.03
Accounting mismatches	0.16
	4.19
Change in balance sheet mix	0.26
Advances	0.08
– Advances pricing	0.04
– Term funding cost	0.04
Deposits	(0.09)
– Deposits pricing	(0.04)
– Deposit endowment	(0.05)
Capital endowment	(0.05)
Interest rate risk hedges	(0.04)
December 2011 normalised	4.35

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	**5 096**	4 487	14	9 197
Mass	**709**	540	31	1 137
Consumer segment	**2 374**	2 080	14	4 214
– HomeLoans	**644**	592	9	1 127
– Card Issuing	**520**	509	2	1 054
– Other Consumer	**1 210**	979	24	2 033
Wealth segment	**424**	435	(3)	871
Commercial segment	**1 596**	1 473	8	2 973
FNB Other	**(5)**	(40)	(88)	4
FNB Africa	**(2)**	(1)	100	(2)
RMB	**1 008**	841	20	1 842
GTS	**244**	259	(6)	520
WesBank	**2 550**	2 288	11	4 691
Corporate Centre	**1 149**	733	57	1 922
Net interest income – banking activities	**10 047**	8 608	17	18 172
Other*	**102**	43	>100	50
Net interest income	**10 149**	8 651	17	18 222

** Other includes 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	221 085	2.25	211 233	2.12
Residential mortgages	156 142	1.29	153 234	1.22
Vehicle asset finance	64 943	4.54	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	166 388	2.46	147 159	2.49
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	16 834	4.26	13 234	5.21
Investment banking	89 538	1.89	76 590	1.91
Money market	13 825	1.47	10 923	1.20
Total advances	413 601	3.01	379 480	2.79

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
Total deposits	259 774	1.98	224 967	2.15

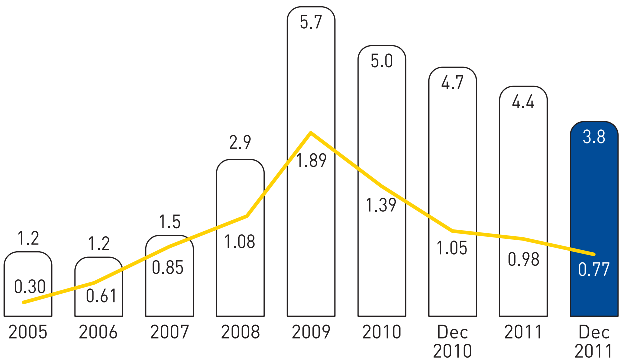
Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.

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 21%

NPLs and impairment history



Credit highlights

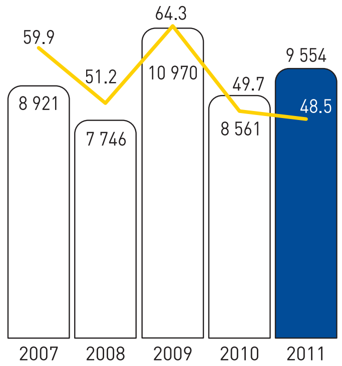
	Six months ended 31 December			Year ended 30 June
R million	**2011**	2010	% change	2011
Total gross advances	**468 310**	432 132	8	438 596
NPLs	**17 787**	20 138	(12)	19 090
NPLs as a % of advances	**3.80**	4.66		4.35
Impairment charge	**1 752**	2 222	(21)	4 151
Impairment charge as a % of average advances	**0.77**	1.05		0.98
Total impairments*	**9 345**	9 268	1	9 462
– Portfolio impairments*	**3 411**	3 062	11	3 231
– Specific impairments*	**5 934**	6 206	(4)	6 231
Implied loss given default (coverage)**	**33.36**	30.82		32.64
Total impairments coverage ratio#	**52.54**	46.02		49.57

** 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 – up 12%

Non-interest revenue



2007 to 2009 have been presented on an IFRS-basis, and 2010 onwards is presented on a 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	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Fee and commission income	**7 601**	6 536	16	13 680
Fair value revenue	**1 127**	1 431	(21)	2 098
Investment income	**349**	219	59	564
Other non-interest revenue	**477**	375	27	494
Total non-interest revenue	**9 554**	8 561	12	16 836

NOTE 1 FEE AND COMMISSION INCOME – UP 16%

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	**6 870**	5 894	17	12 620
Card commissions	**1 086**	891	22	1 793
Cash deposit fees	**861**	754	14	1 451
Commitment fees	**166**	72	>100	1 014
Acceptances, guarantees and indemnities	**5**	5	–	10
Commissions on bills, drafts and cheques	**205**	233	(12)	485
Bank charges	**4 547**	3 939	15	7 867
Knowledge-based fees	**411**	330	25	784
Management fees	**165**	290	(43)	277
Insurance income	**374**	291	29	1 003
Other non-bank commissions	**1 009**	861	17	1 225
Gross fee and commission income	**8 829**	7 666	15	15 909
Fee and commission expenditure	**(1 228)**	(1 130)	9	(2 229)
Total fee and commission income	**7 601**	6 536	16	13 680

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 29% in insurance income, assisted by good growth in other embedded insurance products in both FNB and WesBank.	

NOTE 2 FAIR VALUE INCOME – DOWN 21%

	Six months ended 31 December			Year ended 30 June
R million	**2011**	2010	% change	2011
Annuity	**412**	532	(23)	1 357
– Hedging and structuring	**54**	212	(75)	686
– Client flow	**358**	320	12	671
Risk income	**440**	572	(23)	707
– Equities	**147**	276	(47)	251
– Commodities	**154**	5	>100	47
– Interest rates	**(76)**	212	(>100)	319
– Credit	**–**	10	(100)	(1)
– Forex	**215**	69	>100	91
Other*	**275**	327	(16)	34
Total	**1 127**	1 431	(21)	2 098

* *The economic hedges not qualifying for hedge accounting have been included as part of other.*

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.	• Lower 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.	

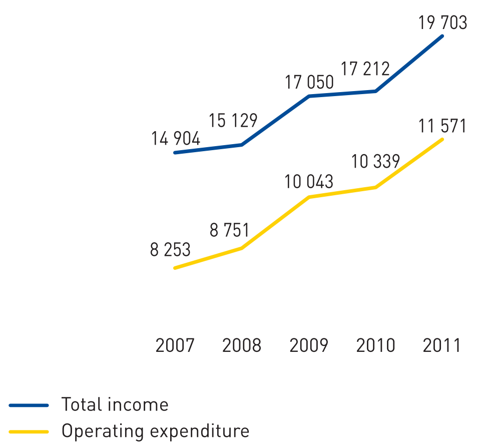
NOTE 3 INVESTMENT INCOME – UP 59%

R million	Six months ended 31 December 2011	Six months ended 31 December 2010	% change	Year ended 30 June 2011
Profit on disposal of available-for-sale assets	**327**	174	88	335
Gain on disposal of investments of a capital nature excluding investments in subsidiaries	**–**	3	(100)	32
Dividends from associates	**–**	21	(100)	–
Other investment income	**22**	21	5	197
Total investment income	**349**	219	59	564

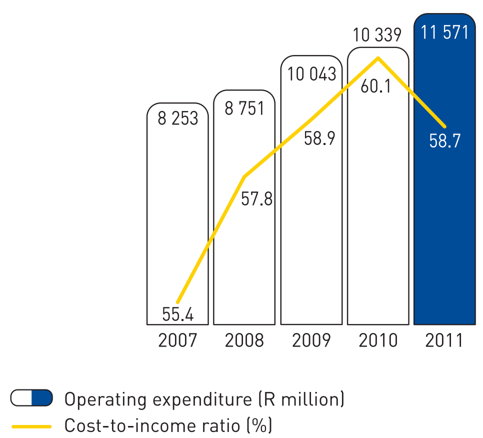
Positives	Negatives
Profit on sale of Momentum policy in the current year.	Disposal of VISA shares in the prior year.

