09/10

CIRCULAR

TO SHAREHOLDERS

unaudited interim results for the
six months ended 31 December 2009

FIRSTRAND

FIRSTRAND

1966/010753/06 Share code: FSR ISIN: ZAE 0000066304 ("FSR")

Certain companies within the FirstRand Group are Authorised Financial Services Providers

This circular is available on our website:

www.firstrand.co.za

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FIRSTRAND

INTRODUCTION

THIS REPORT COVERS THE UNAUDITED FINANCIAL RESULTS OF FIRSTRAND LIMITED ("FIRSTRAND" OR "THE GROUP") FOR THE SIX MONTHS ENDED 31 DECEMBER 2009 and deals with the financial and operating performance of its main business units. The Group consists of a portfolio of leading financial services franchises; these are First National Bank ("FNB"), the retail and commercial bank, Rand Merchant Bank ("RMB"), the investment bank, WesBank, the instalment finance business, OUTsurance, the short term insurer and Momentum, the life insurance business.

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

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Attributable earnings to ordinary shareholders	**4 520**	4 306	5	6 501
Headline earnings	**4 492**	4 553	(1)	6 939
Normalised earnings	**4 605**	4 576	1	7 151
Diluted headline earnings per share (cents)	**85.3**	87.3	(2)	133.1
Diluted normalised earnings per share (cents)	**81.7**	81.2	1	126.8
Ordinary dividend per share (cents)	**34.0**	34.0	–	56.0
Normalised return on equity (%)	**17**	17		14
Assets under management or administration	**965 419**	1 034 880	(7)	965 484
Normalised net asset value per share (cents)	**1 004.5**	949.8	6	938.4

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Attributable earnings to ordinary shareholders	**4 520**	4 306	5	6 501
Headline earnings	**4 492**	4 553	(1)	6 939
Normalised earnings	**4 605**	4 576	1	7 151
Normalised net asset value	**56 633**	53 547	6	52 905
Normalised return on equity (%)	**16.8**	17.4		13.7
Normalised price to book (times)	**1.83**	1.70		1.50
Normalised earnings per share (cents)				
– Basic	**81.7**	81.2	1	126.8
– Diluted	**81.7**	81.2	1	126.8
Earnings per share (cents)				
– Basic	**86.1**	82.8	4	124.9
– Diluted	**85.8**	82.6	4	124.7
Headline earnings per share (cents)				
– Basic	**85.5**	87.6	(2)	133.3
– Diluted	**85.3**	87.3	(2)	133.1
Ordinary dividend per share (cents)	**34.0**	34.0	–	56.0
Non cumulative non redeemable preference dividend per share (cents)				
B Class (68% of FNB prime lending rate)	**423.1**	511.3	(17)	1 030.3
B1 Class (68% of FNB prime lending rate)*	**423.1**	511.3	(17)	1 030.3
Capital adequacy				
FirstRand Bank Holdings ("FRBH")				
– Capital adequacy ratio	**14.3**	13.0		14.6
– Tier 1	**12.2**	11.1		12.3
Momentum				
– Capital adequacy cover ratio	**2.0**	1.4		1.8

** The "B1" preference shares were incorporated with the "B" preference shares effective 4 January 2010.*

STATEMENT OF HEADLINE EARNINGS

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	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Attributable earnings to ordinary shareholders	**4 520**	4 306	5	6 501
Adjusted for:	**(28)**	247	>(100)	438
Profit on disposal of available-for-sale assets	**(146)**	–		(2)
Loss on sale of shares in subsidiary and associate	**–**	29		27
(Profit)/loss on disposal of property and equipment	**(9)**	(3)		4
Loss on sale of MotorOne Finance advances book	**–**	206		203
Loss on sale of Private Label book	**19**	–		39
Impairment of goodwill and intangible assets	**83**	13		181
Other	**–**	–		10
Tax effects of adjustments	**25**	1		(11)
Non controlling interest adjustments	**–**	1		(13)
Headline earnings	**4 492**	4 553	(1)	6 939
Adjusted for:	**113**	23	>100	212
IFRS 2 share based payment expense	**(19)**	(111)		(120)
Treasury shares	**132**	134		332
– consolidation of staff share schemes	**133**	221		437
– FirstRand shares held by policyholders	**(1)**	(87)		(105)
Normalised earnings*	**4 605**	4 576	1	7 151
Divisional normalised earnings				
Banking Group	**4 038**	4 149	(3)	6 056
Momentum Group	**850**	740	15	1 649
FirstRand Limited (company)	**(93)**	(83)	12	(90)
Dividend paid to non cumulative non redeemable preference shareholders	**(190)**	(230)	(17)	(464)
Normalised earnings*	**4 605**	4 576	1	7 151
Divisional headline earnings				
Banking Group	**4 017**	4 199	(4)	6 076
Momentum Group	**845**	752	12	1 658
FirstRand Limited (company)	**(48)**	(34)	41	1
Consolidation of share trusts	**(133)**	(221)	(40)	(437)
Dividend paid to non cumulative non redeemable preference shareholders	**(190)**	(230)	(17)	(464)
FirstRand shares held by policyholders	**1**	87	(99)	105
Headline earnings	**4 492**	4 553	(1)	6 939

* *The definition of normalised earnings is provided on page 145.*

SOURCES OF NORMALISED EARNINGS

for the six months ended 31 December

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R million	2009	% composition	2008	% composition	% change
FNB	**2 142**	46	2 111	46	1
FNB Africa	**312**	7	320	7	(3)
RMB	**1 039**	23	1 399	31	(26)
WesBank	**337**	7	159	3	>100
Momentum	**721**	16	588	13	23
– Momentum	**530**		444		
– FNB Insurance	**191**		144		
Group Support	**337**	7	312	7	8
Banking Group	**208**		160		
Momentum Group	**129**		152		
FirstRand	**(93)**	(2)	(83)	(2)	12
Dividend paid to non cumulative non redeemable preference shareholders	**(190)**	(4)	(230)	(5)	(17)
Normalised earnings*	**4 605**	100	4 576	100	1

* *The definition of normalised earnings is provided on page 145.*

OPERATING ENVIRONMENT

The six month period to 31 December 2009 showed early signs of an improving global and local economic environment. GDP in most of the world's developed markets is beginning to slowly recover, and some emerging markets, notably China, are showing robust growth.

In South Africa, the challenging conditions in the operating environment started to improve during the period with positive GDP growth shown during the third and fourth quarters of 2009. This appeared to be mainly driven by the manufacturing sector and government spending programmes. Otherwise, economic conditions remained challenging with real disposable income declining and job losses of 870 000 year on year. Inflation remained above the South African Reserve Bank's targeted range at 6.3% at 31 December 2009.

The decline in economic activity and domestic demand prompted a further 50bps repo rate decrease in August 2009 following the cumulative 450bps decrease during the period from December 2008 to 30 June 2009. The impact of these interest rate reductions, together with a stabilisation in house prices and a recovery in equity prices, provided some relief to consumers. However, levels of consumer indebtedness remain high and in addition some signs of stress remain evident in certain commercial and corporate segments. Whilst the reduction in interest rates has had an initial positive impact on retail bad debts it also continues to negatively impact on the margins of the banks' deposits and income on the capital endowment.

Balance sheet growth and transactional volumes in both the retail and corporate segments remained subdued reflecting the reduced economic activity during the period.

OVERVIEW OF RESULTS

FirstRand's diverse portfolio of banking and insurance businesses produced a satisfactory performance. Normalised earnings improved 1% to R4.61 billion with a normalised return on equity ("ROE") of 17%.

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

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% contri-bution	2009
Banking Group	**4 038**	4 149	88	6 056
Momentum	**850**	740	18	1 649
FirstRand*	**(283)**	(313)	(6)	(554)
Normalised earnings	**4 605**	4 576	100	7 151

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

The Banking Group's results for the period under review reflect a significant recovery in profitability in comparison to the six month period ended 30 June 2009, although slightly below the level of December 2008. The total banking portfolio produced R4.04 billion of normalised earnings, representing a 3% decrease on the previous comparative period but more than double that of the previous six months to June 2009. Its normalised ROE remained at 17%.

The improving earnings trend from the banking operations reflects the reversal of the two most significant negative issues from the previous comparative period, and the year to June 2009, namely bad debts emanating from the large retail lending books and losses from certain offshore trading portfolios within the investment bank. This performance was achieved despite a major reduction in private equity realisations and overall reflects good organic growth from operations, despite the tough operating environment.

Overall impairments decreased 13% from R3.7 billion to R3.2 billion, driven mainly by the retail franchises of FNB and WesBank and reflecting early positive benefits of the lower interest rate environment. In addition, non interest revenue increased 31% from R9.4 billion to R12.3 billion representing a strong rebound in fair value income, driven mainly by a recovery in RMB's trading activities.

Despite these improvements, pressure remained on the net interest income component of the earnings base, due mainly to declining asset growth and the negative impact of rapidly reducing interest rates on capital and endowment balances.

Impairments remained in line with expectations, with the credit loss ratio at 1.51% of advances (retail 2.12% and wholesale 0.34%). Major components of the impairment charge are:

Impairments	Six months ended 31 December		Six months ended 30 June	
R million	**2009**	2008	2009	2008
Residential mortgages	**869**	1 078	1 302	851
Credit card	**464**	605	750	527
Vehicle and asset finance	**993**	1 045	1 177	1 059
– Retail	**613**	931	786	932
– Corporate	**380**	114	391	127
Other retail	**595**	633	796	608
Wholesale	**251**	538	444	277
Total impairments*	**3 225**	3 693	4 331	3 439

** Total includes Group Support and other.*

	Six months ended			
	31 December		30 June	
Credit loss ratio %	**2009**	2008	2009	2008
Residential mortgages	**1.17**	1.48	1.77	1.21
Credit card	**8.14**	9.77	12.51	8.47
Vehicle and asset finance	**2.26**	2.22	2.61	2.18
– Retail	**2.20**	2.99	2.70	2.80
– Corporate	**2.37**	0.72	2.43	0.82
Other retail	**4.25**	4.76	5.77	4.85
Wholesale	**0.34**	0.66	0.58	0.34
Total credit loss ratio*	**1.51**	1.64	1.99	1.54

* *Total includes Group Support and other.*

The earnings of the insurance subsidiary Momentum were positively impacted by a recovery in equity markets and reduced market volatility combined with a continued good strong operational performance. Overall normalised earnings increased 15% to R850 million with the ROE remaining ahead of Group's target at 22% (2008: 23%).

Momentum's investment businesses benefited from the equity market recovery with retail investment flows improving with market sentiment. However, volumes of new savings and retirement annuity business remain muted, reflecting the level of strain consumers are still feeling. The ongoing robust operational performance was evidenced in new business embedded value holding up well despite volume pressure. FNB Insurance continued to perform well as did individual risk and retail lump sum new business volumes.

OVERVIEW OF THE OPERATING FRANCHISES

Below is a brief overview of each operating franchise, with a detailed review on pages 40 to 53.

FNB South Africa	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**2 142**	2 111	1	3 756
Profit before tax	**2 895**	2 875	1	5 060
Total assets	**200 848**	207 324	(3)	206 799
Total liabilities	**194 877**	199 921	(3)	197 230
Credit loss ratio	**1.91**	2.05		2.39
ROE (%)	**31**	28		26

During the six months to December 2009 FNB produced a 1% increase in profit before tax from R2 875 million to R2 895 million, and increased its ROE to 31%. This satisfactory performance can be ascribed to the underlying resilience of the franchise which showed reasonable growth in transactional volumes despite external pressures on customers, the beginnings of a recovery in credit impairments and steady growth in deposits.

In addition, FNB benefited from the execution of certain specific strategies in response to the current macro environment. These included a strong focus on efficiencies and sustainable containment of cost growth, and a better quality of new business written in the retail lending books due to revised credit strategies, especially within the mortgage and credit card portfolios.

Within the retail portfolios the Mass segment experienced a slight reduction in profitability due mainly to the substantial decline in deposit margins on the endowment products which was partially offset by the income generated by good advances growth. Impairments did increase but were in line with expectations and considered satisfactory given the current environment. This segment continued to benefit from the continuing growth in cellphone banking services and products.

The Consumer segment delivered significantly improved profitability, largely attributable to an improved performance from FNB HomeLoans, which, in turn, was driven by a substantial decrease in impairments.

The Commercial segment's deposit margins continued to feel the negative effects of the endowment impact and impairments increased as expected, given the current cycle.

FNB's strong focus on efficiencies and sustainable containment of cost growth resulted in overall operating expenses increasing only 2%, reflecting a 3% decrease in total head count.

FNB Africa	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**312**	320	(2)	514
Profit before tax	**643**	658	(2)	1 222
Total assets	**32 887**	30 121	9	31 640
Total liabilities	**29 079**	26 707	9	28 180
Credit loss ratio	**0.48**	0.60		0.58
ROE (%)	**25**	30		24

FNB Africa's results were negatively impacted by a challenging operating environment in Botswana, as well as expansion and infrastructure expenses incurred in various subsidiaries during the period under review. FNB Namibia continued to perform strongly on the back of balance sheet growth and good transaction volumes as well as a strong performance from the insurance operations. FNB Swaziland also performed well, benefiting from strategies to grow advances and focus on maintaining good credit quality. These positives were however offset by a weaker performance from FNB Botswana, with profits decreasing due to lower transaction volumes, higher impairment charges and the negative impact of the Rand strengthening against the Pula during the period.

Expansion costs continued to be incurred relating to the ongoing investment in FNB Lesotho, FNB Zambia and FNB Moçambique. In line with its stated strategy FNB is expanding the footprints of these subsidiaries, which is expected to provide a strong platform for future growth.

RMB	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**1 039**	1 399	(26)	1 536
Profit before tax	**1 403**	1 904	(26)	2 055
Total assets	**255 129**	317 959	(20)	275 097
Total liabilities	**251 527**	313 784	(20)	272 646
ROE (%)	**17**	20		12

RMB reported profits before tax of R1 403 million for the six months to 31 December 2009, 26% lower than the prior year but significantly up on the six month period to June 2009.

Overall, RMB's portfolio showed a mixed performance. As expected, given the high base created in the previous period and the lower levels of corporate activity experienced, the Investment Banking division ("IBD") reported lower profits. However several significant transactions were completed in the period and strong deal flow was maintained across all areas of business. Through its agreement with China Construction Bank ("CCB"), and working closely with FirstRand India, IBD is making progress in accessing the increasing Asian-African trade and investment flows.

The Fixed Income, Currency and Commodities division ("FICC") reported profits lower than the first six months of the prior year, due to decreased client flows and reduced market volatility. However, profits increased significantly on the previous six month period to June 2009 driven mainly by an improved performance from trading activities. The Private Equity division was substantially down on the comparative period, as a result of lower realisation profits than those reported in the December 2008 results. The Equity Trading division returned to profitability as a result of the de-risking of the international portfolios as well as a strong performance from the local agency and trading businesses.

Whilst, as expected, further losses were incurred on RMB's remaining legacy portfolios, these were significantly lower than the losses incurred in the six months to December 2008 and were largely due to a write down against an investment acquired following the default of Dealstream. Significantly reduced losses were incurred on the remaining SPJ International portfolios. As indicated previously these portfolios are illiquid, however, progress has been made in reducing the remaining exposures.

WesBank	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**337**	159	>100	324
Profit before tax	**405**	(38)	>100	130
Total assets	**96 443**	101 599	(5)	94 472
Total liabilities	**95 459**	101 351	(6)	94 363
Credit loss ratio	**2.57**	2.67		2.86
ROE (%)	**14**	7		7

Although credit losses remained at historically high levels and the advances book showed little growth during the period under review, WesBank's overall profitability showed a marked improvement over the comparative period. Excluding the R206 million loss relating to the disposal of the MotorOne Finance advances book, which was recognised in the six months to December 2008, overall profits before tax increased 141% to R405 million.

The improvement in earnings reflects a reduction in impairment levels, improved interest margins and tight control over expenditure. The advances book continued to contract during the period under review, however towards the end of the calendar year some advances growth was evidenced. All indications confirm that retail bad debts have peaked and, as expected, there has been a migration of bad debts from the consumer sector to the commercial/corporate sector, which impacted the overall mix of earnings.