Operating expenses – up 12%

Operating "jaws" (R million)



Operating efficiency



2007 to 2009 have been presented on an IFRS-basis and 2010 onwards is presented on a 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	6 890	6 305	9	12 452
– Direct staff expenditure	4 243	3 869	10	7 788
– Other staff related expenditure	2 647	2 436	9	4 664
Depreciation	755	636	19	1 314
Amortisation of other intangible assets	62	66	(6)	110
Advertising and marketing	382	301	27	709
Insurance	96	103	(7)	197
Lease charges	429	379	13	833
Professional fees	391	334	17	811
Audit fees	70	51	37	101
Computer expenses	536	275	95	590
Maintenance	184	404	(54)	811
Telecommunications	127	185	(31)	380
Cooperation agreements and joint ventures	259	181	43	682
Other expenditure	1 390	1 119	24	2 146
Total operating expenses	11 571	10 339	12	21 136

Staff costs – up 9%

- 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 43%, 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 an increase in total deployed ATMs as well as related infrastructure development costs.
- Significant increase in depreciation costs in part associated with the growth of the FMR business in WesBank.

Direct taxation – up 40%

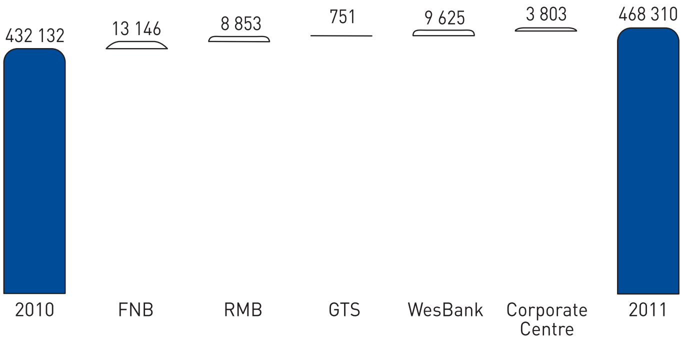
Impacted by:

- year-on-year profit growth in the Bank;
- 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.

Gross advances – up 8%

R million	As at 31 December 2011	As at 31 December 2010	% change	As at 30 June 2011
Normalised gross advances	**468 310**	432 132	8	438 596
Normalised impairment of advances	**(9 345)**	(9 268)	1	(9 462)
Normalised net advances	**458 965**	422 864	9	429 134

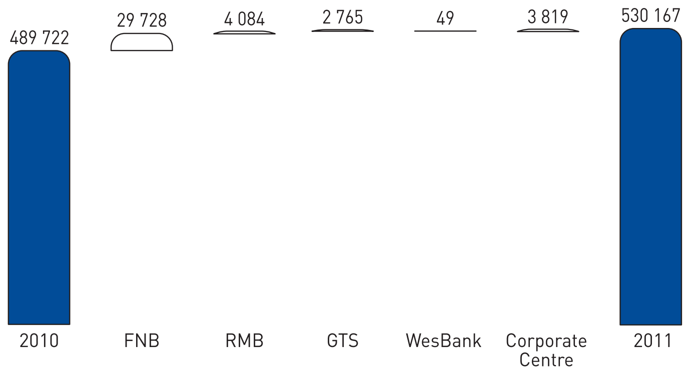
Gross advances by franchise (R million)



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 muted advances growth in HomeLoans and Card.
• Growth of 53% in unsecured lending (excluding Card) 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.	
• Growth of 10% in WesBank's gross advances, resulting from: – retail new motor business in the local market increasing 23%; – corporate new business growing 13%, benefiting from specific growth initiatives; and – personal loans new business growth of 26%.	
• Robust growth of 18% 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 8%

Deposits by franchise (R million)



Positives
• Deposit growth mainly driven by FNB, reflecting 17% growth.
• 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

Segmental reporting
for the six months ended 31 December 2011

	FNB		RMB		
R million	FNB South Africa	FNB Africa*	RMB	GTS	Total CIB
Net interest income before impairment of advances	5 098	(2)	1 008	244	1 252
Impairment of advances	(1 052)	–	(153)	(4)	(157)
Net interest income after impairment of advances	4 046	(2)	855	240	1 095
Non-interest income	6 355	109	2 238	555	2 793
Net income from operations	10 401	107	3 093	795	3 888
Operating expenses	(6 639)	(126)	(1 489)	(605)	(2 094)
Income before tax	3 762	(19)	1 604	190	1 794
Indirect tax	(197)	–	(34)	(10)	(44)
Profit before direct tax	3 565	(19)	1 570	180	1 750
Direct tax	(944)	5	(416)	(48)	(464)
Profit after tax	2 621	(14)	1 154	132	1 286
Profit attributable to:					
Ordinary equityholders	2 621	(14)	1 154	132	1 286
NCNR preference shareholders	–	–	–	–	–
	2 621	(14)	1 154	132	1 286
Attributable earnings to ordinary equityholders	2 621	(14)	1 154	132	1 286
Profit/(loss) on sale of property and equipment	31	–	–	–	–
Loss on sale of available for sale assets	–	–	–	–	–
Tax effect on adjustments	(9)	–	–	–	–
Headline earnings	2 643	(14)	1 154	132	1 286
Impact of IFRS 2 Share-based payment expense	–	–	–	–	–
Normalised headline earnings	2 643	(14)	1 154	132	1 286
Assets under management	22 673	–	–	–	–
The income statement includes:					
Depreciation	(558)	–	(33)	(8)	(41)
Amortisation	(28)	–	(15)	–	(15)
Joint venture expenses	(119)	–	–	–	–
Other non-cash provisions	(382)	(3)	(452)	–	(452)
The statement of financial position includes:					
Investments in associates and joint ventures	–	–	151	–	151
Total assets	219 506	98	244 556	3 510	248 066
Total liabilities	215 881	116	244 215	3 263	247 478

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 72) and are not reported in the Bank.*

WesBank	Corporate Centre	Consolidation and IFRS adjustments	FRB normalised	Normalised adjustments	FRB – IFRS
2 550	1 149	102	10 149	(2 914)	7 235
(543)	–	–	(1 752)	137	(1 615)
2 007	1 149	102	8 397	(2 777)	5 620
621	927	(1 251)	9 554	2 777	12 331
2 628	2 076	(1 149)	17 951	–	17 951
(1 683)	(1 201)	172	(11 571)	(28)	(11 599)
945	875	(977)	6 380	(28)	6 352
(100)	(15)	–	(356)	–	(356)
845	860	(977)	6 024	(28)	5 996
(224)	(228)	480	(1 375)	–	(1 375)
621	632	(497)	4 649	(28)	4 621
621	632	(589)	4 557	(28)	4 529
–	–	92	92	–	92
621	632	(497)	4 649	(28)	4 621
621	632	(589)	4 557	(28)	4 529
(1)	–	–	30	–	30
–	(327)	–	(327)	–	(327)
–	29	–	20	–	20
620	334	(589)	4 280	(28)	4 252
–	–	–	–	28	28
620	334	(589)	4 280	–	4 280
–	–	–	22 673	–	22 673
(102)	(55)	1	(755)	–	(755)
(19)		–	(62)	–	(62)
–	–		(119)	–	(119)
(121)	(119)		(1 077)	–	(1 077)
–	1	–	152	–	152
104 084	102 582	204	674 540	–	674 540
103 237	62 251	540	629 503	–	629 503

Segmental reporting *continued*
for the six months ended 31 December 2010

R million	FNB South Africa	FNB Africa*	RMB	GTS	Total CIB
	FNB		RMB		
Net interest income before impairment of advances	4 488	(1)	841	259	1 100
Impairment of advances	(1 263)	–	(197)	(22)	(219)
Net interest income after impairment of advances	3 225	(1)	644	237	881
Non-interest income	5 948	80	2 024	552	2 576
Net income from operations	9 173	79	2 668	789	3 457
Operating expenses	(6 036)	(111)	(1 379)	(603)	(1 982)
Income before tax	3 137	(32)	1 289	186	1 475
Indirect tax	(168)	–	(28)	(12)	(40)
Profit before direct tax	2 969	(32)	1 261	174	1 435
Direct tax	(786)	8	(334)	(46)	(380)
Profit for the period	2 183	(24)	927	128	1 055
Profit attributable to:					
Ordinary equityholders	2 183	(24)	927	128	1 055
NCNR preference shareholders	–	–	–	–	–
	2 183	(24)	927	128	1 055
Attributable earnings to ordinary equityholders	2 183	(24)	927	128	1 055
Other	–	–	–	–	–
Profit/(loss) on sale of property and equipment	2	–	–	–	–
Sale of subsidiaires/associates	–	–	–	–	–
Loss on sale of available for sale assets	–	–	–	(19)	(19)
Tax effect on adjustments	–	–	–	–	–
Headline earnings	2 185	(24)	927	109	1 036
Impact of IFRS 2 Share-based payment expense	–	–	–	–	–
Normalised headline earnings	2 185	(24)	927	109	1 036
Assets under management	27 344	–	–	–	–
The income statement includes:					
Depreciation	(475)	–	(33)	(4)	(37)
Amortisation	(42)	–	(17)	–	(17)
Joint venture expenses	(90)	–	–	–	–
Other non-cash provisions	(358)	(6)	(462)	–	(462)
The statement of financial position includes:					
Investments in associates and joint ventures	–	–	115	–	115
Total assets	204 445	41	220 917	2 877	223 794
Total liabilities	201 270	73	220 304	2 632	222 936

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 72) and are not reported in the Bank.*

WesBank	Corporate Centre	Consolidation and IFRS adjustments	FRB normalised	Normalised adjustments	FRB – IFRS
2 288	733	43	8 651	(3 021)	5 630
(739)	(1)	–	(2 222)	193	(2 029)
1 549	732	43	6 429	(2 828)	3 601
429	642	(1 114)	8 561	3 900	12 461
1 978	1 374	(1 071)	14 990	1 072	16 062
(1 330)	(1 032)	152	(10 339)	(30)	(10 369)
648	342	(919)	4 651	1 042	5 693
(85)	(13)	(1)	(307)	–	(307)
563	329	(920)	4 344	1 042	5 386
(152)	(87)	413	(984)	–	(984)
411	242	(507)	3 360	1 042	4 402
411	242	(613)	3 254	1 042	4 296
	–	106	106	–	106
411	242	(507)	3 360	1 042	4 402
411	242	(613)	3 254	1 042	4 296
–	–	19	19	–	19
(1)	(3)	5	3	–	3
–	–	–	–	(1 072)	(1 072)
–	(155)	–	(174)	–	(174)
–	–	–	–	–	–
410	84	(589)	3 102	(30)	3 072
–	–	–	–	30	30
410	84	(589)	3 102	–	3 102
–	–	–	27 344	–	27 344
(73)	(51)	–	(636)	–	(636)
(6)	–	(1)	(66)	–	(66)
–	–	–	(90)	–	(90)
(77)	(115)	–	(1 018)	–	(1 018)
	1	–	116	–	116
94 646	90 033	10 224	623 183	–	623 183
93 573	55 722	10 823	584 397	–	584 397

Notes

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.

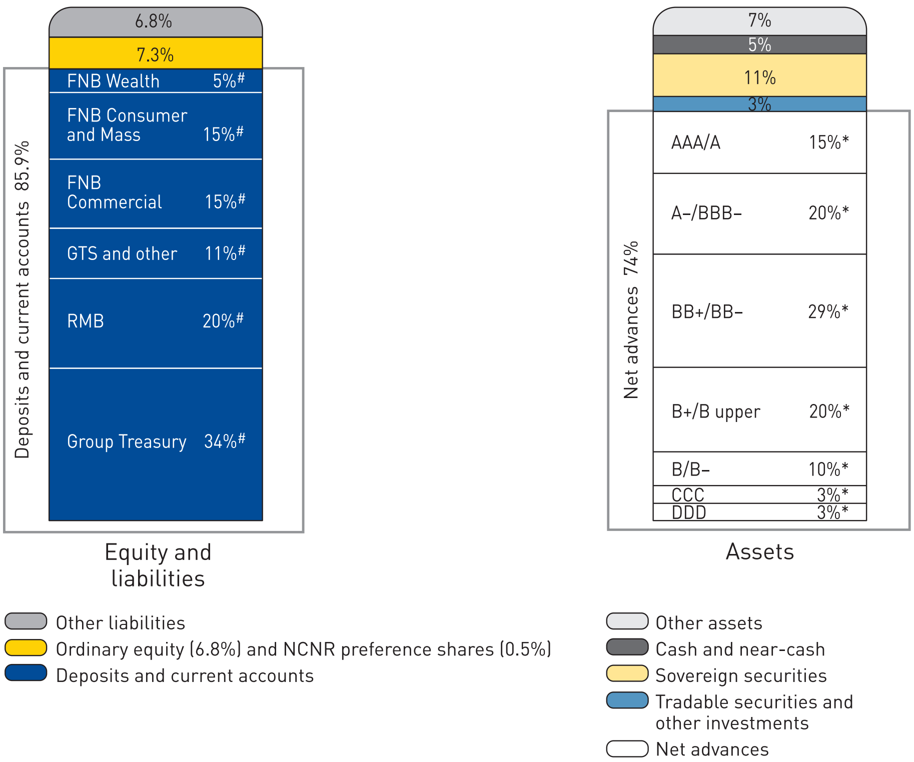
At the core of FirstRand's approach is a belief that the balance sheet and its income statement streams can be both protected and enhanced throughout the cycle to improve sustainability and predictability, by actively managing the investment and enterprise value risks, which include:

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

To achieve this objective, the Bank 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.

The Bank'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 (%)



# of deposits and current accounts

Derivative assets and liabilities are netted off in the balance sheet.

** of net advances*

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 and the Bank 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. The Bank 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 Bank 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 Bank follows a conservative approach to capital levels and prefers to maintain capital ratios at the upper end of its targeted capitalisation range.

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

	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. 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.

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, 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%. FRB's current leverage ratio is well in excess of this requirement and therefore this does not introduce any constraint for the Bank.

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 reserve and foreign currency translation reserve) will be included in Core Tier 1 capital from 1 January 2013.
- 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 Bank 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.

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.

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. FRB's RWA movement is due to the following:

- increase in credit RWA mainly due to credit risk recalibrations and volume growth, and
- decreased market risk positions in FRB.

Capital adequacy

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

Composition of qualifying capital

	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 FRB'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	3 000	3 000	Floating	Perpetual
Upper Tier 2	FRBC21	628	603	Fixed	21 Dec 2018
	FRBC22	440	441	Floating	21 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

* *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 FRB.

RWA and capital requirement per Basel II approach

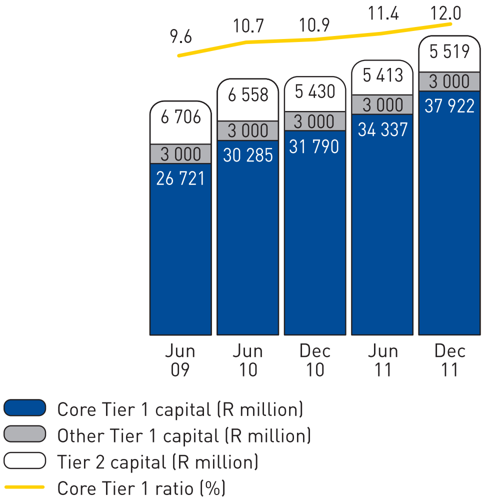
	December 2011				December 2010	June 2011
	RWA					
R million	Advanced approach	Standardised approach	Total	Capital requirement*	RWA	RWA
Credit risk						
Corporate, banks and sovereigns	96 663		96 663	9 183	85 581	92 642
Small and medium enterprises (SME)	39 648		39 648	3 767	41 095	37 584
Residential mortgages	43 464		43 464	4 129	44 747	42 388
Qualifying revolving retail	9 611		9 611	913	9 123	9 003
Other retail	45 186		45 186	4 293	31 962	40 481
Securitisation exposure	8 673		8 673	824	5 404	4 580
Other	–	–	–	–	–	–
Total credit risk	243 245	–	243 245	23 109	217 912	226 678
Operational risk	42 268	–	42 268	4 015	42 992	42 659
Market risk	5 125	–	5 125	487	7 702	7 016
Equity investment risk	10 570	–	10 570	1 004	9 599	10 460
Other assets	–	14 545	14 545	1 382	14 401	14 027
Total risk weighted assets	301 208	14 545	315 753	29 997	292 606	300 840

* *Capital requirement calculated at 9.5% (Pillar 1 of 8% and Pillar 2a of 1.5%) of RWA.*

Historical overview of capital adequacy

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

FRB regulatory capital position



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. 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.