The bad debt performance of the retail portfolio (which includes the personal loan advances book) reflects the improving arrears position, as well as the effects of the new business originated under a revised credit appetite. More recently originated business continues to deliver better than historic average arrears levels. The corporate portfolio is performing as expected given the extent of the deterioration of the credit cycle. There have been improvements in the level of dealer failures and the provisions related to these failures. However, in certain sectors, and in respect of certain asset types (notably light aircraft), the corporate portfolio continues to show strain and this is expected to continue for the remainder of the financial year.

Momentum	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**850**	740	15	1 649
Embedded value ("EV")	**17 835**	15 121	18	16 086
Return on EV (%)	**28**	(5)		3
ROE (%)	**22**	23		23

Momentum's normalised earnings increased 15% to R850 million for the six months ended 31 December 2009. The ROE of 22% remained ahead of the Group's targeted return and capitalisation levels strengthened to 2.0 times the Capital Adequacy Requirement ("CAR").

This performance reflects the positive impact of the recovery in equity markets and a continued strong operational performance despite negative pressures in many sectors of the market.

The employee benefits business experienced improved underwriting profits, whilst the healthcare administration business benefited from the conversion to a single administration platform. FNB Insurance continued to drive significant growth in new business sales benefiting from further penetration of the FNB mass market client base.

Initiatives to improve efficiencies are starting to bear fruit, with group administration expenses increasing by only 1%.

The reduction in new business inflows is due mainly to lower institutional asset management and employee benefits lump sum inflows. Sales of retail recurring premium business declined, mainly reflecting the pressure on household disposable income. Retail lump sum inflows however generated good growth, driven mainly by increased sales of discretionary linked investments and endowments.

The new business margin was maintained due to the positive impact of a change in mix to more profitable products although this was partly offset by lower new business volumes in the recurring savings business.

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

	Six months ended 31 December					Year ended 30 June
R million	**2009**	**% contribution**	2008	% contribution	% change	2009
Retail banking						
FNB Retail	**1 071**		713			1 150
FNB Africa	**312**		320			514
WesBank	**356**		(58)			105
	1 739	**38**	975	21	78	1 769
Corporate banking						
FNB Corporate	**306**		259			602
FNB Commercial	**765**		1 139			2 004
WesBank	**(19)**		217			219
	1 052	**23**	1 615	35	(35)	2 825
Investment banking						
RMB	**1 039**	**23**	1 399	31	(26)	1 536
Insurance						
Momentum	**850**	**18**	740	16	15	1 649
Other						
FirstRand and dividends paid on non cumulative non redeemable preference shares	**(283)**		(313)			(554)
Corporate Centre	**208**		160			(74)
	(75)	**(2)**	(153)	(3)	51	(628)
Normalised earnings	**4 605**	**100**	4 576	100		7 151

STRATEGIC ISSUES

International strategy

The Group is continuing to make good progress in terms of its international strategy. As the African continent's economic environment becomes increasingly investor friendly, so opportunities for financial services are expected to increase and FirstRand is positioning itself to benefit from these.

The Group is focusing on building its franchises in Africa, and has identified countries that it believes are strategically important. Key markets that offer good prospects are Nigeria, Zambia, Moçambique, Tanzania and Angola.

The Group is currently staffing up its representative office in Nigeria and is investigating opportunities in the Nigerian financial services industry emanating from the banking industry reform that is underway. In line with its strategy the Group is interested in all key segments of financial services – namely corporate, investment, retail banking and insurance.

Given that China is South Africa's largest trading partner, positioning the Group's franchises to capture the trade and investment flows with China is an important element for its African strategy.

The Group's increased focus on China, including its relationship with CCB, is beginning to bear fruit. Transactional flows with Chinese counterparts have increased and several significant deals were concluded.

The Group has a number of opportunities to explore further and the deal pipeline is strong. These opportunities span across many of the Group's activities and include a variety of prospects on the wider African continent.

Capital management

The Group seeks to maintain capitalisation ratios appropriate to safeguard its operations, aligned to the interests of its stakeholders and sufficient to provide for its growth initiatives. Current internal resources and forecast capital generation is expected to be sufficient to provide for the Group's domestic growth needs as well as for strategic international expansion plans.

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

FRBH			
	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	14.34	12.0 - 13.5	9.50*
Tier 1 ratio	12.19	10.00	7.00

FRB			
	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	12.83	11.5 - 13.0	9.50*
Tier 1 ratio	10.55	9.5	7.00
Momentum			
Capital adequacy cover ratio	2.0	1.4 - 1.6	

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

The global reform of banking regulations currently underway is focused on improving the quality and quantity of the capital bases of the banking industry, which could result in lower returns from the sector. For South African banks the proposed changes to the capital regulations are less material than for international peers as the quantity and quality of capital of the South African banks has historically been good.

Liquidity and funding management

The international market turbulence, the recent developments in certain EU countries and ambitious fund raising by state owned enterprises and the South African government, led to an increase in the liquidity premium for term funding in South Africa.

Group Treasury proactively undertook several measures, starting in 2008 and continuing in 2009, to further strengthen and safeguard its liquidity position and increase liquidity buffers, including the adjustment of short term funding targets and an increased focus on balance sheet asset reduction. This ensures that the Group has a robust and strong balance sheet to fund future growth requirements. The broad diversity of its funding sources and its contingency planning processes resulted in a robust asset and liability profile with the funding profile similar to that of the year ended 30 June 2009. The Group's domestic retail, commercial, corporate and wealth businesses remain a valuable source of funding. In addition the Group has established funding platforms in Africa and London providing access to US and Asian markets to fund potential growth, in excess of in-country funding requirements.

Global reforms relating to liquidity risk management include the proposed introduction of a global minimum liquidity standard, which includes a 30-day liquidity coverage ratio as well as a longer term structural liquidity ratio ("the Net Stable Funding Ratio"). This proposal has not been finalised and remains open to comment and further quantitative impact studies. However, in its current form it could have a significant impact on the South African financial services industry given the specific structure of the domestic funding and savings markets.

PROSPECTS

The anticipated modest growth in the South African economy will be driven mainly by further investment by government and some improvement in consumption levels. Whilst this will not drive significant growth in advances, as levels of consumer indebtedness are still at historic highs, FirstRand does expect this increased economic activity to benefit its banking franchises. Some risks remain in the corporate sector, however balance sheets have proved to be extremely resilient in this cycle. Whilst significant defaults are unlikely, business volumes overall will remain subdued.

The recovery in equity markets is expected to continue to benefit Momentum. However, given that the recovery appears to be gradual, pressure on disposable income will remain.

The Group's balance sheet remains robust from both a capital and funding perspective which will allow the operating franchises to continue to take advantage of an improving cycle.

DIVIDEND POLICY

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

BASIS OF PRESENTATION

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

The Group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 145.

A table reflecting the restatement of prior period numbers and reasons therefore can be found on page 146.

BOARD CHANGES

Dr Frederik van Zyl Slabbert retired from the board of directors with effect from 25 November 2009.

Dr Slabbert has been a valued member of the FirstRand board since 2001 and the directors wish him well in his retirement.

LL Dippenaar	**SE Nxasana**
Chairman	Chief executive

8 March 2010

INTERIM DIVIDEND DECLARATIONS

Ordinary shares

The following ordinary cash dividend was declared in respect of the period ended 31 December 2009:

	Six months ended 31 December	
Cents per share	**2009**	2008
Interim (declared 8 March 2010)	**34.00**	34.00

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the interim dividend will be Thursday 25 March 2010 and the first day to trade ex-dividend will be Friday 26 March 2010. The record date will be Thursday 1 April 2010 and the payment date Tuesday 6 April 2010. No dematerialisation or rematerialisation of shares may be done during the period Friday 26 March 2010 and Thursday 1 April 2010, both days inclusive.*

Preference shares

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

	"B" Preference
Cents per share	**2009**
Period 1 September 2009 – 22 February 2010	**342.3**

* *The "B1" preference shares were incorporated with the "B" preference shares effective 4 January 2010.*

AH Arnott
Company secretary

8 March 2010

FIRSTRAND

The listed holding company

100% FirstRand Bank Holdings Limited

Banking

- 100% » FirstRand Bank Limited
  - First National Bank[1]
  - Rand Merchant Bank[1]
  - WesBank[1]
  - FirstRand Bank India[2]
  - FirtRand Bank London[2]
  - FirstRand Bank Dubai[3]
  - FirstRand Bank Shanghai[3]
  - FirstRand Bank Nigeria[3]
  - FirstRand Bank Angola[3]
- 100% » FNB Lesotho
- 60% » FNB Namibia[7]
- 100% » FNB Swaziland
- 70% » FNB Botswana
- 90% » FNB Moçambique
- 100% » FNB Zambia
- 47% » OUTsurance[4]
- 100% » FNB Insurance Brokers
- 100% » FirstRand International
  - – Ireland
  - – Mauritius
  - – Australia
- 100% » eBucks

100% FirstRand Investment Holdings (Pty) Limited

Unregulated[5]

- 94% » RMB Private Equity Holdings
- 91% » RMB Private Equity
- 100% » RMB Stockbroking[6]
- 100% » FirstRand International Wealth Management
- 40% » Eris Property Holdings
- 50% » RMB Morgan Stanley
- 75% » Rentworks
- 33% » Tracker

100% Momentum Group Limited

Insurance & Asset Management

- 100% » Momentum[1]
  - FNB Insurance[1]
- 85% » Advantage Asset Managers
- 100% » Momentum Medical Scheme Administrators
- 100% » Advice@Work
- 100% » RMB Asset Management
- 100% » Momentum Africa
- 50% » Momentum Short Term Insurance
- 49% » Momentum Life Assurance Nambia

1 Division
2 Branch
3 Representative office
4 Effective shareholding in FirstRand Short Term Insurance Holdings Limited
5 For segmental analysis purposes entities included in FRIH are reported as part of Banking Group Supersegment within the respective franchise results
6 Regulated by the JSE
7 Includes 51% of Swabou Life

R million	Six months ended 31 December 2009	Six months ended 31 December 2008 (restated)	% change	Year ended 30 June 2009
Interest and similar income	23 660	32 318	(27)	60 516
Interest expense and similar charges	(11 179)	(19 392)	(42)	(34 526)
Net interest income before impairment of advances	12 481	12 926	(3)	25 990
Impairment of advances	(3 225)	(3 693)	(13)	(8 024)
Net interest income after impairment of advances	9 256	9 233	0	17 966
Non interest income	24 962	2 656	>100	10 649
Net insurance premium income	3 324	2 951	13	6 464
Net claims and benefits paid	(3 353)	(3 024)	11	(5 939)
(Increase)/decrease in value of policyholder liabilities	(12 849)	6 050	>(100)	6 525
Income from operations	21 340	17 866	19	35 665
Operating expenses	(14 515)	(13 080)	11	(27 933)
Net income from operations	6 825	4 786	43	7 732
Share of profit of associates and joint ventures	395	987	(60)	1 590
Profit before tax	7 220	5 773	25	9 322
Tax	(2 202)	(653)	>100	(1 484)
Profit for the period	5 018	5 120	(2)	7 838
Attributable to:				
Ordinary shareholders	4 520	4 306	5	6 501
Non cumulative non redeemable preference shares	190	230	(17)	464
Equity holders of Group	4 710	4 536	4	6 965
Non controlling interest	308	584	(47)	873
Profit for the period	5 018	5 120	(2)	7 838
Earnings per share (cents)				
– Basic	86.1	82.8	4	124.9
– Diluted	85.8	82.6	4	124.7

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Profit for the period	**5 018**	5 120	7 838
Other comprehensive income			
Cash flow hedges	**65**	(1 296)	(1 228)
Available-for-sale financial assets	**255**	604	45
Exchange differences on translation foreign operations	**(84)**	242	(641)
Share of other comprehensive income of associates	**28**	88	73
Other comprehensive income for the period before tax	**264**	(362)	(1 751)
Income tax relating to components of other comprehensive income	**(28)**	181	293
Other comprehensive income for the period	**236**	(181)	(1 458)
Total comprehensive income for the period	**5 254**	4 939	6 380
Total comprehensive income attributable to:			
Ordinary shareholders	**4 763**	4 010	5 064
Non cumulative non redeemable preference shares	**190**	230	464
Equity holders of the Group	**4 953**	4 240	5 528
Non controlling interests	**301**	699	852
Total comprehensive income for the period	**5 254**	4 939	6 380

R million	31 December 2009	31 December 2008 (restated)	30 June 2009 (restated)
ASSETS			
Cash and short term funds	**57 663**	60 793	57 266
Derivative financial instruments	**45 057**	86 602	68 608
Advances	**412 561**	427 014	416 488
Investment securities and other investments	**239 193**	228 410	209 249
Commodities	**1 825**	1 259	1 323
Accounts receivable	**7 680**	8 719	11 068
Investments in associates and joint ventures	**16 053**	16 324	15 294
Property and equipment	**10 370**	9 582	10 220
Deferred tax asset	**1 459**	1 664	2 034
Intangible assets and deferred acquisition costs	**5 632**	5 284	5 698
Investment properties	**2 274**	4 089	2 156
Policy loans	**642**	761	626
Reinsurance assets	**997**	943	8 430
Tax asset	**922**	1 620	883
Non current assets held for sale	**61**	–	508
Total assets	**802 389**	853 064	809 851
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**487 929**	490 153	478 083
Short trading positions	**21 813**	39 312	25 002
Derivative financial instruments	**33 779**	74 213	55 556
Creditors and accruals	**19 610**	16 226	18 217
Provisions	**3 045**	1 956	2 961
Tax liability	**240**	572	331
Post retirement liabilities	**2 138**	1 829	2 089
Deferred tax liability	**3 975**	4 701	3 977
Long term liabilities	**10 295**	14 163	12 928
Policyholder liabilities under insurance contracts	**42 748**	42 903	40 725
Policyholder liabilities under investment contracts	**112 249**	107 561	109 196
Liabilities arising to third parties	**7 601**	5 996	8 114
Deferred revenue liability	**345**	298	322
Liabilities directly associated with non current assets classified as held for sale	**–**	–	253
Total liabilities	**745 767**	799 883	757 754
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	**53**	52	52
Share premium	**2 204**	1 296	1 300
Reserves	**47 653**	44 834	44 133
Capital and reserves attributable to ordinary equity holders	**49 910**	46 182	45 485
Non cumulative non redeemable preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equity holders	**54 429**	50 701	50 004
Non controlling interest	**2 193**	2 480	2 093
Total equity	**56 622**	53 181	52 097
Total equity and liabilities	**802 389**	853 064	809 851

CONSOLIDATED STATEMENT OF CASH FLOWS

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008 (restated)	2009
Cash flows from operating activities			
Cash receipts from customers	**43 063**	47 343	86 572
Cash paid to customers, suppliers and employees	**(24 021)**	(39 188)	(58 029)
Dividends received	**984**	1 054	6 743
Dividends paid	**(1 345)**	(2 220)	(4 228)
Dividends paid to non controlling interest	**(164)**	(565)	(804)
Net cash flows from operating activities	**18 517**	6 424	30 254
(Decrease)/increase in income earning assets	**(21 912)**	(15 174)	12 721
Increase/(decrease) in deposits and other liabilities	**7 415**	21 165	(29 537)
Net cash flows from operating funds	**(14 497)**	5 991	(16 816)
Tax paid	**(1 576)**	(1 807)	(3 677)
Net cash inflow from operating activities	**2 444**	10 608	9 761
Cash flows from investment activities			
Acquisition of property and equipment	**(1 013)**	(1 682)	(3 038)
Proceeds from the disposal of property and equipment	**15**	405	293
Acquisition of investment properties	**(168)**	(183)	(457)
Proceeds on/(purchase of) disposal of investments	**139**	(43)	552
Acquisition of subsidiaries	**–**	(102)	(18)
Acquisition of associates and joint ventures	**(877)**	(2 732)	(2 799)
Proceeds on disposal of associates and joint ventures	**161**	309	508
Proceeds on disposal of advances book	**22**	1 719	1 768
Disposal/(acquisition) of intangible assets	**380**	(679)	(1 923)
Net cash outflow from investment activities	**(1 341)**	(2 988)	(5 114)
Cash flows from financing activities			
Repayment of long term borrowings	**(692)**	(931)	(906)
Net cash outflow from financing activities	**(692)**	(931)	(906)
Net increase in cash and cash equivalents	**411**	6 689	3 741
Cash and cash equivalents at the beginning of the period	**57 266**	53 555	53 555
Cash and cash equivalents at the end of the period	**57 677**	60 244	57 296
Cash and cash equivalents acquired*	**–**	–	35
Effect of exchange rate changes on cash and cash equivalents	**(14)**	549	(65)
Cash and cash equivalents at the end of the period	**57 663**	60 793	57 266
** Cash and cash equivalents bought and sold relate to subsidiaries acquired and sold during the period.*			
Mandatory reserve balances included above	**12 238**	11 262	11 661