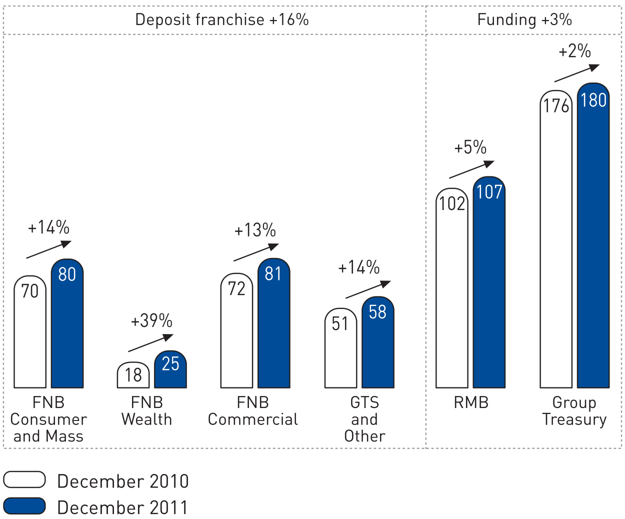
Currently FRB and most of the South African banking industry do not meet the minimum quantitative requirements. This is due to the structural funding issues described previously. These issues have been recognised by the South African regulators, banking industry and National Treasury. In response, and 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 will effectively deal with the proposed regulations.

Funding strategy

The Bank'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 Bank with a natural liquidity buffer.

The Bank is actively building its deposit franchise using innovative/competitive products (illustrated by the following graph) and pricing and lengthening its institutional funding.

Bank funding by segment (R billion)



DIVERSIFICATION

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

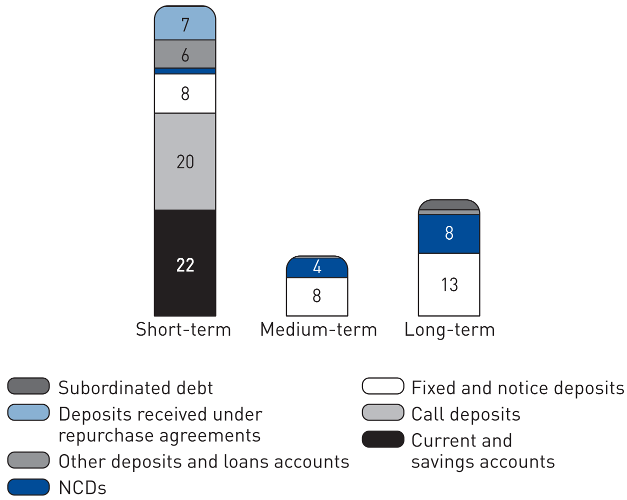
- **Segments** – the Bank has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represents approximately 39% of the Bank's total funding and this reliance represents a risk concentration that is actively managed through the holding of appropriate liquidity buffers and continued focus on lengthening the term profile.
- **Country and currency of issue** – the Bank 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 Bank 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 Bank seeks to broaden its investor base as far as possible, while actively pursuing an investor relations strategy.

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

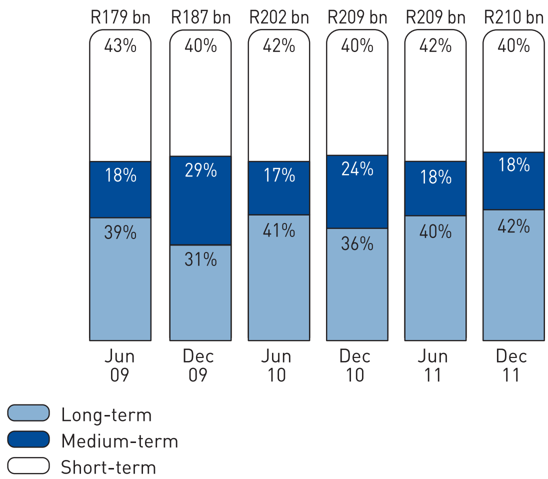
The chart below shows an analysis of the Bank's maturity profile by instrument type. The instruments represent South African banking products.

FRB's funding by product type (%)



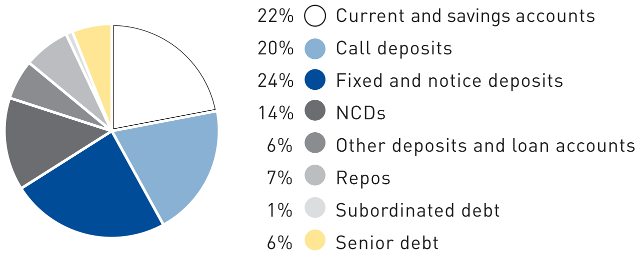
A historical analysis of the average maturity of FRB's institutional funding base is provided in the chart below, and it shows that FRB has reduced its reliance on short-term funding over time.

Term profile of FRB's institutional funding base



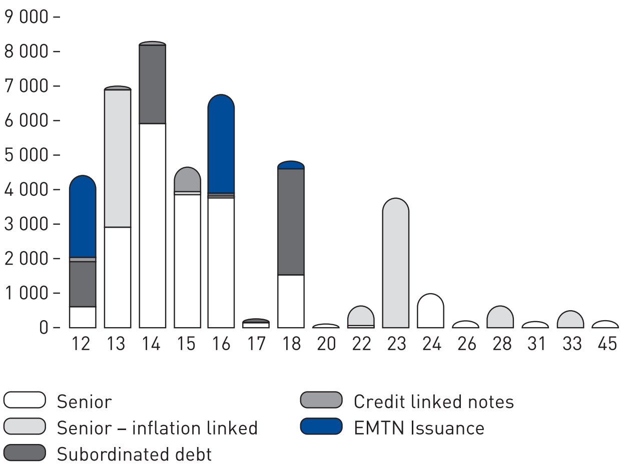
The chart below shows that FRB has well-diversified instruments funding the balance sheet.

Instrument type (including senior debt)



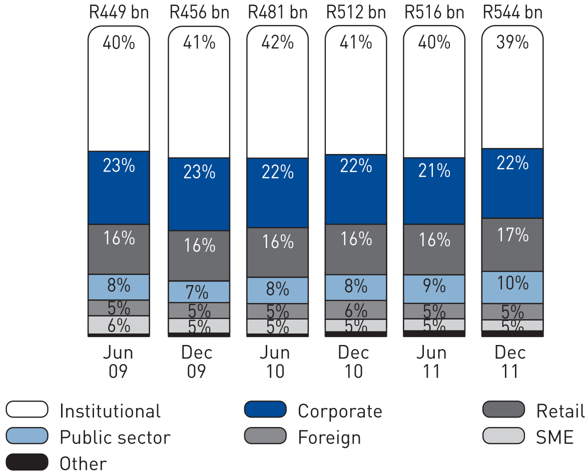
The maturity profile of all issued capital markets instruments is shown below – the Bank does not have concentration risk in any one year.

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



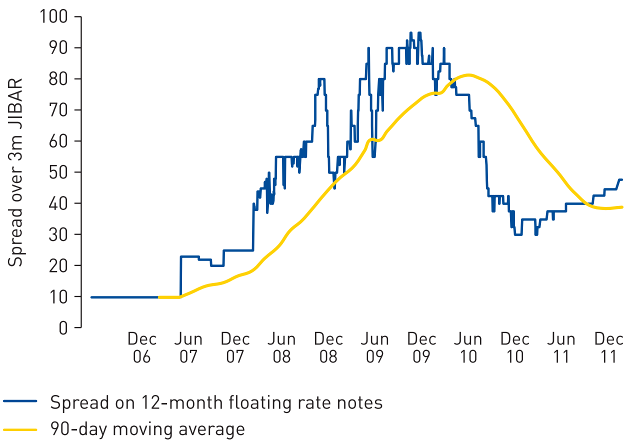
EFFICIENCY

The Bank'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 Bank has established a range of debt programmes. The Bank'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 Bank to identify cost-effective funding opportunities.

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

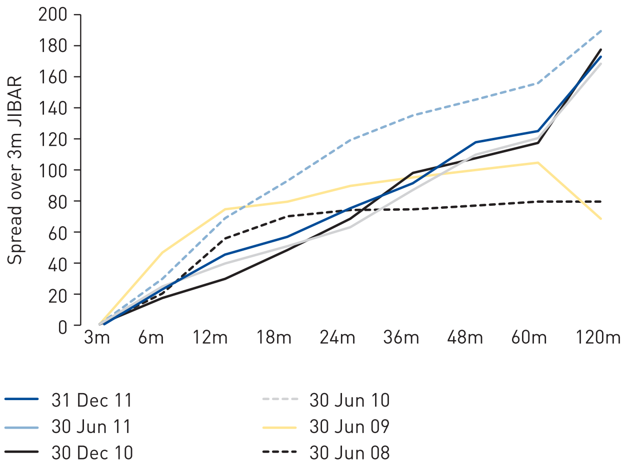
12-month liquidity spread (bps)



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 Bank 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 Bank'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 Bank 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 Bank's globally-integrated approach to debt pricing and risk management in a responsive and effective manner.

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

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

LIQUIDITY RISK MANAGEMENT CYCLE

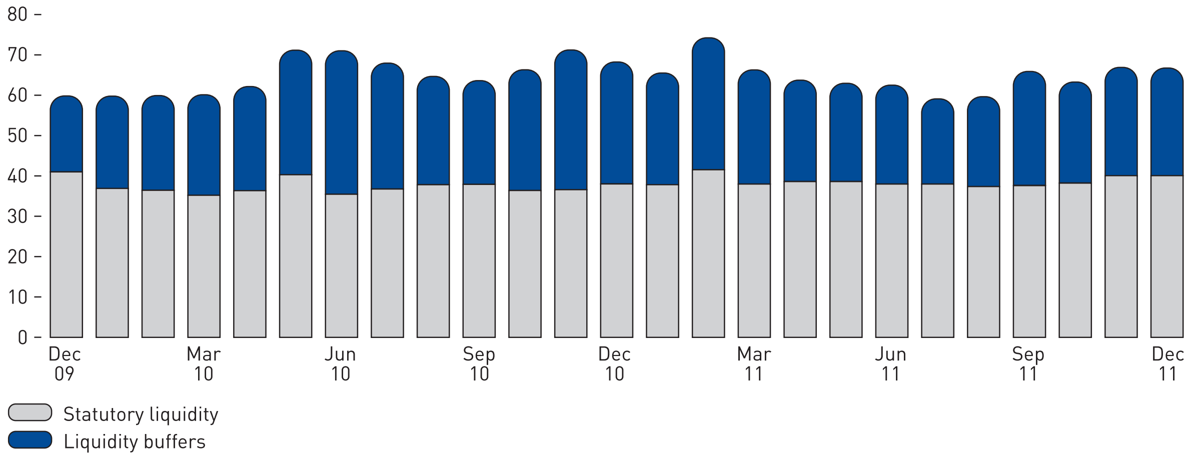
The target liquidity risk profile is determined by the risk appetite framework. It is continuously compared to the prevailing risk profile of the Bank and evaluated under a range of scenarios and business conditions, including economic and event stresses.

On a dynamic basis the prevailing funding profile is adjusted through a range of short-, medium- and long-term actions to ensure that the Bank 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 Bank.

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 FRB 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 Bank'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	**468 310**	432 132	8	438 596
NPLs	2	**17 787**	20 138	(12)	19 090
NPLs as a % of advances		**3.80**	4.66		4.35
Impairment charge	3	**1 752**	2 222	(21)	4 151
Impairment charge as a % of average advances		**0.77**	1.05		0.98
Total impairments*	4	**9 345**	9 268	1	9 462
– Portfolio impairments*		**3 411**	3 062	11	3 231
– Specific impairments*		**5 934**	6 206	(4)	6 231
Implied loss given default (coverage)**	4	**33.36**	30.82		32.64
Total impairments coverage ratio#		**52.54**	46.02		49.57

** Includes cumulative credit fair value adjustments.*
***Specific impairments and non performing book cumulative credit fair value adjustments as a percentage of the NPLs.*
 # Total 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:

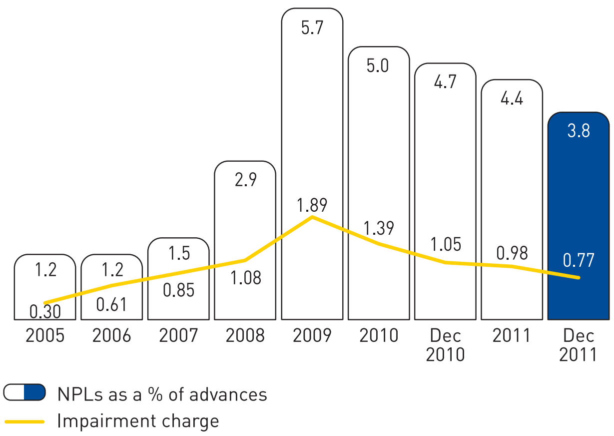
- advances were adjusted (upwards) by the cumulative credit fair value adjustments of R2 088 million (December 2010: R1 631 million; June 2011: R1 951 million); and
- the IFRS credit impairments in the income statement were adjusted to include the credit fair value adjustment impact of R137 million (December 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 Bank's strategies to reduce NPLs continued to yield favourable results. The retail NPL% is 5.09% and is down from the 6.54% reported at December 2010. NPLs in the retail portfolios have declined by 16% since December 2010. The reduction in NPLs is driven by the slower inflow into NPLs in the FNB HomeLoans and WesBank 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.

FRB NPLs and impairment history (%)



Corporate credit portfolios

The RMB core advances book grew by 18% 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 2.42% (December 2010: 2.57% and June 2011: 2.66%). Impairment charges also showed signs of improvement. The charge at December 2011 is 0.47% (December 2010: 0.63% and June 2011: 0.68%). Significant reductions in impairment charges were experienced in FNB Commercial and RMB compared to the previous December and June.

Note 1: Analysis of advances

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

	Advances				
	As at 31 December			2011	As at 30 June
R million	2011	2010	% change	% composition	2011
Retail	**251 320**	233 140	8	**54**	240 598
Retail secured	**223 556**	211 786	6	**48**	216 340
Residential mortgages	**155 174**	150 682	3	**33**	153 132
Vehicle and asset finance	**68 382**	61 104	12	**15**	63 208
Retail unsecured	**27 764**	21 354	30	**6**	24 258
Credit card	**11 038**	10 447	6	**2**	10 758
Other retail	**16 726**	10 907	53	**4**	13 500
Personal banking	**6 296**	3 387	86	**1**	4 593
– Overdrafts	**1 685**	1 094	54	**0**	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	**207 939**	193 883	7	**44**	191 267
FNB Commercial	**31 919**	28 692	11	**7**	30 797
WesBank Corporate	**29 999**	28 774	4	**6**	29 800
RMB	**142 421**	133 568	7	**30**	128 077
GTS	**3 600**	2 849	26	**1**	2 593
Corporate Centre and other	**9 051**	5 109	77	**2**	6 731
Total advances	**468 310**	432 132	8	**100**	438 596
Of which:					
Accrual book	**339 794**	309 579	10	**73**	317 593
Fair value book*	**128 516**	122 553	5	**27**	121 003

* *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.