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

R million	Ordinary share capital and ordinary shareholders' funds					
	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve
Balance as at 01 July 2008	**52**	**1 036**	**1 088**	**8**	**602**	**2 248**
Movement in other reserves	–	–	–	–	–	60
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Consolidation of treasury shares	–	260	260	–	–	–
Total comprehensive income for the period	–	–	–	–	(943)	–
Balance as at 31 December 2008	**52**	**1 296**	**1 348**	**8**	**(341)**	**2 308**
Balance as at 01 July 2009	**52**	**1 300**	**1 352**	**9**	**(292)**	**2 306**
Issue of share capital	–	–	–	–	–	–
Movement in other reserves	–	–	–	–	–	88
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer to/(from) reserves	–	–	–	–	–	(72)
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Consolidation of treasury shares	1	904	905	–	–	–
Total comprehensive income for the period	–	–	–	–	46	–
Balance as at 31 December 2009	**53**	**2 204**	**2 257**	**9**	**(246)**	**2 322**

Ordinary share capital and ordinary shareholders' funds							
Available-for-sale reserve	Currency translation reserve	Other non distributable reserves	Retained earnings	Reserves attributable to equity holders	Total preference shareholders' funds	Non controlling interest	Total equity
1 107	**1 365**	**(185)**	**37 937**	**43 082**	**4 519**	**2 377**	**51 066**
–	–	(96)	–	(36)	–	13	(23)
–	–	–	(1 990)	(1 990)	–	(565)	(2 555)
–	–	–	–	–	(230)	–	(230)
–	–	–	–	–	–	(44)	(44)
–	–	–	(232)	(232)	–	–	28
432	138	77	4 306	4 010	230	699	4 939
1 539	**1 503**	**(204)**	**40 021**	**44 834**	**4 519**	**2 480**	**53 181**
1 107	**750**	**(198)**	**40 451**	**44 133**	**4 519**	**2 093**	**52 097**
–	–	–	–	–	–	(186)	(186)
–	–	(15)	–	73	–	212	285
–	–	–	(1 155)	(1 155)	–	(164)	(1 319)
–	–	–	–	–	(190)	–	(190)
–	–	–	72	–	–	–	–
–	–	–	–	–	–	(63)	(63)
–	–	–	(161)	(161)	–	–	744
244	(58)	11	4 520	4 763	190	301	5 254
1 351	**692**	**(202)**	**43 727**	**47 653**	**4 519**	**2 193**	**56 622**

	Banking Group		Momentum Group	
R million	2009	2008	2009	2008
Net interest income before impairment of advances	8 443	9 132	4 118	3 935
Impairment of advances	(3 225)	(3 693)	–	–
Net interest income after impairment of advances	5 218	5 439	4 118	3 935
Non interest income	12 322	9 401	12 893	(6 489)
Net insurance premium income	–	–	3 345	2 979
Net claims and benefits paid	–	–	(3 353)	(3 024)
Increase in value of policyholder liabilities	–	–	(12 987)	5 962
Net income from operations	17 540	14 840	4 016	3 363
Operating expenses	(12 084)	(10 597)	(2 597)	(2 653)
Share of profit of associates and joint ventures	390	983	16	12
Profit before tax	5 846	5 226	1 435	722
Tax	(1 591)	(684)	(597)	30
Profit for the period	4 255	4 542	838	752
Attributable to:				
Ordinary shareholders	3 806	3 799	819	726
Non cumulative non redeemable preference shares	127	153	21	26
Non controlling interest	322	590	(2)	–
Attributable earnings to ordinary shareholders	3 933	3 952	840	752
Headline earnings adjustments	84	247	5	–
Profit on disposal of available-for-sale assets	–	–	–	–
Loss on sale of shares in subsidiary and associate	–	29	–	–
Profit on disposal of property and equipment	(9)	(3)	–	–
Loss on sale of MotorOne Finance advances book	–	206	–	–
Loss on sale of Private Label book	19	–	–	–
Impairment of goodwill and intangible assets	78	13	5	–
Tax effects of adjustments	(4)	1	–	–
Non controlling interest adjustments	–	1	–	–
Headline earnings	4 017	4 199	845	752
Normalised earnings adjustments	21	(50)	5	(12)
IFRS 2 share based payment expense	21	(50)	5	(12)
Treasury shares	–	–	–	–
– consolidation of staff share schemes	–	–	–	–
– FirstRand shares held by policyholders	–	–	–	–
Normalised earnings	4 038	4 149	850	740

For segmental analysis of the Banking Group and Momentum Group refer to pages 114 and 57 respectively.

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
3	10	(121)	(179)	12 443	12 898	38	28	12 481	12 926
–	–	–	–	(3 225)	(3 693)	–	–	(3 225)	(3 693)
3	10	(121)	(179)	9 218	9 205	38	28	9 256	9 233
15	(9)	137	47	25 367	2 950	(405)	(294)	24 962	2 656
–	–	–	–	3 345	2 979	(21)	(28)	3 324	2 951
–	–	–	–	(3 353)	(3 024)	–	–	(3 353)	(3 024)
–	–	–	–	(12 987)	5 962	138	88	(12 849)	6 050
18	1	16	(132)	21 590	18 072	(250)	(206)	21 340	17 866
(80)	(33)	(1)	(2)	(14 762)	(13 285)	247	205	(14 515)	(13 080)
–	–	–	–	406	995	(11)	(8)	395	987
(62)	(32)	15	(134)	7 234	5 782	(14)	(9)	7 220	5 773
14	(2)	(30)	–	(2 204)	(656)	2	3	(2 202)	(653)
(48)	(34)	(15)	(134)	5 030	5 126	(12)	(6)	5 018	5 120
(238)	(264)	(15)	(134)	4 372	4 127	148	179	4 520	4 306
190	230	–	–	338	409	(148)	(179)	190	230
–	–	–	–	320	590	(12)	(6)	308	584
(238)	(264)	(15)	(134)	4 520	4 306	–	–	4 520	4 306
–	–	(117)	–	(28)	247	–	–	(28)	247
–	–	(146)	–	(146)	–	–	–	(146)	–
–	–	–	–	–	29	–	–	–	29
–	–	–	–	(9)	(3)	–	–	(9)	(3)
–	–	–	–	–	206	–	–	–	206
–	–	–	–	19	–	–	–	19	–
–	–	–	–	83	13	–	–	83	13
–	–	29	–	25	1	–	–	25	1
–	–	–	–	–	1	–	–	–	1
(238)	(264)	(132)	(134)	4 492	4 553	–	–	4 492	4 553
(45)	(49)	132	134	113	23	–	–	113	23
(45)	(49)	–	–	(19)	(111)	–	–	(19)	(111)
–	–	132	134	132	134	–	–	132	134
–	–	133	221	133	221	–	–	133	221
–	–	(1)	(87)	(1)	(87)	–	–	(1)	(87)
(283)	(313)	–	–	4 605	4 576	–	–	4 605	4 576

	Banking Group		Momentum Group	
R million	**2009**	2008	**2009**	2008
ASSETS				
Cash and short term funds	**25 941**	34 565	**37 078**	30 500
Derivative financial instruments	**38 702**	81 526	**7 857**	8 676
Advances	**417 314**	433 343	**–**	–
Investment securities and other investments	**116 394**	109 821	**126 833**	122 311
Commodities	**1 825**	1 259	**–**	–
Accounts receivable	**5 315**	5 940	**2 681**	3 204
Investments in associates and joint ventures	**7 591**	7 411	**8 672**	9 037
Investment in subsidiary companies	**–**	–	**–**	–
Property and equipment	**9 604**	8 854	**566**	527
Deferred tax asset	**505**	737	**951**	926
Intangible assets and deferred acquisition costs	**2 597**	2 286	**3 132**	3 095
Investment properties	**–**	–	**2 274**	4 089
Policy loans	**26**	22	**616**	739
Reinsurance assets	**362**	332	**635**	611
Tax asset	**859**	1 592	**63**	28
Non current asset held for sale	**61**	–	**–**	–
Loans to Insurance Group	**5 444**	6 184	**–**	–
Loans to other Group companies	**–**	–	**–**	–
Total assets	**632 540**	693 872	**191 358**	183 743
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**496 804**	496 392	**–**	–
Short trading positions	**22 197**	39 487	**–**	–
Derivative financial instruments	**33 656**	76 055	**1 016**	1 940
Creditors and accruals	**6 782**	7 467	**16 315**	15 105
Provisions	**2 743**	1 765	**300**	186
Tax liability	**183**	334	**25**	234
Post retirement liabilities	**2 092**	1 789	**46**	40
Deferred tax liability	**2 170**	3 055	**1 806**	1 646
Long term liabilities	**6 934**	9 584	**1 018**	1 240
Policyholder liabilities under insurance contracts	**1 732**	1 434	**41 019**	41 939
Policyholder liabilities under investment contracts	**83**	98	**113 471**	108 114
Liabilities arising to third parties	**–**	–	**7 601**	5 996
Deferred revenue liability	**–**	–	**345**	298
Loans from Insurance Group	**4 391**	5 072	**–**	–
Loans from other Group companies	**–**	–	**–**	–
Total liabilities	**579 767**	642 532	**182 962**	176 738
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares	**106**	106	**9**	9
Ordinary share capital	**7 712**	7 635	**1 032**	1 032
Reserves	**39 477**	37 882	**6 865**	5 467
	47 295	45 623	**7 906**	6 508
Non cumulative non redeemable preference shares	**3 100**	3 100	**500**	500
Cumulative redeemable preference shares	**–**	25	**–**	–
Capital and reserves attributable to equity holders	**50 395**	48 748	**8 406**	7 008
Non controlling interest	**2 378**	2 592	**(10)**	(3)
Total equity	**52 773**	51 340	**8 396**	7 005
Total equity and liabilities	**632 540**	693 872	**191 358**	183 743

FirstRand		Consolidation of treasury shares		Subtotal		Consolidation		Total	
2009	2008	2009	2008	2009	2008	2009	2008	2009	2008
–	–	–	–	63 019	65 065	(5 356)	(4 272)	57 663	60 793
–	–	–	–	46 559	90 202	(1 502)	(3 600)	45 057	86 602
–	–	–	–	417 314	433 343	(4 753)	(6 329)	412 561	427 014
–	–	(552)	(312)	242 675	231 820	(3 482)	(3 410)	239 193	228 410
–	–	–	–	1 825	1 259	–	–	1 825	1 259
15	16	29	7	8 040	9 167	(360)	(448)	7 680	8 719
–	–	–	–	16 263	16 448	(210)	(124)	16 053	16 324
21 041	20 017	–	–	21 041	20 017	(21 041)	(20 017)	–	–
–	–	–	–	10 170	9 381	200	201	10 370	9 582
3	–	–	–	1 459	1 663	–	1	1 459	1 664
–	–	–	–	5 729	5 381	(97)	(97)	5 632	5 284
–	–	–	–	2 274	4 089	–	–	2 274	4 089
–	–	–	–	642	761	–	–	642	761
–	–	–	–	997	943	–	–	997	943
–	–	–	–	922	1 620	–	–	922	1 620
–	–	–	–	61	–	–	–	61	–
3 908	3 904	386	–	9 738	10 088	(9 738)	(10 088)	–	–
–	913	–	3	–	916	–	(916)	–	–
24 967	24 850	(137)	(302)	848 728	902 163	(46 339)	(49 099)	802 389	853 064
–	–	–	–	496 804	496 392	(8 875)	(6 239)	487 929	490 153
–	–	(384)	(175)	21 813	39 312	–	–	21 813	39 312
–	–	–	–	34 672	77 995	(893)	(3 782)	33 779	74 213
1 153	53	1	8	24 251	22 633	(4 641)	(6 407)	19 610	16 226
2	4	–	–	3 045	1 955	–	1	3 045	1 956
–	3	30	–	238	571	2	1	240	572
–	–	–	–	2 138	1 829	–	–	2 138	1 829
–	–	–	–	3 976	4 701	(1)	–	3 975	4 701
2 694	3 784	–	–	10 646	14 608	(351)	(445)	10 295	14 163
–	–	–	–	42 751	43 373	(3)	(470)	42 748	42 903
–	–	–	–	113 554	108 212	(1 305)	(651)	112 249	107 561
–	–	–	–	7 601	5 996	–	–	7 601	5 996
–	–	–	–	345	298	–	–	345	298
24	24	217	315	4 632	5 411	(4 632)	(5 411)	–	–
–	–	5 278	5 471	5 278	5 471	(5 278)	(5 471)	–	–
3 873	3 868	5 142	5 619	771 744	828 757	(25 977)	(28 874)	745 767	799 883
56	56	(4)	(4)	167	167	(114)	(115)	53	52
7 083	7 083	(5 020)	(5 929)	10 807	9 821	(8 603)	(8 525)	2 204	1 296
9 436	9 324	(255)	12	55 523	52 685	(7 870)	(7 851)	47 653	44 834
16 575	16 463	(5 279)	(5 921)	66 497	62 673	(16 587)	(16 491)	49 910	46 182
4 519	4 519	–	–	8 119	8 119	(3 600)	(3 600)	4 519	4 519
–	–	–	–	–	25	–	(25)	–	–
21 094	20 982	(5 279)	(5 921)	74 616	70 817	(20 187)	(20 116)	54 429	50 701
–	–	–	–	2 368	2 589	(175)	(109)	2 193	2 480
21 094	20 982	(5 279)	(5 921)	76 984	73 406	(20 362)	(20 225)	56 622	53 181
24 967	24 850	(137)	(302)	848 728	902 163	(46 339)	(49 099)	802 389	853 064

R million	FNB	FNB Africa	RMB
Net interest income before impairment of advances	4 722	788	66
Impairment of advances	(1 916)	(43)	(61)
Net interest income after impairment of advances	2 806	745	5
Non interest income	7 254	728	2 858
Net insurance premium income	–	–	–
Net claims and benefits paid	–	–	–
Increase in value of policyholder liabilities	–	–	–
Net income from operations	10 060	1 473	2 863
Operating expenses	(7 201)	(832)	(1 523)
Share of profit from associates and joint ventures	36	2	63
Profit before tax	2 895	643	1 403
Tax	(766)	(154)	(372)
Profit for the period	2 129	489	1 031
Attributable to:			
Ordinary shareholders	2 129	311	1 031
Non cumulative non redeemable preference shares	–	–	–
Non controlling interest	–	178	–
	2 129	489	1 031
Attributable earnings to ordinary shareholders	2 129	311	1 031
Headline and normalised earnings adjustments	13	1	8
Normalised earnings	2 142	312	1 039
Assets under management or administration	244 998	34 425	255 129
The income statement includes:			
Depreciation	(441)	(30)	(65)
Amortisation	(28)	(10)	(31)
Impairment charges	(4)	–	(10)
Other non cash provisions	(486)	(49)	(502)
The statement of financial position includes:			
Investment in associates and joint ventures	167	24	5 264
Total assets	200 848	32 887	255 129
Total liabilities	194 877	29 079	251 527