R million	As at 31 December 2011	As at 31 December 2010	% change	As at 30 June 2011
RMB advances	142 421	133 568	7	128 077
Less: assets under agreements to resell	(32 505)	(40 316)	(19)	(30 257)
RMB advances net of assets under agreements to resell	109 916	93 252	18	97 820

Sector and geographic analysis of advances

R million	As at 31 December 2011	As at 31 December 2010	% change	As at 30 June 2011
Gross advances	470 353	434 252	8	440 661
Less: Interest in suspense	(2 043)	(2 120)	(4)	(2 065)
Advances net of interest in suspense	468 310	432 132	8	438 596
Sector analysis				
Agriculture	11 600	12 467	(7)	12 931
Banks and financial services	64 430	65 958	(2)	55 615
Building and property development	21 956	18 941	16	22 278
Government, Land Bank and Public Authorities	14 715	16 859	(13)	14 797
Individuals	265 855	246 653	8	256 224
Manufacturing and commerce	37 449	28 175	33	30 764
Mining	11 168	9 539	17	10 147
Transport and communication	13 732	12 650	9	11 890
Other services	27 405	20 890	31	23 950
Total advances	468 310	432 132	8	438 596
Geographic analysis				
South Africa	443 975	417 230	6	423 045
Other Africa	4 938	2 510	97	2 934
UK	10 072	8 669	16	8 784
Ireland	–	15	(>100)	–
Europe	3 683	1 732	>100	1 970
North America	55	799	(93)	140
South America	306	265	15	264
Australasia	5 004	2	>100	1 457
Other	277	910	(70)	2
Total advances	468 310	432 132	8	438 596

Note 2: Analysis of NPLs

The NPLs reduced by 12% 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	12 781	15 240	(16)	72	14 033	5.09	6.54	5.83
Retail secured	11 588	14 012	(17)	65	12 798	5.18	6.62	5.92
Residential mortgages	9 258	11 124	(17)	52	10 293	5.97	7.38	6.72
Vehicle and asset finance	2 330	2 888	(19)	13	2 505	3.41	4.73	3.96
Retail unsecured	1 193	1 228	(3)	7	1 235	4.30	5.75	5.09
Credit card	299	466	(36)	2	446	2.71	4.46	4.15
Other retail	894	762	17	5	789	5.34	6.99	5.84
Personal banking	179	131	37	1	131	2.84	3.87	2.85
– Overdrafts	48	41	17	0	44	2.85	3.75	3.52
– Loans	131	90	46	1	87	2.84	3.92	2.60
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	5 025	4 981	1	28	5 093	2.42	2.57	2.66
FNB Commercial	1 643	1 927	(15)	9	1 866	5.15	6.72	6.06
WesBank Corporate	1 437	1 630	(12)	8	1 461	4.79	5.66	4.90
RMB	1 930	1 419	36	11	1 748	1.36	1.06	1.36
GTS	15	5	>100	0	18	0.42	0.18	0.69
Corporate Centre and other	(19)	(83)	(77)	0	(36)	n/a	n/a	n/a
Total NPLs	17 787	20 138	(12)	100	19 090	3.80	4.66	4.35
Of which:								
Accrual book	15 876	18 769	(15)	89	17 354	4.67	6.06	5.46
Fair value book	1 911	1 369	40	11	1 736	1.49	1.12	1.43

Sector and geographic analysis of NPLs

	NPLs				NPLs as a % of advances		
	As at 31 December			As at 30 June	As at 31 December		As at 30 June
R million/%	**2011**	2010	% change	2011	**2011**	2010	2011
Sector analysis							
Agriculture	**529**	174	>100	442	**4.56**	1.40	3.42
Banks and financial services	**67**	25	>100	518	**0.10**	0.04	0.93
Building and property development	**2 149**	1 973	9	1 734	**9.79**	10.42	7.78
Government, Land Bank and Public Authorities	**42**	73	(42)	74	**0.29**	0.43	0.50
Individuals	**12 516**	14 842	(16)	13 703	**4.71**	6.02	5.35
Manufacturing and commerce	**484**	673	(28)	538	**1.29**	2.39	1.75
Mining	**73**	58	26	50	**0.65**	0.61	0.49
Transport and communication	**234**	249	(6)	272	**1.70**	1.97	2.29
Other services	**1 693**	2 071	(18)	1 759	**6.18**	9.91	7.34
Total NPLs	**17 787**	20 138	(12)	19 090	**3.80**	4.66	4.35
Geographic analysis							
South Africa	**17 396**	20 084	(13)	18 792	**3.92**	4.81	4.44
Other Africa	**36**	39	(8)	36	**0.73**	1.55	1.23
UK	**13**	15	(13)	13	**0.13**	0.17	0.15
South America	**342**	–	n/a	249	**>100**	–	94.32
Total NPLs	**17 787**	20 138	(12)	19 090	**3.80**	4.66	4.35

Note 3: Analysis of income statement credit impairments

The Bank's impairment charge continued to decline. At December 2011 the charge of 0.77% is significantly improved from the 1.05% at December 2010 (June 2011: 0.98%). 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	1 263	1 587	(20)	2 717	1.03	1.38	1.16	0.95
Retail secured	685	1 121	(39)	1 849	0.62	1.07	0.88	0.68
Residential mortgages	433	630	(31)	1 203	0.56	0.84	0.80	0.75
Vehicle and asset finance	252	491	(49)	646	0.77	1.64	1.06	0.50
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	596	(22)	1 265	0.47	0.63	0.68	0.69
FNB Commercial	134	206	(35)	333	0.85	1.45	1.13	0.85
WesBank Corporate	176	171	3	444	1.18	1.20	1.53	1.86
GTS	4	22	(82)	9	0.26	1.94	0.42	(0.96)
RMB	153	197	(22)	479	0.23	0.31	0.38	0.43
Corporate Centre and other	22	39	(44)	169	n/a	n/a	n/a	n/a
Total	1 752	2 222	(21)	4 151	0.77	1.05	0.98	0.89
Of which:								
Portfolio impairment charge	127	(364)	>100	(381)	0.06	(0.17)	(0.09)	(0.01)
Specific impairment charge	1 625	2 586	(37)	4 532	0.71	1.22	1.07	0.90

** 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 Bank constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPLs coverage ratio has increased to 33.36% (December 2010: 30.82%, June 2011: 32.64%).

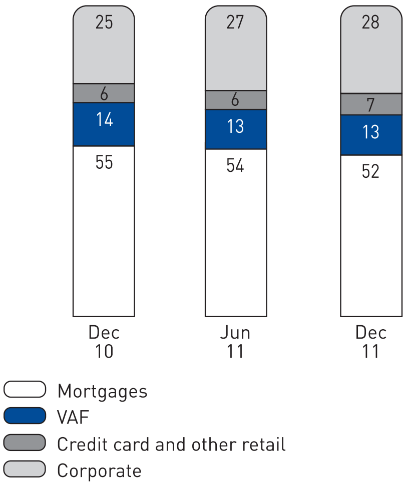
Implied loss given default and total impairment coverage ratios

	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	**3 649**	4 294	(15)	3 941	**28.55**	28.18	28.08
Retail secured	**2 690**	3 364	(20)	2 979	**23.21**	24.01	23.28
Residential mortgages	**1 837**	2 169	(15)	1 990	**19.84**	19.50	19.33
Vehicle and asset finance	**853**	1 195	(29)	989	**36.61**	41.38	39.48
Retail unsecured	**959**	930	3	962	**80.39**	75.73	77.89
Credit card	**219**	337	(35)	330	**73.24**	72.32	73.99
Other retail	**740**	593	25	632	**82.77**	77.82	80.10
Personal banking	**157**	106	48	115	**87.71**	80.92	87.79
– Overdrafts	**40**	35	14	38	**83.33**	85.37	86.36
– Loans	**117**	71	65	77	**89.31**	78.89	88.51
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	**2 284**	1 917	19	2 288	**45.45**	38.49	44.92
FNB Commercial	**780**	782	–	895	**47.47**	40.58	47.96
WesBank Corporate	**684**	614	11	670	**47.60**	37.67	45.86
GTS	**16**	5	>100	19	**>100**	100.00	>100
RMB	**804**	516	56	704	**41.66**	36.36	40.27
Corporate Centre and other	**1**	(5)	>100	2	**n/a**	n/a	n/a
Total specific impairments/implied loss given default**	**5 934**	6 206	(4)	6 231	**33.36**	30.82	32.64
Portfolio impairments#	**3 411**	3 062	11	3 231			
Total impairments/total impairment coverage ratio†	**9 345**	9 268	1	9 462	**52.54**	46.02	49.57

** Specific impairments including 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 (%)

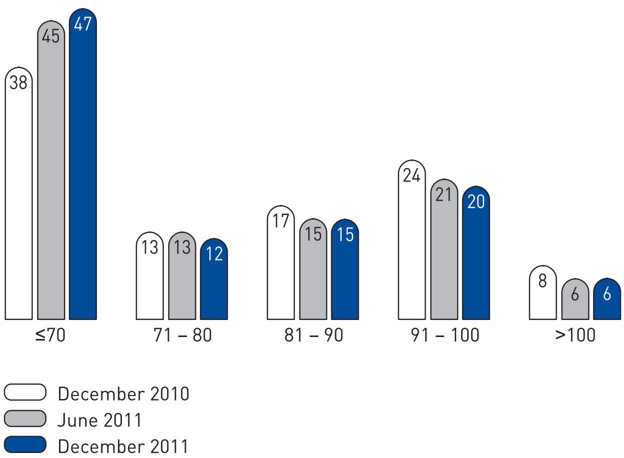


Risk analyses

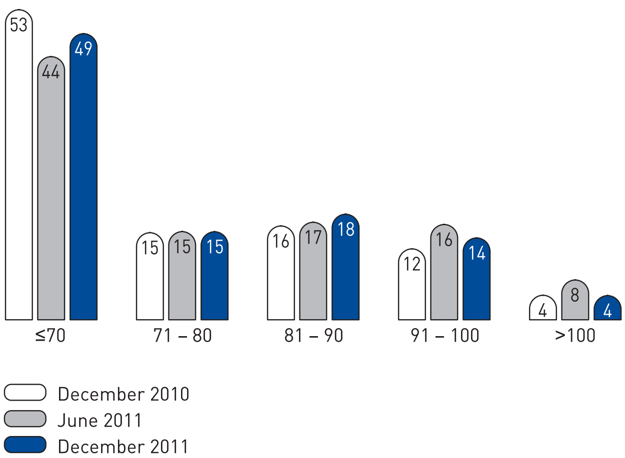
This section provides further information on selected risk analyses of the credit portfolios.

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.

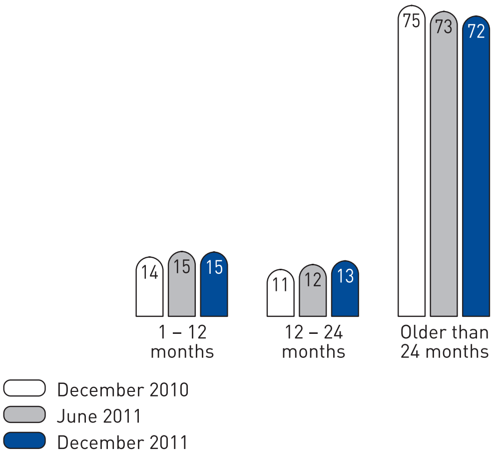
Residential mortgages balance-to-original value (%)



Residential mortgages balance-to-market value (%)

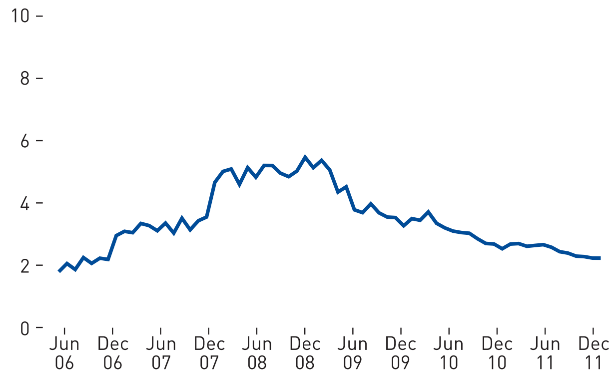


Residential mortgages age distribution (%)



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.

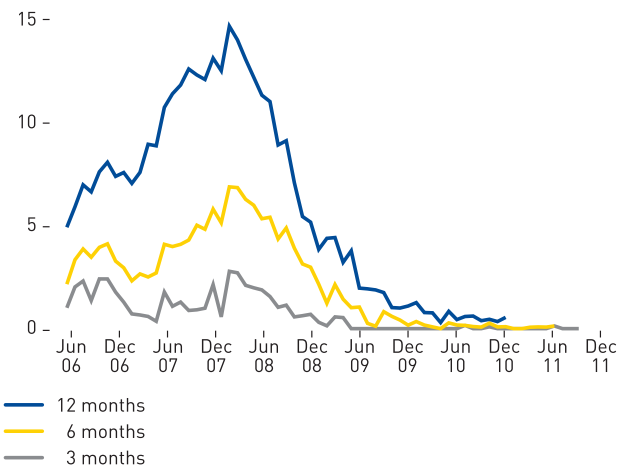
FNB HomeLoans arrears (%)



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.

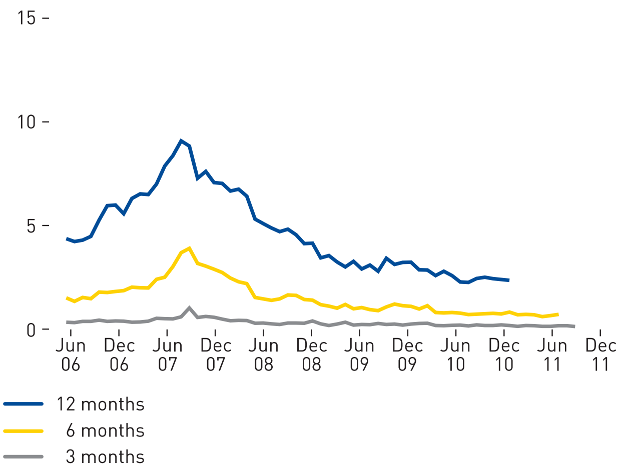
For FNB HomeLoans, the three, six and twelve month cumulative vintage analyses illustrate a marked improvement in the quality of business written since mid 2008 despite further deterioration in macro conditions in the succeeding period. The more recent decreases in the default experience reflect a combination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

FNB HomeLoans vintage analysis (%)



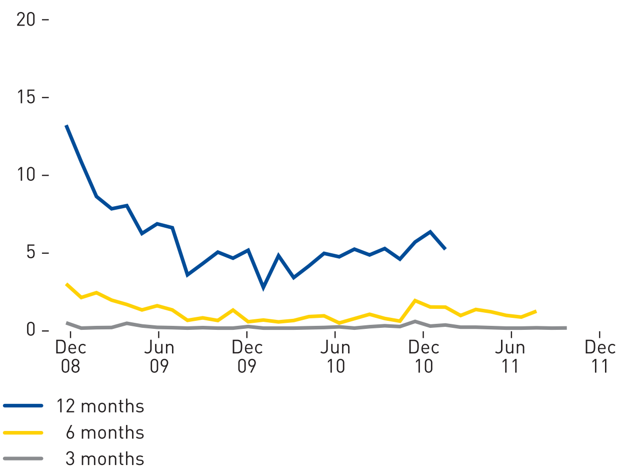
The WesBank retail six and twelve month cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007 and the more benign macro environment.

WesBank retail vintage analysis (%)

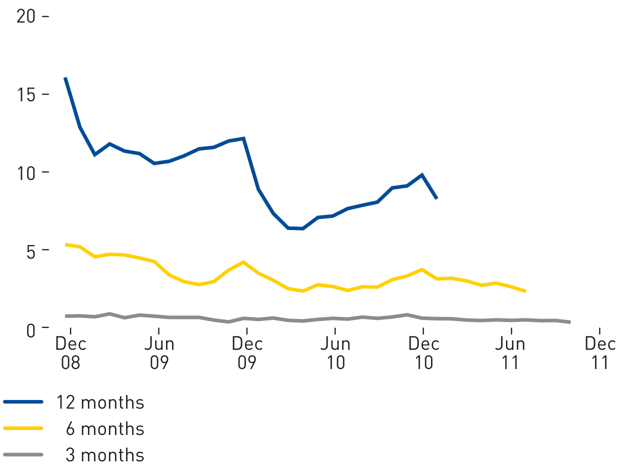


The default experience of the FNB and WesBank unsecured portfolios is within risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite.