** Other includes FirstRand company, consolidation of treasury shares and consolidation entries.*

WesBank	Corporate Centre	Consolidation and IFRS adjustments Banking Group	Banking Group	Momentum	Other*	Total
1 999	1 094	(226)	8 443	4 118	(80)	12 481
(1 178)	(41)	14	(3 225)	–	–	(3 225)
821	1 053	(212)	5 218	4 118	(80)	9 256
1 387	599	(504)	12 322	12 893	(253)	24 962
–	–	–	–	3 345	(21)	3 324
–	–	–	–	(3 353)	–	(3 353)
–	–	–	–	(12 987)	138	(12 849)
2 208	1 652	(716)	17 540	4 016	(216)	21 340
(1 898)	(1 038)	408	(12 084)	(2 597)	166	(14 515)
95	201	(7)	390	16	(11)	395
405	815	(315)	5 846	1 435	(61)	7 220
(108)	(216)	25	(1 591)	(597)	(14)	(2 202)
297	599	(290)	4 255	838	(75)	5 018
273	599	(410)	3 933	840	(253)	4 520
–	–	–	–	–	190	190
24	–	120	322	(2)	(12)	308
297	599	(290)	4 255	838	(75)	5 018
273	599	(410)	3 933	840	(253)	4 520
64	–	19	105	10	(30)	85
337	599	(391)	4 038	850	(283)	4 605
96 443	101 126	(53 893)	678 228	308 700	(21 509)	965 419
(96)	(43)	(13)	(688)	(37)	–	(725)
(14)	–	(1)	(84)	(151)	–	(235)
(65)	–	–	(79)	(5)	–	(84)
(73)	–	(97)	(1 207)	(45)	(51)	(1 303)
1 023	978	135	7 591	8 672	(210)	16 053
96 443	101 126	(53 893)	632 540	191 358	(21 509)	802 389
95 459	62 944	(54 119)	579 767	182 962	(16 962)	745 767

R million	FNB	FNB Africa	RMB
Net interest income before impairment of advances	5 152	786	222
Impairment of advances	(2 105)	(50)	(335)
Net interest income after impairment of advances	3 047	736	(113)
Non interest income	6 901	614	2 777
Net insurance premium income	–	–	–
Net claims and benefits paid	–	–	–
Decrease in value of policyholder liabilities	–	–	–
Net income from operations	9 948	1 350	2 664
Operating expenses	(7 081)	(694)	(1 443)
Share of profit from associates and joint ventures	8	2	683
Profit before tax	2 875	658	1 904
Tax	(761)	(179)	(505)
Profit for the period	2 114	479	1 399
Attributable to:			
Ordinary shareholders	2 114	320	1 399
Non cumulative non redeemable preference shares	–	–	–
Non controlling interest	–	159	–
	2 114	479	1 399
Attributable earnings to ordinary shareholders	2 114	320	1 399
Headline and normalised earnings adjustments	(3)	–	–
Normalised earnings	2 111	320	1 399
Assets under management or administration	250 997	30 121	317 959
The income statement includes:			
Depreciation	(403)	(19)	(49)
Amortisation	(23)	(8)	(34)
Impairment charges	–	–	–
Other non cash provisions	(340)	–	–
The statement of financial position includes:			
Investment in associates and joint ventures	100	8	5 703
Total assets	207 324	30 121	317 959
Total liabilities	199 921	26 707	313 784

* *Other includes FirstRand company, consolidation of treasury shares and consolidation entries.*

	WesBank	Corporate Centre	Consolidation and IFRS adjustments Banking Group	Banking Group	Momentum	Other*	Total
	1 748	1 615	(391)	9 132	3 935	(141)	12 926
	(1 307)	(46)	150	(3 693)	–	–	(3 693)
	441	1 569	(241)	5 439	3 935	(141)	9 233
	1 159	(243)	(1 807)	9 401	(6 489)	(256)	2 656
	–	–	–	–	2 979	(28)	2 951
	–	–	–	–	(3 024)	–	(3 024)
	–	–	–	–	5 962	88	6 050
	1 600	1 326	(2 048)	14 840	3 363	(337)	17 866
	(1 699)	(351)	671	(10 597)	(2 653)	170	(13 080)
	61	234	(5)	983	12	(8)	987
	(38)	1 209	(1 382)	5 226	722	(175)	5 773
	10	(320)	1 071	(684)	30	1	(653)
	(28)	889	(311)	4 542	752	(174)	5 120
	(47)	889	(723)	3 952	752	(398)	4 306
	–	–	–	–	–	230	230
	19	–	412	590	–	(6)	584
	(28)	889	(311)	4 542	752	(174)	5 120
	(47)	889	(723)	3 952	752	(398)	4 306
	206	(1)	(5)	197	(12)	85	270
	159	888	(728)	4 149	740	(313)	4 576
	101 599	116 065	(79 196)	737 545	321 886	(24 551)	1 034 880
	(83)	(31)	(5)	(590)	(27)	–	(617)
	(13)	–	1	(77)	(40)	4	(113)
	–	–	(1)	(1)	–	–	(1)
	(58)	–	(50)	(448)	(38)	(2)	(488)
	931	800	(131)	7 411	9 037	(124)	16 324
	101 599	116 065	(79 196)	693 872	183 743	(24 551)	853 064
	101 351	77 374	(76 605)	642 532	176 738	(19 387)	799 883

NOTES

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FIRSTRAND
Banking Group

INTRODUCTION

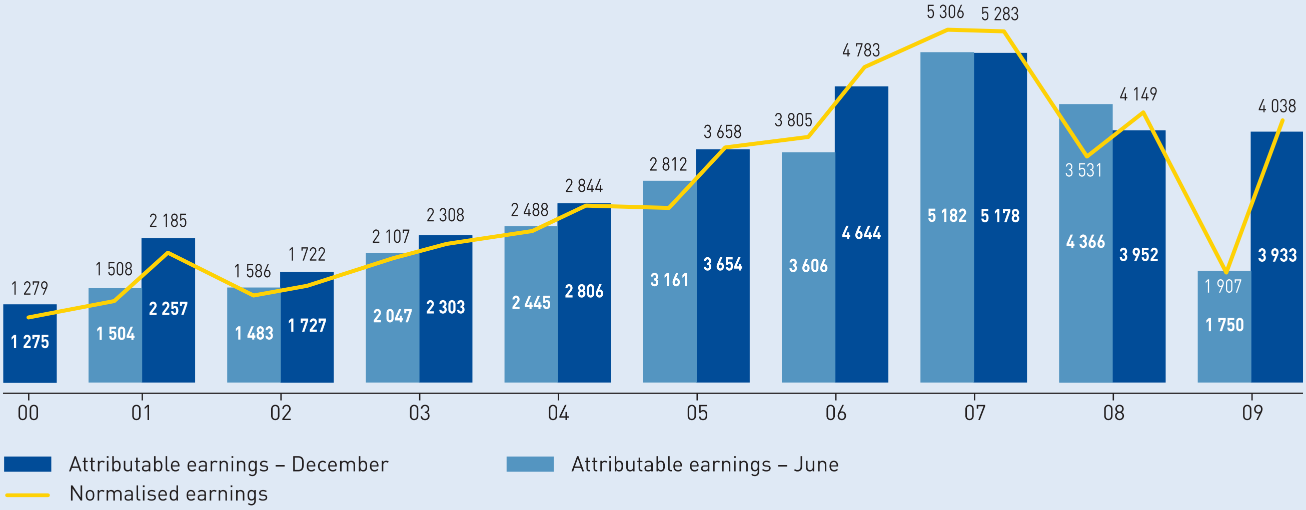
THIS REPORT COVERS THE OPERATIONAL AND FINANCIAL RESULTS OF THE BANKING GROUP ("FRBG") which represents the banking activities of FirstRand, and includes FNB, FNB Africa, RMB, WesBank and OUTsurance ("FirstRand Short Term Insurance").

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Attributable earnings to shareholders	**3 933**	3 952	(0)	5 702
Headline earnings	**4 017**	4 199	(4)	6 076
Normalised (before preference dividends)				
Earnings	**4 038**	4 149	(3)	6 056
Return on equity (%)	**17**	17		13
Normalised (after preference dividends)				
Earnings	**3 911**	3 996	(2)	5 747
Return on equity (%)	**17**	18		13

Earnings performance – six months on six months

(R million)



Consolidated income statement

R million	Six months ended 31 December 2009	Six months ended 31 December 2008	% change	Year ended 30 June 2009
Interest and similar income	**19 525**	28 620	(32)	52 098
Interest expenses and similar charges	**(11 082)**	(19 488)	(43)	(34 464)
Net interest income before impairment of advances	**8 443**	9 132	(8)	17 634
Impairment losses on loans and advances	**(3 225)**	(3 693)	(13)	(8 024)
Net interest income after impairment of advances	**5 218**	5 439	(4)	9 610
Non interest revenue	**12 322**	9 401	31	19 760
Income from operations	**17 540**	14 840	18	29 370
Operating expenses	**(11 850)**	(10 401)	14	(22 659)
Net income from operations	**5 690**	4 439	28	6 711
Share of profit from associates and joint ventures	**390**	983	(60)	1 577
Income before tax	**6 080**	5 422	12	8 288
Indirect tax	**(234)**	(196)	19	(396)
Profit before tax	**5 846**	5 226	12	7 892
Direct tax	**(1 591)**	(684)	>100	(1 300)
Profit for the period	**4 255**	4 542	(6)	6 592
Attributable to:				
Equity holders	**3 933**	3 952	(0)	5 702
Ordinary shareholders	**3 806**	3 799	0	5 393
Preference dividends paid	**127**	153	(17)	309
Non controlling interest	**322**	590	(45)	890
Profit for the period	**4 255**	4 542	(6)	6 592

Reconciliation of normalised earnings

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Attributable earnings	**3 933**	3 952	(0)	5 702
Adjusted for:				
– Loss on sale of subsidiaries	**–**	29	(100)	27
– Loss on sale of Private Label book	**19**	–	100	39
– Loss on sale of MotorOne Finance advances book	**–**	206	(100)	203
– Impairment of goodwill	**75**	14	>100	107
– Other impairment losses	**3**	(1)	>100	10
– Profit on disposal of available-for-sale assets	**–**	–	–	(2)
– Other	**(9)**	(3)	>100	14
– Non controlling interest	**–**	1	(100)	(13)
– Tax effect on adjustments	**(4)**	1	(>100)	(11)
Headline earnings	**4 017**	4 199	(4)	6 076
Adjusted for:				
– IFRS 2 share based payment expense	**21**	(50)	>100	(20)
Normalised earnings	**4 038**	4 149	(3)	6 056
Preference dividends paid	**(127)**	(153)	(17)	(309)
Normalised earnings attributable to ordinary shareholders	**3 911**	3 996	(2)	5 747

Consolidated statement of financial position

	At 31 December			At 30 June
R million	**2009**	2008	% change	2009
ASSETS				
Derivative financial instruments	**38 702**	81 526	(53)	60 229
Advances	**417 314**	433 343	(4)	420 224
Investment securities and other investments	**116 394**	109 821	6	105 745
Other assets	**60 130**	69 182	(13)	60 635
Total assets	**632 540**	693 872	(9)	646 833
EQUITY AND LIABILITIES				
Liabilities	**579 767**	642 532	(10)	597 405
Deposits	**496 804**	496 392	0	489 746
Short trading positions and derivative financial instruments	**55 853**	115 542	(52)	77 870
Other liabilities	**27 110**	30 598	(11)	29 789
Total equity	**52 773**	51 340	3	49 428
Total equity and liabilities	**632 540**	693 872	(9)	646 833

A more detailed balance sheet is set out on pages 102 and 103.

INTRODUCTION

The six month period ended 31 December 2009 reflected early signs of a global recovery with a modest turnaround from the challenging economic environment, market illiquidity and falling asset prices experienced since the collapse of Lehman Brothers Inc. in September 2008.

The decline in economic activity experienced in most developed economies together with the significant reduction in growth in most emerging economies, started reversing during the period under review. In South Africa, inflation moderated from a peak of 13.7% in August 2008 to 6.9% at 30 June 2009 and further to 6.3% at 31 December 2009, still slightly outside the South African Reserve Bank's target range of 3 - 6%. This, together with the rapid decline in economic activity as well as faltering domestic demand during the first six months of 2009, provided scope for a further 50bps repo rate decrease in August 2009 following the cumulative 450bps decrease during the period ended 30 June 2009.

The South African economy emerged from the recession during the third quarter of 2009, with quarterly GDP growth of 0.9% (annualised seasonally adjusted) led by the manufacturing sector and government spending programmes. GDP growth improved further to 3.2% (annualised seasonally adjusted) for the fourth quarter of 2009. However, economic conditions remain challenging, with significant pressure on real disposable income and job losses of 870 000 year on year.

The materially lower average interest rates resulted in a significant negative endowment effect on interest income during the period under review. The cumulative benefit of the lower interest rate environment, a stabilisation in house prices and a recovery in equity prices eased the pressure on consumers, with a positive impact on retail bad debt levels. There has, however, been an increase in commercial and corporate impairment levels in certain areas of the advances book. The Bank's asset base declined as a consequence of subdued economic activity and reduced customer demand during the period under review.

OVERVIEW OF RESULTS

The Banking Group produced results for the period under review which reflect a significant recovery in profitability in comparison to the six month period ended 30 June 2009, although slightly below the level of December 2008.

Attributable earnings of R3 933 million (0%), headline earnings of R4 017 million (-4%) and normalised earnings of R4 038 million (-3%) were achieved.

These results were primarily driven by:

- a decline of 8% in net interest income, adversely affected by a reduction in advances, the negative endowment effect on capital and deposits due to lower average interest rates as well as the impact of higher term funding costs;
- a decrease of 13% in impairment of advances, primarily in the retail franchises, reflecting the first positive benefits of the lower interest rate environment, and recorded in spite of the negative impact of job losses within the South African economy;
- a significant increase of 31% in non interest revenue, due to:
  - fee and commission income growth of 7%;
  - a robust rebound in fair value income with growth in excess of 100% off a low base, benefiting from the continued de-risking of the international portfolios;
  - an increase of more than 100% in profits from investment activities; and
- an increase in operating expenses of 14%.

DISCLOSURE OF ADVANCES AND DEPOSITS

During both the previous and current period, the Banking Group progressively improved business processes in its corporate lending and deposit books. As a direct consequence of these changes, certain corporate advances and deposits qualified for setoff for accounting purposes ("LROS setoff"). These amounts were grossed up prior to the changes. As a consequence, advances and deposits are not consistently reported over the periods.

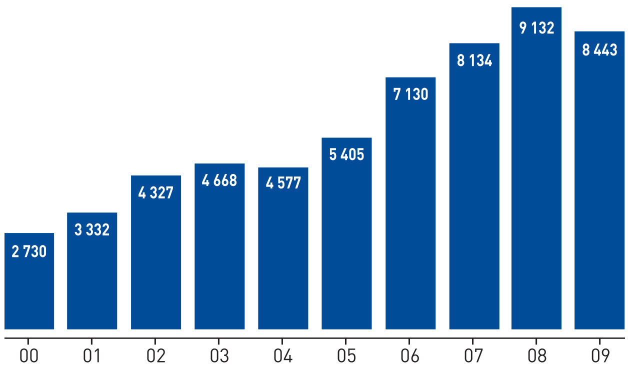
Additional information is set out on pages 32 and 33.

DETAILED FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – down 8%

Net interest income – Six months to December

(R million)



Following an initial 50bps decrease in interest rates during the period ended 31 December 2008 and a subsequent 400bps decrease during the six month period ended 30 June 2009, the South African Reserve Bank reduced rates by a further 50bps in August 2009.

As a consequence of the high interest rate environment experienced during the comparative period and the rapid subsequent reduction in rates, the average prime overdraft rate was 10.62% during the six month period ended 31 December 2009 compared to 15.45% in the comparative period.

Overall, margins on advances improved compared to the period ended 31 December 2008, assisted by a concerted effort and focus on written rates on new business in line with the more onerous credit environment, a change in mix to a higher component of fixed rate business within certain asset classes as well as the less pronounced impact of interest suspended on non performing loans ("NPLs").

Deposit margins remained under pressure, negatively affected by the higher costs associated with term funding.

A detailed analysis of the Banking Group's product margins is set out on page 105.

Net interest income and interest margins were positively influenced by:

- the volume effect from the higher capital base;
- a re-pricing of asset margins to reflect market corrections in credit pricing; and
- the widening of certain asset margins due to a change in mix and a focus on written rates.

Negative factors included:

- the increasing cost of longer term funding sources;
- the endowment effect; and
- a decrease in advances and deposit balances year on year.

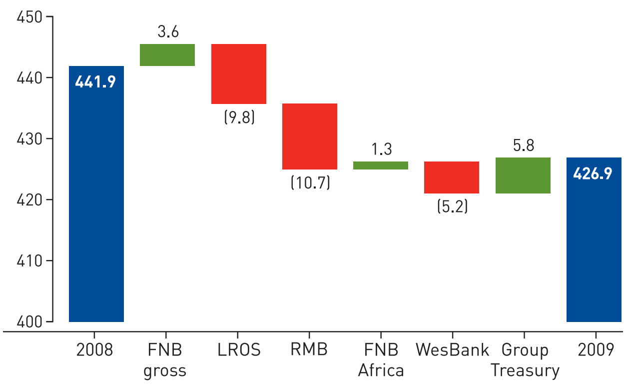
Advances – down 4%

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

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

	At 31 December			At 30 June
R million	**2009**	2008	% change	2009
Gross advances before contractual interest suspended	**428 991**	443 683	(3)	431 711
Less: Contractual interest suspended	**(2 109)**	(1 797)	17	(1 896)
Gross advances	**426 882**	441 886	(3)	429 815
Less: Impairments	**(9 568)**	(8 543)	12	(9 591)
Net advances	**417 314**	433 343	(4)	420 224
Accrual advances	**311 260**	332 365	(6)	321 311
Fair value advances	**106 054**	100 978	5	98 913
Net advances	**417 314**	433 343	(4)	420 224

Gross advances – movement
(R billion)



FNB's gross reported advances decreased 3% (a marginal increase of 1% excluding LROS setoff), reflective of a challenging operating environment. The decrease in advances resulted from:

- a 4% decrease in the Consumer segment, affected by a reduction across all lending categories, the biggest impact being a 3% decline in HomeLoans. The decline in HomeLoans was reflective of suppressed market conditions, resulting in a 29% decrease in new advances and a 17% decrease in re-advances;
- a decrease of 10% in Card issuing due to continued client deleveraging; and
- a decrease of 16% in Corporate (60% decrease including the impact of LROS setoff). The underlying operational decrease in advances was driven by lower working capital facility utilisation by clients;

offset to some extent by:

- strong growth of 20% in the Mass segment, benefiting from 30% growth in the SmartBond product, where sales increased 77%;
- 16% growth in the Wealth segment, assisted by strong growth in FNB Private clients; and
- growth of 5% in the Commercial segment, positively affected through higher activity in commercial property finance, agricultural advances and leverage finance.

WesBank's advances declined 6% year on year, due to:

- a higher runoff of the in-force older advances book than the increase in new business production. Total new business production increased marginally by 5%, as a result of:
  - an improvement in retail new business of 21% year on year, reflective of a gradual improvement in the consumer market;
  - offset by significant pressure on production levels in the corporate market, with a 28% reduction in new business written year on year.

The African subsidiaries increased advances 7%, affected by:

- advances growth of 12% in Namibia, reflecting higher facility utilisation by clients;
- strong growth of 33% in Swaziland, benefiting from higher levels of corporate business written; and
- growth of 8% in Moçambique, albeit off a low base, benefiting from the expanding footprint of the business;

offset by:

- a decline of 4% in FNB Botswana, primarily due to the strengthening of the Rand against the Pula; and
- low growth in the other African subsidiaries.

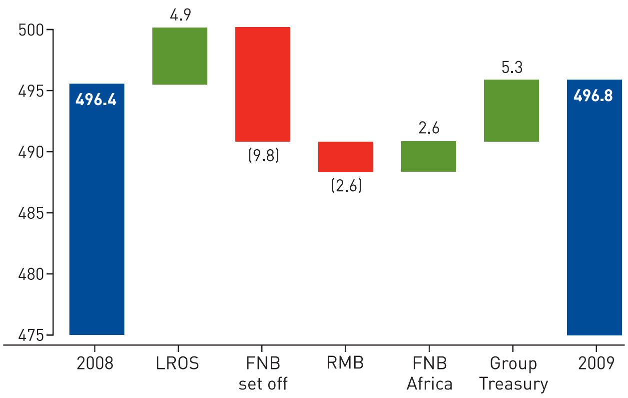
RMB's advances declined 9%, primarily due to:

- a significant decline in lending activity in FICC, reflecting lower demand for cash from clients;
- offset to some extent by growth in IBD due to solid growth in the lending activities of the property and leveraged finance portfolios, coupled with strong replacement in the in-force book across the portfolio.

Deposits – flat

Gross deposits – movement

(R billion)



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

	At 31 December			At 30 June
R million	**2009**	2008	% change	2009
Deposits as reported	**496 804**	496 392	0	489 746
Add: Balances subject to setoff agreements	**16 839**	7 077	>100	7 400
Deposits before setoff	**513 643**	503 469	2	497 146
Less: Deposits subject to LROS setoff	**(16 839)**	(15 456)	9	(15 901)
Adjusted deposits	**496 804**	488 013	2	481 245

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

FNB's deposits increased 2% (excluding the impact of LROS), with significant pressure on deposit raising activities experienced across the board. Limited growth was experienced in the consumer environment, primarily in current and money market accounts which grew 6%. However, the falling interest rate environment made term products less attractive than in the comparative period.

The Commercial segment experienced negative growth of 1%, reflective of customers using cash reserves to fund working capital requirements. In addition, Corporate and Public Sector deposits decreased 9% and 16% respectively, primarily due to the application of LROS setoff during the period. Excluding the accounting impact of LROS setoff, underlying Corporate deposits increased 2% and Public Sector deposits 16%.

The African subsidiaries increased deposits 11% year on year. Lesotho experienced strong growth of 38% off a low base, benefiting from high levels of interbank and professional funding placements, while Swaziland achieved growth of 28%, benefiting from increased activity levels in current accounts, call accounts and offshore deposits. Namibia achieved growth of 16%, primarily due to increased market liquidity.

Impairment losses on loans and advances – down 13%

Some improvements have been noted in the economic environment, albeit slight. The interest rate reductions in 2008 and 2009 resulted in a reduced level of new NPLs and credit impairments in most retail credit portfolios. The impact of the financial crisis on SME entities continues to filter through to higher impairment charges in this segment. The Wholesale segment was rather resilient with no significant defaults experienced.

The Banking Group sets its risk appetite with reference to the economic and business cycles in the markets in which it operates. The interrelationship between the risk appetite and credit criteria is carefully managed on an ongoing basis. After carefully tightening the credit criteria up to the previous financial year end, the Banking Group began to ease some criteria in line with the recovery of the external environment. As concerns remain around the overall recovery of consumers, a cautious approach is maintained with the focus on adequate return for risk throughout the economic cycle.

Advances growth remained subdued in the current market conditions, with NPLs remaining at high levels but showing a decreasing trend in the retail portfolios. The NPL % increased from 4.2% at December 2008 to 5.4% at December 2009 (but improved since June 2009 from 5.6%). The credit impairment charge for the six months ended 31 December 2009 was 1.51%, comparing well to the impairment charge at 31 December 2008 of 1.64% and 30 June 2009 of 1.81%. New NPLs reduced but the NPL balances are significantly impacted by increasing debt counselling cases.

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

Credit highlights

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Gross advances	**426 882**	441 886	(3)	429 815
NPLs	**23 121**	18 612	24	24 227
NPLs as % of advances (%)	**5.42**	4.21	29	5.64
Impairment charge	**3 225**	3 693	(13)	8 024
Impairment charge as % of average advances (%)	**1.51**	1.64	(8)	1.81
Total impairments[a]	**10 991**	9 859	11	10 984
– Portfolio impairments[a]	**3 703**	3 479	6	3 500
– Specific impairments[a]	**7 288**	6 380	14	7 484
Implied loss given default (coverage)[b]	**31.5**	34.3	(8)	30.9
Total impairments coverage ratio[c]	**47.5**	53.0	(10)	45.3

a) Includes cumulative credit fair value adjustments.

b) Specific impairments and non performing book cumulative credit fair value adjustments as a % of NPLs.

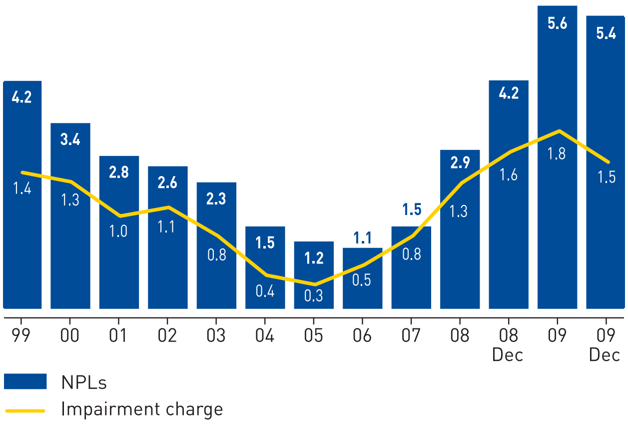
c) Total impairments and total cumulative credit fair value adjustments as a % of NPLs.

The implied loss given default (NPL coverage ratio) reduced from 34.3% to 31.5%. The reduction is largely due to the increased proportion of secured non performing loans since December 2008. Detail on the product level coverage is provided on page 83.

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

NPLs and impairment history

(%)



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

Additional detailed credit information is set out on pages 73 to 91.

Expectations

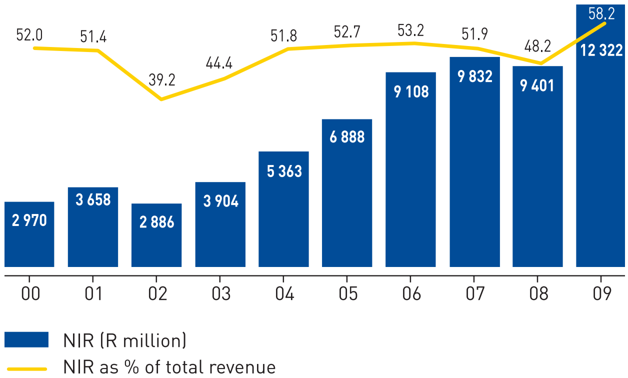
The positive impact of the interest rate reductions during 2008 and 2009 are reflected in the reduced levels of new NPLs and credit impairments in most retail credit portfolios. Interest rate increases are not expected in the short term. However, job losses that occurred during 2009 are only expected to reverse markedly during 2011. This will result in a slower recovery in the real disposable income of consumers. Improvements to consumers' balance sheets are expected to transpire slowly over the 2010 calendar year and cognisance should be taken of the impact of consumer spend on the rest of the market sectors. As expected, the SME market remains vulnerable until consumer expenditure growth momentum returns. The large corporate market is still vulnerable for the same reason, but the expectation is that this market will follow the recovery in the global corporate space.

Securitisations

During the period under review, the Banking Group did not conclude any further securitisation transactions. All of the securitisation transactions continued to perform in line with expectations as detailed in each of the offering circulars. Further details on the securitisation transactions are provided on page 93 to 97.

Non interest revenue ("NIR") – up 31%

Non interest revenue



Fee and commission income – up 7%

The Banking Group experienced satisfactory growth in fee and commission income, assisted by an increase in client numbers and satisfactory transaction volume growth and value of spend during the period ended 31 December 2009, in spite of the challenging economic conditions.

FNB benefited from an increase of 5% in client numbers as well as an absolute increase in both transaction volumes and value. Overall fee and commission growth was, however, negatively impacted through customers switching to cheaper electronic channels.

On a segmental basis:

- the Mass segment achieved 15% growth, benefiting from strong growth in transaction volumes, due to a 7% increase in revenue generating transactions, including debit card transactions which grew 11%, 68% growth in prepaid airtime turnover and a 37% increase in revenue from loans products;
- the Consumer segment showed 6% growth, benefiting from a 13% increase in the active cheque account base, although absolute growth was hampered by the adverse economic conditions which negatively impacted on non electronic transaction volumes;
- Wealth decreased 5%, benefiting from strong annuity income from asset management operations, offset by negative growth in administered estates and related fees as well as adverse exchange rate fluctuations;
- the Commercial segment achieved marginal growth of 1%, with a 5% increase in income from SpeedPoint and 14% growth in Online banking offset by a 15% decrease in income from international banking operations; and

- a marginal decline of 2% from the Corporate segment, negatively affected by pricing pressures.

WesBank achieved NIR growth of 2% (20% including the loss on the disposal of the MotorOne Finance advances book in the comparative period). The local lending business grew NIR 10%, benefiting from increased administration fees introduced through the National Credit Act on new business written. In addition, the current period results benefited from the first time consolidation of insurance captive vehicles. NIR in WesBank's international operations decreased 39% year on year, primarily due to the disposal of the MotorOne Finance advance book in the comparative period.

Knowledge based fee income remained robust in spite of the challenging economic conditions during the period, reflecting an increase of 16% year on year. RMB continued to benefit from good deal flow and concluded several large transactions during the period.

Fair value revenue – up >100%

Fair value revenue reflected an increase from R272 million to R2 093 million for the period ended 31 December 2009.

RMB's trading businesses experienced a significant turnaround in performance from the comparative period and the six month period ended 30 June 2009.

The Equity trading business reported profits of R120 million during the current period in contrast to the losses of R798 million in the comparative period. The turnaround resulted from a substantial de-risking of the international portfolios as well as a strong performance from the local agency and trading businesses. In addition, the comparative period included mark to market losses of R116 million incurred on the collapse of Dealstream, a futures clearing client.

FICC reported profits down 49% in comparison to the prior year, although reflecting an increase in profits in excess of 100% over the six month period ended 30 June 2009. Trading conditions remained challenging during the period. The fee based and client flow businesses were constrained due to lower trade flows and less interest rate and currency market volatility, which resulted in lower margins. The benign and non trending markets also provided fewer proprietary trading opportunities.

RMB incurred insignificant mark to market losses on the remainder of the International Structuring business ("SPJi") assets (primarily developed market investment grade credits, international property and an Indian special situations fund) during the period, in comparison to losses of R555 million incurred in the comparative period. As indicated previously, the remaining portfolios are illiquid. However, progress has been made in reducing these positions further. The remaining positions total approximately \$189 million (December 2008: \$257 million) at 31 December 2009.

Further information is presented on page 108.

Investment income – up >100%

Private equity activities – down >100%

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

The Private Equity division remained profitable during the period although its performance reduced significantly year on year, primarily due to three large realisations during the comparative period.

The unrealised profits in the private equity portfolio increased from R993 million at 31 December 2008 to R1 517 million at 31 December 2009. Consistent with prior years, the unrealised profit on the portfolio is not recognised in income.

In determining the unrealised value of the private equity portfolio, the Group used a value in use valuation method rather than market value for listed private equity counters, as it believes this method to be more reflective of the underlying value in the portfolio.

Other – up >100%

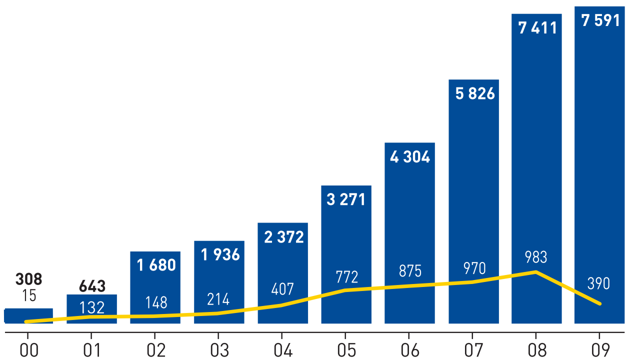
Other investment income was positively affected primarily by profits of R208 million achieved on assets held on balance sheet to cover long term employee liabilities. These assets are invested in long term equity and inflation linked portfolios, which recorded significant mark to market profits during the period assisted by the recovery of local and international markets during the year. These portfolios incurred a loss of R381 million during the comparative period.

The Banking Group further benefited from mark to market profits on its international resources investment portfolios during the period, primarily due to the partial recovery in international equity markets. Disposals in the Group's property portfolios and mark to market profits on other investments also contributed positively to the profit for the period.

Equity accounted income – down 60%

Analysis of income from associates and joint ventures

(R million)



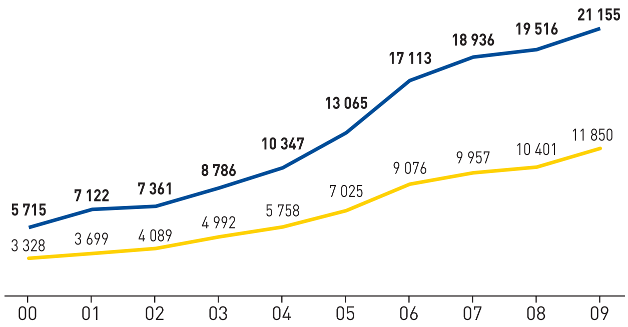
The results were impacted by:

- a decrease in equity accounted income of 5% from FRSTI, primarily related to ongoing startup costs associated with Youi, the direct insurance operation in Australia. The South African operations increased profits 10%, benefiting from satisfactory premium income growth of 14% from OUTsurance, strong new business flows on the commercial side and a stable claims ratio. However, overall profitability was negatively affected by lower investment income, primarily due to the lower interest rate environment;
- a year on year decrease of 68% in operational income from private equity associates, in part reflecting lower equity accounted income due to the constrained underlying economic conditions. Absolute performance, however, reflected a small loss due to the impairment of R243 million against an investment acquired as part of Dealstream during 2008; and
- a strong performance from WesBank's associates affiliated to its lending activities, reflecting the gradual improvement in the retail environment in which these entities operate.