FNB Card vintage analysis (%)



Unsecured (excluding Card) vintage analysis (%)



The Bank'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 impairment charge	Impairments as a % of average advances
FNB	209 552	11 790	5.63	1 052	1.02
FNB Retail	177 461	10 166	5.73	896	1.02
Residential mortgages	155 174	9 258	5.97	433	0.56
– FNB HomeLoans (Consumer segment)	105 441	6 123	5.81	256	0.49
– Wealth	40 223	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	103 858	4 052	3.90	543	1.08
WesBank asset-backed finance	98 381	3 767	3.83	428	0.89
– WesBank Retail	68 382	2 330	3.41	252	0.77
– WesBank Corporate	29 999	1 437	4.79	176	1.18
WesBank loans	5 477	285	5.20	115	4.39
RMB	142 421	1 930	1.36	153	0.23
GTS	3 600	15	0.42	4	0.26
Corporate Centre	8 879	–	n/a	–	n/a
Total	468 310	17 787	3.80	1 752	0.77

Six months ended 31 December 2010					Year ended June 2011				
Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as a % of average advances	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as a % of average advances
196 406	13 951	7.10	1 263	1.30	203 341	13 016	6.40	2 420	1.22
167 681	12 080	7.20	1 019	1.23	172 389	11 186	6.49	1 921	1.14
150 682	11 124	7.38	630	0.84	153 132	10 293	6.72	1 203	0.80
104 353	7 864	7.54	525	1.01	104 071	7 113	6.83	728	0.70
39 023	2 909	7.45	73	0.38	40 864	2 796	6.84	404	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	131	2.85	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	87	2.60	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	1 866	6.06	333	1.13
33	(56)	n/a	38	n/a	155	(36)	n/a	166	n/a
94 233	4 790	5.08	739	1.60	98 009	4 308	4.40	1 240	1.31
89 878	4 518	5.03	662	1.50	93 008	3 966	4.26	1 090	1.21
61 104	2 888	4.73	491	1.64	63 208	2 505	3.96	646	1.06
28 774	1 630	5.66	171	1.20	29 800	1 461	4.90	444	1.53
4 355	272	6.25	77	3.70	5 001	342	6.84	150	3.35
133 568	1 419	1.06	197	0.31	128 077	1 748	1.36	479	0.38
2 849	5	0.18	22	1.94	2 593	18	0.69	9	0.42
5 076	(27)	n/a	1	n/a	6 576	–	n/a	3	n/a
432 132	20 138	4.66	2 222	1.05	438 596	19 090	4.35	4 151	0.98

Notes

Supplementary information

Simplified group structure

FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

- 100% – FirstRand Bank Limited
- 100% – FirstRand EMA Holdings Limited
- 100% – FirstRand Investment Holdings (Pty) Limited (FRIHL)

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]

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

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) Limited
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 29 March 2012

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

Summary of rating actions:

- On 27 March 2012, S&P revised the outlook on the long-term sovereign credit ratings on South Africa to negative from stable and affirmed the ratings. Consequently, the outlook on FRB's ratings was also revised from stable to negative in line with the negative outlook on the corresponding sovereign ceiling.
- 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 29 March 2012

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency deposit ratings		
Long-term	**A3**	A3
Outlook	**Negative**	Negative
Short-term	**P-2**	
Local currency deposit ratings		
Long-term	**A3**	A3
Short-term	**P-2**	
Outlook	**Stable**	Negative
National scale bank deposit ratings		
Long-term	**Aa2.za**	
Outlook	**Stable**	
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 28 February 2012, FRB's local currency deposit ratings were downgraded to A3/P-2 (stable outlook) from A2/P-1. Moody's downgraded by one notch the senior debt and deposit ratings of five South African banks. The agency indicated that the downgrades reflected the impact of the country's increasingly constrained public finances and Moody's view that authorities would face challenging policy choices if multiple institutions were to need its financial support at the same time. The downgrades were 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. The rating actions were not driven by a deterioration in the standalone financial strength or the financial performance of the five affected institutions.

Credit ratings assigned by Fitch Ratings at 29 March 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.

Fee and commission expenses reclassified

Categories of fee and commission expenses per franchise

	Six months ended 31 December 2011				
R million	FNB	WesBank	RMB	GTS	Total
Commissions paid	93	4	1	–	98
Loyalty programmes	208	1	–	–	209
Other – card and cheque book related	35	–	–	–	35
ATM commissions	11	–	–	–	11
Transaction processing fees	236	12	–	96	344
Cash sorting, handling and transporting charges	272	–	–	12	284
Other	134	–	113	–	247
Total fee and commission expenses*	**989**	**17**	**114**	**108**	**1 228**

	Six months ended 31 December 2010				
R million	FNB	WesBank	RMB	GTS	Total
Commissions paid	117	17	–	–	134
Loyalty programmes	156	3	–	–	159
Other – card and cheque book related	37	–	–	–	37
ATM commissions	13	–	–	–	13
Transaction processing fees	223	9	–	69	301
Cash sorting, handling and transporting charges	310	–	–	7	317
Other	63	3	103	–	169
Total fee and commission expenses*	919	32	103	76	1 130

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

* *The amounts disclosed represent the total amount of fee and commission expenses reclassified from operating expenses to 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	As at 31 December 2011	As at 31 December 2010	% change	As at 30 June 2011
Guarantees	**19 680**	19 085	3	22 477
Acceptances	**267**	291	(8)	289
Letters of credit	**6 349**	5 107	24	6 043
Total contingencies	**26 296**	24 483	7	28 809
Capital commitments				
Contracted capital commitments	**1 697**	550	>100	356
Capital expenditure authorised not yet contracted	**1 040**	849	22	3 006
Total capital commitments	**2 737**	1 399	96	3 362
Other commitments				
Irrevocable commitments	**60 580**	51 604	17	58 438
Operating lease and other commitments	**10 190**	10 721	(5)	12 855
Total capital commitments	**70 770**	62 325	14	71 293
Total contingencies and commitments	**99 803**	88 207	13	103 464

Definitions

Normalised earnings	The Bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Refer to page 9 for a detailed description of the difference between normalised and IFRS results.
Capital adequacy ratio (CAR)	Capital divided by risk weighted assets.
Risk weighted assets	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.
Loan-to-deposit ratio	Average advances 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.
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.

Reclassifications of prior year numbers

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

30 June 2011 Income statement R million	Amount as previously reported	Amount as restated	Difference	Explanation
Non-interest income	26 003	23 774	2 229	Fee and commission expenses that are incremental or directly attributable to the generation of fee and commission income have been reclassified out of various operating expense lines into the fee and commission expense line. In addition, the presentation of fee and commission expenses has been updated by presenting it as part of non-interest income and not as part of operating expenses.
Operating expenses	(23 420)	(21 191)	(2 229)	As per above.
Profit for the year	7 986	7 986	–	No effect on profit for the year.

31 December 2010 Income statement R million	Amount as previously reported	Amount as restated	Difference	Explanation
Non-interest income	13 591	12 461	1 130	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	(11 499)	(10 369)	(1 130)	As per above.
Profit for the year	4 402	4 402	–	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 Debt Listing Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place
Corner Fredman Drive and Rivonia Road, Sandton, 2196
Telephone: +27 11 282 8000
Telefax: +27 11 384 3300

Stock exchanges

JSE LIMITED (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
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

Issuer	Bond code	ISIN code
FirstRand Bank Limited	FRC70	ZAG000088840
FirstRand Bank Limited	FRC71	ZAG000088923
FirstRand Bank Limited	FRC72	ZAG000088956
FirstRand Bank Limited	FRC73	ZAG000089046
FirstRand Bank Limited	FRC74	ZAG000089178
FirstRand Bank Limited	FRC75	ZAG000089566
FirstRand Bank Limited	FRC76	ZAG000089574
FirstRand Bank Limited	FRC77	ZAG000089608
FirstRand Bank Limited	FRC78	ZAG000089806
FirstRand Bank Limited	FRC79	ZAG000089947
FirstRand Bank Limited	FRC80	ZAG000090077
FirstRand Bank Limited	FRC81	ZAG000090325
FirstRand Bank Limited	FRC82	ZAG000090796
FirstRand Bank Limited	FRC83	ZAG000090952
FirstRand Bank Limited	FRC84	ZAG000090986
FirstRand Bank Limited	FRC85	ZAG000091109
FirstRand Bank Limited	FRC86	ZAG000091182
FirstRand Bank Limited	FRC87	ZAG000091570
FirstRand Bank Limited	FRC88	ZAG000091596
FirstRand Bank Limited	FRC89	ZAG000091604

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

STUDIO ⑤