Operating expenses – up 14%

Operating "jaws"

(R million)



The absolute increase in operating expenses was negatively affected by:

- an increase of 21% in staff expenses, due to:
  - direct staff remuneration (salaries and wages) increasing 3%, negatively affected by annual salary increases in excess of 8%, offset to some extent through a reduction of approximately 5% in staff numbers;
  - other staff related costs increasing 83%, in part linked to increased employee liability expenses directly related to the change in economic cycle, as well as a significant swing in IFRS 2 share based payment expenses where the prior period reflected income due to the deteriorating FirstRand share price, and an increase in variable staff related expenses directly linked to the increased profitability of the Group;
- a 17% increase in depreciation, reflecting the increased investment in infrastructure during this and the immediate preceding year;
- an increase of 75% in costs associated with cooperation agreements;
- an increase of 24% in lease charges; and
- an increase of >100% in costs associated with expansion activities.

A detailed analysis of operating expenditure is set out on page 110.

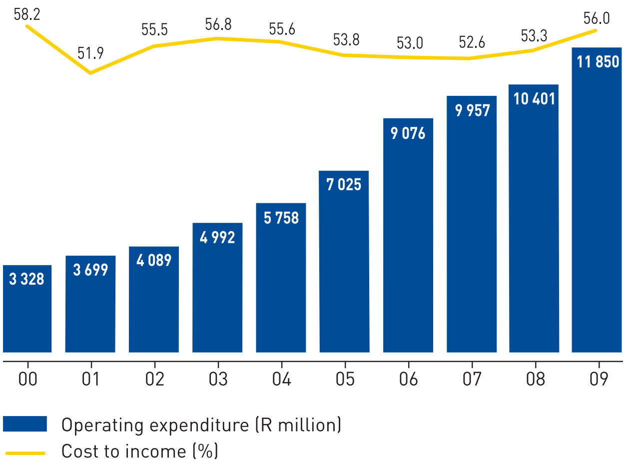
Cost to income ratio

The cost to income ratio deteriorated from 53.3% at 31 December 2008 to 56.0%.

The deterioration in the cost to income ratio is in part due to the ongoing pressure on top line growth experienced during the period. In addition, the ratio was negatively affected by the impairment of R243 million against the Dealstream portfolio as well as the impairment of R65 million relating to a WesBank non lending operation during the period. Excluding the effect of these impairments, the ratio would have been 55.2%.

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

Operating efficiency



Direct tax – up >100%

The direct tax charge as a percentage of income before direct tax increased from 13.1% to 27.2%. The prior year tax charge reflected a significant benefit due to the high level of STC credits earned in the comparative period as well as a proportionately higher level of income subject to Capital Gains Tax ("CGT"). Conversely, the current period reflected a charge for STC and limited income subject to CGT. In addition, the current year charge was negatively affected by the write down of deferred tax assets relating to the Group's international operations.

CHANGE IN DISCLOSURE

During the financial period the following reclassifications were made:

R million	Amount as previously reported	Amount as restated	Difference	Explanation
Statement of financial position				
30 June 2009				
Assets				
Accounts receivable	5 542	5 255	(287)	Reinsurance assets arising in the Group's Namibian operations were classified from accounts receivable to a separate line, reinsurance assets, on the face of the statement of financial position. The reclassification was done to enhance disclosure relating to the insurance operations in Namibia and ensures consistent treatment with the Group's other insurance operations.
Reinsurance assets	–	287	287	Refer accounts receivable.
31 December 2008				
Assets				
Accounts receivable	6 272	5 940	(332)	Reinsurance assets arising in the Group's Namibian operations were classified from accounts receivable to a separate line, reinsurance assets, on the face of the statement of financial position. The reclassification was done to enhance disclosure relating to the insurance operations in Namibia and ensures consistent treatment with the Group's other insurance operations.
Reinsurance assets	–	332	332	Refer accounts receivable.

Other than the items described above in the note above no adjustments were made to prior period amounts.

SIGNIFICANT ACQUISITIONS AND DISPOSALS DURING THE PRIOR PERIOD

There were no material acquisitions or disposals during the period.

OPERATIONAL RESULTS BY BUSINESS UNIT

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
FNB	**2 895**	2 875	1	5 060
Mass	**595**	616	(3)	1 211
Consumer segment	**688**	(9)	>100	(265)
– HomeLoans	**(289)**	(977)	(70)	(1 754)
– Card Issuing	**180**	36	>100	(108)
– Other Consumer	**797**	932	(14)	1 597
Wealth segment	**148**	156	(5)	277
Commercial segment	**1 041**	1 550	(33)	2 780
Corporate segment	**397**	354	12	715
FNB Other and Support	**26**	208	(88)	342
FNB Africa	**643**	658	(2)	1 222
RMB	**1 403**	1 904	(26)	2 055
WesBank	**405**	(38)	>100	130
Corporate Centre	**815**	1 209	(33)	1 637
Consolidation and IFRS adjustments	**(11)**	(1 184)	(99)	(1 778)
	6 150	5 424	13	8 326
Less: Divisions disclosed elsewhere	**(304)**	(198)	54	(434)
Income before direct tax	**5 846**	5 226	12	7 892

FNB – SOUTH AFRICA

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Income before indirect tax	**3 051**	3 020	1	5 317
Indirect tax	**(156)**	(145)	8	(257)
Income before direct tax	**2 895**	2 875	1	5 060
Advances	**196 136**	202 302	(3)	204 370
Total deposits	**191 079**	195 974	(2)	192 550
Assets under management	**44 150**	43 673	1	41 927
Cost to income ratio (%)	**58.6**	57.5		57.5
NPLs (%)	**8.4**	6.6		8.7
ROE (%)	**31**	28		26

R million	**2009**	2008	% change	2009
Mass	**595**	616	(3)	1 211
Consumer segment	**688**	(9)	>100	(265)
– HomeLoans	**(289)**	(977)	(70)	(1 754)
– Card Issuing	**180**	36	>100	(108)
– Other Consumer	**797**	932	(14)	1 597
Wealth	**148**	156	(5)	277
Commercial	**1 041**	1 550	(33)	2 780
Corporate	**397**	354	12	715
FNB Other and Support	**26**	208	(88)	342
Total FNB	**2 895**	2 875	1	5 060

INTRODUCTION

The six months to December 2009 remained challenging given an operating environment characterised by ongoing economic uncertainty, recessionary pressures and continuing high levels of consumer indebtedness. Whilst reducing interest rates resulted in a significant negative endowment impact on the deposit franchises, the main impact of which was felt in this reporting period, it also provided relief to consumers' disposable income pressures, resulting in some deleveraging. Against this background, FNB's satisfactory performance during the period can be ascribed to the following:

- a diversified retail portfolio which continued to show good growth in transactional volumes, especially in favour of electronic channels, a turnaround in credit impairments, and steady growth in deposits;
- a significant slowdown in NIR growth in the Corporate and Commercial segments;
- a strong focus on efficiencies and sustainable containment of cost growth resulting in only 2% growth in operating expenditure;
- a better quality of new business written in the retail lending books due to revised credit strategies, especially within the mortgage and credit card portfolios.

CHANGES IN STRUCTURE AND SEGMENTATION

As previously reported, FNB's segment view is not a "pure" indication of FNB's penetration into each segment as it depends on the product segment categorisation as well as internal service level and revenue arrangements. Further, continuous segment refinement occurs, such as the cut-off between Consumer and Wealth and the transfer of business units.

PERFORMANCE COMMENTARY

FNB produced a 1% increase in profit before tax from R2 875 million to R2 895 million, and increased its return on equity to 31%.

Interest income decreased 8% mainly as a result of the negative endowment impact on deposit margins, as well as lower balance sheet growth.

Impairments decreased to 1.91% (2008: 2.05%) of average advances. This decrease is in line with expectations and was achieved despite the 3% reduction in advances growth.

As expected, the decrease in the impairment charge is largely driven by residential mortgages at 1.17% (2008: 1.48%) and Card Issuing at 8.14% (2008: 9.77%) of average advances. FNB HomeLoans represents the largest component of residential mortgages as detailed below.

R million	Advances	Impairment charge	Impairments to average advances (%)
Affordable Housing	5 523	15	0.59
HomeLoans	109 177	758	1.38
Wealth	34 784	96	0.57
Total residential mortgages	**149 484**	**869**	**1.17**
Residential mortgages – June 09 (annual)	147 959	2 380	1.63
Residential mortgages – December 08	146 747	1 078	1.48

NIR increased 5% on the back of 5% growth in customer numbers to 6.7 million as well as higher transactional volumes across all segments. However revenue continued to be significantly impacted by customers switching to less expensive channels.

Overall operating expenses increased only 2% reflecting a 3% decrease in total head count which contained staff cost growth to 2%. Marketing, advertising and travel costs also reduced. However, this benefit was partly offset by higher variable costs associated with increased electronic volumes, property, cash conveyance and collections related activity expenses, together with the impact of infrastructure and process investments.

Deposits decreased R5 billion or 2% largely attributed to the allowed setoff of balances, excluding this impact, the deposits increased R3 billion (2%). This resulted from the growth of current and money market accounts of 6%, while the term investment book remained flat.

Advances decreased R6 billion or 3%, with the Corporate and Public Sector segments (R9 billion decrease) mainly contributing to this decrease as a result of the allowed setoff, coupled with lower utilisation levels. On the retail portfolio, Card advances declined 11% despite some growth in cardholder spend/turnover with retail mortgages (R3 billion increase) and Commercial reflecting some growth.

SEGMENT PERFORMANCE

Mass (Smart solutions)

Smart and Mzansi accounts

Microloans (SmartSpend)

Cellphone banking and Prepaid products

Housing finance (SmartBond & Smart Housing Plan)

FNB Life

FNB Connect

FNB EasyPlan

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

Given the difficult operating environment, this segment produced a resilient performance, with profit before taxation decreasing only 3% from R616 million to R595 million.

The primary reason for the decline in profitability was the 15% reduction in interest income due to the substantial decline in deposit margins on the endowment products. This was partially offset by the income generated by advances growth of 20%, which was in turn driven by growth in SmartBond (affordable housing mortgage product), where sales increased 77%.

NIR growth was strong at 15%, primarily driven by 68% growth in prepaid airtime turnover and 37% growth in revenue from loans products. Overall growth of 7% in revenue generating transactions, including debit card point of sale transactions which grew 11%, also contributed positively.

Impairment charges increased to R269 million (2008: R165 million), impairments as a percentage of average advances increased to 6.79% (2008: 5.04%) and NPLs decreased to 5.9% (2008: 7.8%) of advances. This was a satisfactory performance, given the current environment, and can be particularly attributed to a strong focus on collections.

Operating costs increased 4% mainly due to growth in variable costs relating to increased customers and transactional volumes. InContact SMS volumes continued to increase, totaling 341 million for the period.

By December 2009, Cellphone banking had over 1.3 million active customers. The use of this channel provides convenience to customers and cost efficiencies for the segment and, in conjunction with InContact, is expected to continue to contribute good market share growth in general banking products and prepaid airtime sales.

FNB Life showed good growth and despite the impact of the current economic environment, with higher policy lapse rates on most products, the in-force policies currently total 3.7 million. This represents a 32% increase compared to the six months to December 2008, and was driven by exceptional growth in funeral policies. This was, however, partly offset by declines in non essential type products like Law-on-Call and Smart Cover where lapse rates remain high.

Consumer

Cheque & Transmission products (including overdrafts)

Investments & Equity products

Personal loans (including student loans)

FNB Insurance Brokers

eBucks

HomeLoans (including One Account)

Card Issuing

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

The segment continued to face extremely tough trading conditions as consumers' disposable incomes remained under pressure despite the easing of interest rates. However, a slowdown in inflows into NPLs and arrears helped to improve performance.

The segment recorded a profit before taxation of R688 million compared to a loss in the previous period. This improvement is largely attributable to an improved performance from FNB HomeLoans.

The significant decrease in impairments to R1 335 million (2008: R1 783 million) or 2.14% (2008: 2.77%) of average advances which resulted from the decrease in NPLs from 10.5% of average advances in June 2009 to 9.7% in December 2009 (2008: 8.4%).

Interest income showed muted growth of 3% as a result of slow balance sheet growth coupled with the decline in deposit margins on endowment products.

NIR grew 6%. This was mainly driven by strong growth in the active cheque account base, up 13%, offset by a decrease in certain categories of fees as well as non electronic transactions.

Advances declined R5 billion or 4% with balances reducing across all lending categories with HomeLoans (R3.5 billion) being the biggest contributor.

Deposits grew 4% to R57 billion driven by increased current account and money market balances resulting from growth in the active account base. This was, however, offset by limited growth in term investment products as customers look for higher yields due to the low interest rate environment.

Operational expenses decreased 1% due to specific actions to manage costs in those business units currently experiencing reduced levels of activity, as well as from benefits realised through process efficiencies.

Personal Loans advances decreased 4%, reflecting a new loans payout decline of 19%.

FNB HomeLoans

Several factors, including lower interest rates and stable inflation, contributed to a positive turnaround in FNB HomeLoans, with losses decreasing R687 million to R290 million. The improved loss position resulted from the significant decrease in the impairment charge to R758 million which was largely driven by NPLs decreasing R751 million since June 2009, compared to an increase of R3.6 billion during the comparative period.

Advances contracted 3% to R109 billion (2008: R113 billion) as a result of low customer demand for new credit, which resulted in new payouts contracting 29% and re-advances declining 17%. Sales increased 52% compared to the second half of the previous financial year.

FNB HomeLoans new business market share increased to 18% (2008: 17%). The new business "mix" favoured lower risk customers resulting in FNB's overall share of lower risk customers increasing.

Interest income more than doubled on an improvement in margins due to substantial decreases in interest suspended as a result of lower NPLs and customer interest rates.

NIR remained fairly flat as increased pricing and bank assurance revenue was offset by reduced One Account transactional activity.

Operating costs decreased 23% to R295 million, mainly due to the continued cost focus as well as efficiencies realised from systems and processes improvements.

Card Issuing

Card Issuing recorded a profit before taxation of R180 million (2008: R36 million) for the period reflecting a significant reduction in arrears and NPLs, resulting in a lower impairment charge. Despite the current economic climate and account attrition due to bad debt write-offs, card turnover remained robust and is marginally higher than the previous financial period.

The impairment charge improvement to R464 million (2008: R605 million) reflected a decrease in credit impairments to 8.14% (2008: 9.77%) of average advances while NPLs decreased to 8.5% (2008: 13.3%) of advances.

Interest income decreased 5% to R556 million due to lower advances which decreased 10% to R11 billion.

NIR increased 4%, due to good levels of customer spend and inflation linked annual pricing adjustments.

Operating expenses decreased 1%, mainly due to an ongoing focus on efficiencies and productivity.

Wealth segment

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

This segment focuses on providing banking and investment solutions to customers with incomes above R1 million per annum as well as certain trust, fiduciary and offshore investment services to all retail customers.

This segment's profit before tax decreased 5% to R148 million impacted by a combination of higher impairments and margin compression. Profit before tax from FNB Private Clients reduced 27% and profits from FNB Trust Services decreased 34%. RMB Private Bank and FRIWM grew profits 1% and 8% respectively.

Interest income increased 14%, supported by strong growth in advances. However competitive pricing pressures and higher yields in alternative investments negatively impacted deposit balances, down 4%, and deposit margins, relative to the higher interest rate cycle.

Impairments increased to 0.57% (2008: 0.39%) of average advances while NPLs increased to 6.3% (2008: 3.2%) of advances, primarily as a result of the refinement of the NPL definition in the prior financial year, which contributed to NPLs increasing to 6.5% at June 2009.

NIR decreased 5%, with strong growth in annuity income (22%) and banking related income (19%) offset by exchange rate fluctuations and negative growth on value of estates administered. The growth in annuity income was largely due to good investment selection.

Operating expenditure was well contained as a result of certain cost curtailment measures implemented, including a headcount reduction of 6%.

Commercial segment

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

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

Profit before tax was 33% down on the comparative six month period to December 2008, mainly as a result of lower interest income. This was due to the negative endowment impact on margins and low NIR growth resulting from lower transaction volumes.

Interest income reduced 26% due to increasing NPLs requiring interest to be suspended, the impact of higher funding costs, lower balance sheet growth, and in particular, the endowment impact.

Impairments increased to R221 million or 1.65% (2008: 1.21%) of average advances. NPLs increased to 6.8% (2008: 3.6%) of advances mainly due to higher NPLs for commercial property finance and an increase in stress experienced in the Medium Corporate overdraft book. The impairment ratio in Business overdrafts improved.

NIR increased 1%, negatively affected by the decline in international banking activities (15%) and low growth rates in cash and cheque revenue, despite annual pricing increases. However, SpeedPoint showed moderate growth of 5% while the migration to electronic channels is evident in the 14% growth in Online banking. Transactional volumes were also impacted by low growth in transactional accounts.

Advances increased 5% as a result of growth in agricultural facilities, commercial property finance and leverage finance. Deposits declined 1% as a result of customers opting to utilise cash reserves to fund working capital requirements.

Corporate segment

Corporate transactional banking services and associated working capital solutions
Speedpoint (Card acquiring)
Electronic Cash Solutions (SmartBox)
Electronic banking
International banking
Custody services

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

Profit before tax grew 12%, mainly as a result of interest income increasing 6% and the release of certain portfolio provisions as a result of the improvement in loan exposures.

NIR reduced 2% mainly due to pricing pressures and an exceptional loss on sale of the Private Label book. Transactional volume growth was strongest in the electronic channels, with 9% and 13% growth in FNB Online and SpeedPoint respectively. The growth in SpeedPoint was as a direct result of 13% growth in sales devices to 123 500.

Operating expenses grew 10% mainly as a result of increased staff costs and infrastructure investment.

Advances decreased 60% (R4 billion) to R3 billion. However, excluding the LROS gross up, advances decreased R600 million or 16%, mainly driven by lower utilisation of working capital facilities.

Deposits decreased R3 billion or 9% to R32 billion, however before LROS set off, deposits increased 2% to R32 billion.

FNB Other and Support

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

Several factors influenced the results of the various businesses included under FNB Other and Support, including:

- the endowment impact on the Public Sector deposits;
- the refinement of internal service level agreement charges impacting Branch Banking negatively; and
- the release of central credit provisions in the prior year.

Public Sector Banking

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

The public sector market was characterised by increased competitor activity and weaker cash flows in Local Government. However, the business achieved satisfactory growth in deposit balances (+16%), excluding the impact of setoff, due to resilient cash flows in the National and Provincial spheres, as well as the focus on customised client offerings.

Branch Banking (including Self Service Channel and Cash Centres)

Branch Banking represents the infrastructure through which FNB services most of its 6.7 million customers.

Representation points such as branches reduced slightly during the year, whilst the ATM footprint grew 4%, this reflects FNB's strategy to migrate customers to low cost, electronic channels.

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Representation points (Branches, agencies, Bank on Wheels, etc.)	**680**	704	(3)	687
ATMs	**5 478**	5 258	4	5 311

FNB AFRICA

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

Performance summary

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Income before indirect tax	**656**	672	(2)	1 252
Indirect tax	**(13)**	(14)	(7)	(30)
Income before direct tax	**643**	658	(2)	1 222
Advances	**18 582**	17 304	7	17 519
Deposits	**26 451**	23 872	11	25 326
Cost to income ratio (%)	**54.0**	48.5		52.0
NPLs (%)	**2.2**	2.2		2.5

Infrastructure

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Representation points (branches, agencies)	**94**	85	91
ATMs	**497**	476	479

ENVIRONMENT

The lagging effect of the global economic crisis continued in the SADC economies with lower interest rates, reduced inflation, and increased unemployment evidenced during the period. Strict monetary policies were maintained, curbing inflation and supporting low interest rates, which contributed to maintaining economic stability. Commodity prices recovered to an extent and mining production improved, from a reduced output level, with currency flows and trade activity increasing as a result. The level of foreign income from diamond and copper exports, however, depressed export proceeds in Namibia, Botswana and Zambia.

PERFORMANCE

FNB Africa

Net income before tax decreased 2% for the period which can be attributed to increased investment costs in FNB Zambia and FNB Moçambique and a weaker performance from FNB Botswana.

In line with its stated strategy FNB continued to focus on expanding the branch networks of the smaller subsidiaries, Moçambique, Lesotho and Zambia, which is expected to provide a strong platform for future growth. In addition the introduction of a new core banking system in Namibia had an impact on the overall cost base.

Return on average equity of 25% indicates that, despite the reduced performance, the investment continues to produce satisfactory returns.

Despite a slower demand for credit, gross advances increased 7% and deposits increased 11%. The continued focus on credit quality and risk management resulted in the overall bad debt charge decreasing 15% and NPLs remaining stable at 2.2%.

A sound capital base is maintained in each of the subsidiaries in terms of stringent capital management frameworks adopted in each country and capital is managed in terms of Basel II principles.

FNB Botswana

Net income before tax decreased 10% (4% in Pula terms) to R301 million (P264 million). This can mainly be attributed to margin compression as a result of lower interest rates, reduced commissions earned from lower trade activity, as well as moderate transactional volumes. The strengthening Rand against the Pula also negatively impacted Rand profit growth.

In Pula terms, gross advances increased 7% due to increased sales focus in the retail and property sectors. Deposits increased 2% as a result of liquidity strain in the commercial and consumer segments. The impairment charge remained flat at 0.8% with overall credit quality of advances being acceptable and defaults closely monitored and managed in conjunction with affected clients. The retail segment, due to the difficult employment situation, continues to be under financial strain.

FNB Namibia

Net income before tax increased 20% for the period to R333 million, despite core system localisation costs, increased margin pressure in the low interest rate cycle and further margin restriction imposed by the central bank. The insurance and assurance businesses performed better coming off a low base and the assurance business is poised for good growth with the recent launch of Momentum products. Banking profits increased 16% for the period, attributed to healthy balance sheet growth and good transactional volumes.

Gross advances increased 12% due to increased utilisation of commercial and corporate facilities as well as new business written. Deposits increased 16% due to increased liquidity in the market. Credit quality remains healthy as a result of ongoing conservative credit policies and close account monitoring.

Regulatory pressure to reduce the prime rate differential to the Bank rate (repo rate) placed strain on margins, which dampened a good overall performance.

FNB Swaziland

Net income before tax for the six months increased 20% for the period, attributed to good balance sheet growth, a healthy credit book and good growth in transactional volumes. Gross advances in FNB Swaziland showed good growth of 33% due to increased corporate overdrafts and new business written. Deposits increased 28% due to success in attracting new customers to the bank through focused customer targeting and legislated repatriation of pension fund investments to the Swaziland economy.

FNB Moçambique

Net income before tax decreased due to expenditure incurred as part of the planned expansion of the branch network with two new branches opened in this period.

Growth in new accounts was significant and can be attributed to focused sales strategies and the increased footprint. The strengthening Rand negatively impacted the overall performance.

FNB Lesotho

Net income before tax for the period improved significantly due to good retail deposit growth and increased transactional revenue as a result of increased market share. With the on-going expansion of the branch and ATM network, the business is well positioned for growth.

FNB Zambia

The start up in FNB Zambia has been slower than initially expected due to the difficult economic conditions. Deposit growth is satisfactory with account growth gaining momentum.

RMB

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Income before indirect tax	**1 438**	1 937	(26)	2 134
Indirect tax	**(35)**	(33)	6	(79)
Income before direct tax	**1 403**	1 904	(26)	2 055
Total assets	**255 129**	317 959	(20)	275 097
Cost to income ratio (%)	**49.8**	38.3		56.6

PERFORMANCE

RMB reported profits before tax of R1 403 million for the six months to 31 December 2009, 26% lower than the prior year but significantly up on the six month period to June 2009.

Market conditions remained depressed, characterised by a continued slowdown in corporate activity and reduced volatility, particularly in the interest rate and currency markets. Global and local equity markets regained some lost ground which assisted the turnaround in the Equity Trading division.

Against this background, and as expected, the Investment Banking division and FICC reported profits lower than the comparative period. The Private Equity division was also significantly down on the comparative period, as a result of lower realisation profits than those reported in the December 2008 results.

The Equity Trading division returned to profitability as a result of the de-risking of the international portfolios as well as a satisfactory performance from the local agency and trading businesses.

Further losses, although significantly reduced, were incurred on RMB's remaining legacy portfolios. Total operating expenses were 6% higher than the prior period, however, the fixed cost base was 5% down due to targeted cost savings being realised.

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

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Private Equity	**198**	1 213	(84)	1 028
Investment Banking	**953**	1 300	(27)	2 207
FICC[1]	**472**	933	(49)	804
Equity Trading	**120**	(798)	>100	(782)
Other	**(340)**	(744)	(54)	(1 202)
	1 403	1 904	(26)	2 055

1 Included in the comparative period are profits of R48 million (June 2009: R75 million) relating to the Euroloan business which was transferred to FirstRand Group Treasury on 1 July 2009.

PRIVATE EQUITY

The Private Equity division reported a net profit before tax of R198 million. This is significantly lower than the comparative period and is attributed to an absence of large realisations. The period under review includes some small realisations whereas the December 2008 results included three large realisations (Stocks Building Africa (Pty) Ltd, Alstom SA (Pty) Ltd and Idwala Industrial Holdings (Pty) Ltd). In addition equity accounted earnings were under pressure due to market conditions.

Unrealised profits in the portfolio increased to R1 517 million (2008: R993 million). No significant investments were made in the period under review.

INVESTMENT BANKING

The Investment Banking division recorded net profits before tax of R953 million, 27% lower than those of the comparative period. These results reflect the challenging market conditions and lower corporate activity than that of prior periods. Several significant transactions were, nevertheless, concluded in the period – the Richards Bay Minerals BEE deal, MTN refinancing, Naspers refinancing and Supergroup restructuring.

Overall, the Investment Banking business managed to maintain good deal flow across all areas and is making progress in accessing the increasing Asian-African trade and investment flows.

FICC

The FICC division reported net profits before tax of R472 million, 49% down on the first six months of the prior year but significantly up on the six month period to June 2009.

Client business suffered on the back of substantially lower trade volumes (imports and exports), lower interest and currency market volatility and tighter margins. The benign and non-trending markets also provided fewer proprietary trading opportunities.

EQUITY TRADING

The Equity Trading division reported a net profit before tax of R120 million, a turnaround from the significant loss of R798 million recorded in the comparative period. The turnaround was a result of the substantial de-risking of the international portfolios as well as a strong performance from the local agency and trading businesses. The prior period included losses of R335 million incurred on the collapse of Dealstream.

Market conditions were more favourable for both client and proprietary activities as foreign and local investor interest returned to the South African equity markets.

OTHER

Whilst further losses of R305 million were incurred on the legacy portfolios during the period under review these were significantly lower than the losses incurred in the six months to 31 December 2008. These losses were largely due to a R243 million write-down of an investment which was acquired following the default of Dealstream. Much reduced losses were incurred on the remaining International portfolios. Progress has been made in reducing the SPJi exposures which now approximate USD 189 million (Dec 2008: USD 257 million).

The balance of the negative contribution under "Other" was attributable to Head Office and central operational costs resulting from the ongoing investment in core systems.

WESBANK

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Income before indirect tax	**475**	227	>100	438
Indirect tax	**(70)**	(59)	19	(105)
Income before tax before loss on sale of MotorOne Finance advances book	**405**	168	>100	333
Loss on sale of MotorOne Finance advances book	**–**	(206)	100	(203)
Income before tax	**405**	(38)	>100	130
Advances WesBank Consolidated	**90 785**	96 024	(5)	92 274
Cost to income ratio (%) WesBank Consolidated	**52.5**	52.6		53.8
Cost to income ratio (%) WesBank Local lending operation	**43.4**	44.6		41.9
Non performing loans (%)	**5.3**	3.5		5.0

ENVIRONMENT

Trading conditions during the reporting period remained subdued particularly as the pressures which impacted consumers over the past two years have now extended to the corporate sector. This resulted in low demand and low financier credit appetite, which negatively impacted certain sections of the corporate sector.

In the consumer segments positive signs are emerging, although these improvements remain gradual. New vehicle sales declined 26% year on year, although recent months have shown some level of improvement compared to the first half of the calendar year.

PERFORMANCE

Although credit losses remain at historically high levels and the advances book continued to contract during the period under review, WesBank's overall profitability showed a marked improvement over the comparative period. Excluding the R206 million loss relating to the disposal of the MotorOne Finance advances book, which was recognised in the six months to December 2008, overall profits increased 141% to R405 million.

The table below sets out the relative contributions from local and international operations.

Divisional analysis of income before tax

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
SA operations	**362**	153	>100	368
International operations	**43**	(191)	>100	(238)
Total	**405**	(38)	>100	130

SOUTH AFRICAN OPERATIONS

WesBank's local operations produced net income before tax of R362 million, an increase of 136% over the comparative six month period ended 31 December 2008, and 68% over the six month period ended 30 June 2009. This performance includes an impairment of goodwill totalling R65 million in respect of a local non lending subsidiary, without which the year on year profit improvement was 179%, and the improvement over the six month period ended June 2009 was 99%.

The improvement in earnings reflects a reduction in impairment levels, improved interest margins and tight control over expenditure. The advances book continued to contract during the period under review, however towards the end of the calendar year, some growth was evidenced. As expected, there was a migration of bad debts from the consumer sector to the commercial/corporate sector, which impacted the overall mix of earnings.

The impairment charge for the six months ended 31 December 2009 compared to the six months ended December 2008 declined 10% to R1.11 billion, and declined 17% compared to the six months ended 30 June 2009. The impairment charge, as a percentage of advances, was 2.55% compared to 2.63% in the comparative period. The bad debt performance reflects a shift in impairments between the retail and the corporate portfolios, as detailed in the table below:

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Retail portfolio	**730**	1 117	(35)	2 062
Corporate portfolio	**380**	114	>100	505
Total	**1 110**	1 231	(10)	2 567

The bad debt performance of the retail portfolio (which includes the personal loan advances book), reflects the improving arrears position, as well as the effects of the new business originated under a tighter credit appetite. More recently originated business continues to deliver better than historic average arrear levels. The corporate portfolio is performing as expected given the extent of the deterioration of the credit cycle. There were improvements in the level of dealer failures and the impairments related to these failures. However in certain sectors and in respect of certain asset types (notably light aircraft), the corporate portfolio continues to shows strain and this is expected to continue for the remainder of the year.

NPLs have increased to 5.4% of advances from 3.6% at 31 December 2008, and from 4.9% at 30 June 2009. This is largely due to the sharp increase in the volume of accounts under debt review, as defined in the National Credit Act. These accounts are adequately provided against but remain in the NPLs bucket for a far greater period as the prescribed debt review process is followed. Accounts under debt review now total R1.1 billion and represent 23% of the total NPLs. There is also an increase in the level of NPLs resulting from corporate accounts under workout situations.

Total new business levels increased 5% to R20.2 billion, compared to R19.2 billion in the comparative period. Retail production increased 21%, reflecting the gradual improvement in consumer demand, however corporate production declined 28%. Consequently, gross advances declined 6% to R86.3 billion.

Interest margins increased year on year as a result of the significant focus on written rates as well as the improvement in the mix of fixed rate business. Increased interest margins were achieved across all retail, corporate and personal loans portfolios.

Within the lending business, NIR grew 10%. This increase was largely due to growth in monthly administration fees, which were only introduced for business originated from June 2007 onwards. NIR in the non lending subsidiary operations was impacted positively by the inclusion of Contract Lease Management ("CLM"), the full maintenance leasing and rental entity acquired during the latter half of the prior financial year, as well as the consolidation of the underlying insurance captives.

Operating expenses in the lending business increased a modest 4% year on year. The cost to income and cost to asset ratios moved from 44.6% and 2.30% to 43.4% and 2.56% respectively, mainly as a result of declining advances rather than higher cost growth. Included in operating expenses is the depreciation on full maintenance rental assets, totalling R23 million, resulting from the acquisition of CLM. This incremental cost is, however, supported by incremental revenue.

WesBank has over a number of years developed and invested in a number of non lending businesses that are complementary to its core business, providing related services and products to retail and corporate customers. These operations include Direct Axis (the marketing channel for personal loans and other insurance products), Tracker (the vehicle recovery and telematics business), Rentworks (the rentor of IT and other assets), Contract Lease Management (Full Maintenance Leasing & Rental) and Norman Bissett & Associates (the 3rd party external collections operation). These businesses contributed R41 million to the net income of WesBank for the period under review, inclusive of the R65 million goodwill impairment, and R106 million exclusive of this charge.

INTERNATIONAL OPERATIONS

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

Despite tough trading conditions Carlyle Finance produced excellent results showing a profit before tax of R38 million, compared to a prior year loss of R20 million. This performance was generated through significant increases in interest margins, gradually improving bad debt and arrear levels and effective cost management actions. The advances book increased 14% to £327 million as a result of increasing new business levels. Despite this performance, given the long term funding constraints, WesBank will look to divest of its investment in the UK, should a suitable buyer be identified at an appropriate valuation. It is anticipated that the Carlyle Finance business would generate a fair premium over book value.

In Australia there remains the shareholding in WorldMark as well as a small residual loan portfolio (approximately AUD$20 million), which is being administered and run down on an outsourced basis. Going forward WesBank has decided to concentrate its international expansion activities on asset financing opportunities in African territories.

SUMMARY

WesBank is a cyclical business, sensitive to the effects of the current credit cycle. This cycle has been particularly severe, but it appears that a gradual recovery in respect of the consumer portfolio is underway. The corporate sector remains under pressure and will continue to do so for the remainder of 2010 calendar year. The operational strategies of the business have positioned WesBank to take full advantage of the improving conditions which have started to materialise.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Headline earnings attributable to ordinary shareholders	**284**	331	(14)	654
Return on equity based on earnings attributable to ordinary shareholders	**31**	49		43
Gross premiums written	**2 431**	2 021	20	4 242
Operating income (including investment returns)	**480**	484	(1)	975
Expense/cost to income ratio (%)	**22.4**	19.5		19.7
Claims and OUTbonus ratio (%)	**59.5**	60.7		60.5

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

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

PEFORMANCE

FRSTIH Group

For the six months under review, the FRSTI Group experienced a 14% drop in headline earnings attributable to ordinary shareholders. The lower earnings number is associated with the startup losses of FRSTIH's Australian operation, Youi.

The South African operations grew profit by a satisfactory 10% despite significantly lower interest rates causing a drop in investment income. Growth in new business volumes was satisfactory given the tough economic conditions and poor new vehicle sales.

MSTI, the Group's joint venture with Momentum Limited produced strong bottom line growth over the six month period.

Youi continues to perform in line with expectations. Youi generated an attributable loss before tax of R112 million over the six month period. Youi's budgeted loss for the current financial year is expected to result in lower full year earnings for the FRSTIH Group.

OUTsurance

OUTsurance managed to grow gross written premium income by 14%. OUTsurance continues to expand market share in the personal lines book as a result of premium increases which are below industry averages. The commercial lines book experienced strong growth on the back of an expansion in sales capacity and product offering.

The claims ratio (including OUTbonus costs) decreased from 60.8% to 59.7%, a pleasing result given the rainy summer in Gauteng. Despite the recessionary environment, lapse ratios remained favourable across all business lines.

Expenses, as a percentage of net earned premium remained stable at 16%.

Investment income decreased 15% resulting from significantly lower interest rates compared to the first six months of the previous financial year.

The recently launched credit life insurance product continues to perform well. A fully underwritten life insurance product is expected to be launched in the near future.

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momentum

INTRODUCTION

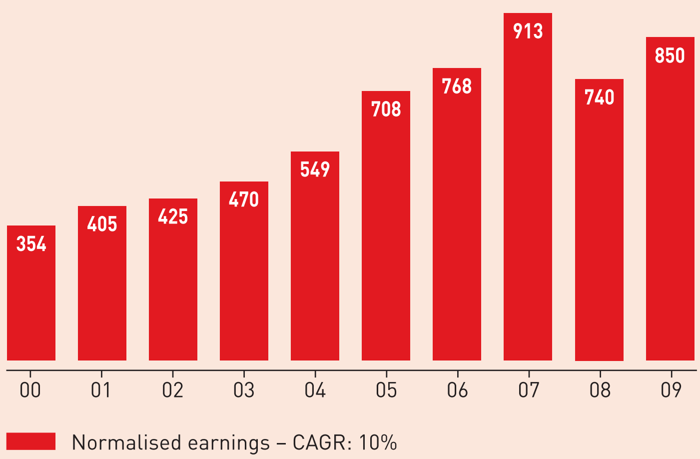
THE MOMENTUM GROUP COMPRISES THE OPERATIONS OF MOMENTUM GROUP LIMITED, its subsidiaries and associates, including Momentum Medical Scheme Administrators (“MMSA”), Momentum Africa, RMB Asset Management (“RMBAM”), RMB Unit Trusts (“RMBUT”), FirstRand Alternative Investment Management (“FRAIM”), RMB Asset Management International (“RMBAMI”), 85% of Advantage Asset Managers (“Advantage”), Advice@Work, 50% of Momentum Short Term Insurance (“MSTI”) and 49% of Momentum Namibia (previously Swabou Life).

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings	**850**	740	15	1 649
Value of new business	**332**	331	0	544
Return on equity based on normalised earnings (annualised %)	**22**	23		23
Return on embedded value (annualised %)	**28**	(5)		3

Normalised earnings – six months ended 31 December

(R million)



SALIENT FEATURES

Momentum's results for the six months ended 31 December 2009 were characterised by the following:

- the positive impact of a recovery in equity markets and a reduction in market volatility;
- sound expense management resulting in only a marginal increase in expenses;
- an exceptional performance from FNB Insurance;
- pleasing growth in retail lump sum inflows;
- lower recurring premium savings new business and institutional inflows;
- new business margin maintained in a challenging environment;
- a strong return on embedded value supported by a solid operational performance and improved equity markets;
- ROE ahead of the Group target; and
- a further strengthening of Momentum's capital position.

Summarised results

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Normalised earnings[1]	**850**	740	15	1 649
– Group operating profit	**721**	588	23	1 328
– Investment income on shareholders' assets	**129**	152	(15)	321
Group headline earnings	**845**	752	12	1 658
New business volumes	**29 096**	32 810	(11)	60 470
– Retail	**17 037**	14 607	17	33 493
– Employee benefits	**670**	1 382	(52)	2 591
– Asset management	**11 389**	16 821	(32)	24 386
Value of new business	**332**	331	0	544
Embedded value	**17 835**	15 121	18	16 086
New business margin[2] (%)	**2.2**	2.2		2.0
ROE (%)	**22.1**	22.6		22.6
Return on embedded value[3] (%)	**27.6**	(5.4)		3.3
CAR cover (times)	**2.0**	1.4		1.8

1 Normalised earnings represent Group headline earnings adjusted for the impact of non operational items and accounting anomalies. The details relating to these items are set out in the earnings table on page 57.

2 Calculated as the value of new business as % of the present value of future premiums.

3 Represents the embedded value profit as % of the opening embedded value.

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings increased by 15% to R850 million for the six months ended 31 December 2009. The ROE of 22% remained ahead of the Group's targeted return, whilst the capitalisation level strengthened from 1.8 times to 2.0 times CAR since 30 June 2009.

Momentum's operating profit growth of 23% reflects the positive impact of the recovery in equity markets. The 33% increase in the operating profit of FNB Insurance is due to the significant growth in new business sales.

Initiatives to improve efficiencies are starting to bear fruit, with group administration expenses increasing by only 1%.

The reduction of 11% in new business inflows is mainly due to lower institutional asset management and employee benefits lump sum inflows. Retail new business inflows increased by 17% due to an increase in retail lump sum inflows, and strong sales of FNB Insurance products.

Momentum is proud to report that RMB Unit Trusts received Raging Bull awards for the investment performance of the RMB Strategic Opportunities Fund, the RMB Small mid-cap fund and the RMB International Equity Fund of Funds during the recent annual awards ceremony.

The new business margin was maintained at 2.2%, which is pleasing given the challenging economic environment.

Momentum's embedded value showed a healthy increase to R17.8 billion from R16.1 billion at 30 June 2009. The particularly satisfying return on embedded value of 28% (annualised) was positively impacted by both a strong operational performance and improved equity market returns.

Momentum's CAR cover of 2.0 times (1.9 times after payment of the interim dividend) at 31 December 2009 exceeds the targeted range of 1.4 to 1.6 times CAR. Momentum's board however remains of the opinion that maintaining a buffer above the targeted range is appropriate in the current economic conditions.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of earnings:

Reconciliation of earnings

R million	Six months ended 31 December 2009	2008	% change	Year ended 30 June 2009
Earnings attributable to equity holders	**840**	752	12	1 594
Adjusted for:				
Impairment of intangible assets	**–**	–	–	61
Impairment of goodwill	**5**	–	–	3
Headline earnings	**845**	752	12	1 658
Adjusted for:				
IFRS 2 share based payment expense/ (income)	**5**	(12)	>100	(9)
Normalised earnings	**850**	740	15	1 649

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

Normalised earnings

R million	Six months ended 31 December 2009	2008	% change	Year ended 30 June 2009
Group operating profit	**721**	588	23	1 328
Momentum	**530**	444	19	994
FNB Insurance	**191**	144	33	334
Investment income on shareholders' assets	**129**	152	(15)	321
Normalised earnings	**850**	740	15	1 649

Operating profit

Momentum's operating profit increased by 23% to R721 million. The recovery in equity markets compared with the prior period, together with a reduction in the volatility of these markets, resulted in increased asset based fees and a reduction in the liability held for minimum maturity guarantees. Underwriting profits in the employee benefits business improved from the lower levels of the comparative period. The healthcare administration business benefited from the take on of a new restricted scheme effective 1 January 2009, and the conversion to a single administration platform. The growth in the FNB Insurance operating profit is due to the excellent 39% growth in new business.

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

New business

R million	Six months ended 31 December 2009	2008	% change	Year ended 30 June 2009
Recurring premiums	**1 037**	1 083	(4)	2 257
– Retail	**544**	663	(18)	1 239
– Employee benefits	**208**	215	(3)	517
– FNB Insurance	**285**	205	39	501
Lump sums	**28 059**	31 727	(12)	58 213
– Retail[1]	**16 208**	13 739	18	31 753
– Employee benefits	**462**	1 167	(60)	2 074
– Asset management	**11 389**	16 821	(32)	24 386
Total new business inflows	**29 096**	32 810	(11)	60 470
Annualised new business inflows[2]	**3 843**	4 256	(10)	8 078

1 The retail new business generated by RMB Unit Trusts, which was previously disclosed as part of asset management new business, is now included in retail lump sum inflows.

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

New recurring premium volumes declined by 4%, mainly as a result of lower retail volumes. Whilst individual risk products continue to enjoy good demand, retail volumes were negatively impacted by a reduction in savings and retirement annuity sales due to the change in commission regulations on savings and retirement products from 1 January 2009, as well as prevailing economic conditions. There was however a slight recovery in recurring savings product sales in the second quarter to December 2009. The employee benefits new business was characterised by lower group risk sales. The excellent increase in new business from FNB Insurance is due to improved penetration of the retail lending base of FNB.

Retail lump sum sales showed a solid increase of 18%, driven mainly by improved sales of lump sum endowments, discretionary linked investments and guaranteed annuities. Although a large proportion of inflows continue to be channelled toward money market funds, inflows into equity based funds increased toward the latter half of the period under review.

Momentum's healthcare business administered a total of 531 200 lives at 31 December 2009. This represents an increase of 14% compared with 31 December 2008. The main reason for the increase was the take on of a large restricted scheme effective 1 January 2009. The Momentum Health open scheme membership, which is included in the overall lives under administration, totalled 180 400 at 31 December 2009.

Momentum's growth into Africa is progressing well, with the total lives under administration increasing by an excellent 47% to over 100 000 at 31 December 2009. The business is also focusing on expanding the product offering to life and employee benefits products in the countries in which the business already operates.

Although asset management inflows decreased by 32% to R11.4 billion, these flows are volatile and can fluctuate significantly from period to period. The investment performance of the asset management businesses over the short term continues to improve.

Investment income on shareholders' assets

The investment income earned on shareholders' assets decreased by 15% to R129 million. This decline is largely due to the impact of declining interest rates on the portfolio, which comprises cash and near cash investments.

Administration expenses

Administration expenses increased only 1% to R1.6 billion. The rationalisation of multiple administration platforms in both the employee benefits and health administration businesses resulted in improved efficiencies. In addition, tighter expense control also assisted in limiting the overall level of expenses.

CAPITAL MANAGEMENT

Momentum's CAR increased from R3 843 million at 30 June 2009 to R3 856 million at 31 December 2009. The statutory surplus increased from R7 108 million at 30 June 2009 to R7 699 million at 31 December 2009, resulting in a CAR cover of 2.0 times at 31 December 2009, compared with a CAR cover of 1.8 times at 30 June 2009. Momentum therefore remains adequately capitalised. The board of Momentum has decided to recommend the payment of an interim dividend of R340 million to FirstRand, which will result in a post dividend CAR cover of 1.9 times.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased from R16.1 billion at 30 June 2009 to R17.8 billion at 31 December 2009. A solid operational performance was complemented by the positive impact of a recovery in equity markets. The analysis of the main components of the embedded value is reflected in the following table:

Embedded value

	31 Dec	30 June
R million	2009	2009
Ordinary shareholders' net worth	9 138	8 564
Net value of in-force insurance business	8 697	7 522
– Present value of future profits	10 414	9 243
– Cost of capital at risk	(1 717)	(1 721)
Embedded value attributable to ordinary shareholders	**17 835**	16 086

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

Embedded value movement

	Six months ended 31 Dec
R million	2009
Embedded value at 1 July 2009	16 086
Embedded value earnings of covered business	2 132
– Factors related to operations[1]	944
– Factors related to market conditions[2]	1 188
Embedded value earnings of non covered business	(45)
Dividends paid	(338)
Embedded value at 31 December 2009	**17 835**

1 Includes the value of new business, the expected return on in-force business and operating experience variations.

2 Includes the investment return on the adjusted net worth, investment variations and economic assumption changes.

The annualised return on embedded value amounts to 28% on the opening embedded value. The pleasing contribution from the operational performance (including positive operating experience variances) was supported by positive investment experience over the period. The overall directors' valuation of strategic subsidiaries remained largely unchanged over the period. Further details regarding the components of the embedded value profit are set out in the embedded value report included in the supplementary information to this results announcement.

The value of new business increased marginally to R332 million. The new business margin for the six months ended 31 December 2009 remained unchanged from the corresponding six month period in the previous year at 2.2%, which is gratifying given the current economic conditions.

ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R308.7 billion at 31 December 2009 compared with R301.4 billion at 30 June 2009. The following table provides an analysis of the assets managed or administered:

Assets under management or administration

	31 Dec	30 June	
R billion	**2009**	2009	% change
On balance sheet assets	**191.4**	187.7	2
Segregated third party funds	**72.0**	73.0	(1)
Collective investment scheme assets managed	**23.1**	21.4	8
Assets under management	**286.5**	282.1	2
Linked product assets under administration[1]	**22.2**	19.3	15
Total assets under management or administration	**308.7**	301.4	2

1 *Excludes business written by Momentum Group's Linked Investment Service Provider on the life company's balance sheet, as these assets are reflected under on balance sheet assets above. Total linked product assets under administration amounted to R55 billion (June 2009: R50 billion).*

Net flow of funds

The net outflow of funds during the six months reduced from R9.4 billion to R7.5 billion (excluding the transfer of Futuregrowth assets referred to below). Retail and employee benefits net inflows remained positive at R1.4 billion and R289 million respectively. Net outflows in the asset management business include the following:

- an amount of R7.6 billion in assets transferred to another long term insurer in terms of section 37 of the Long Term Insurance Act. These assets represent fund policies written by Futuregrowth Asset Management on Momentum's life license, which were transferred to another long term insurer pursuant to the sale of the Futuregrowth business;
- a withdrawal of R5.9 billion by a client of the multimanager business; and
- net member withdrawals from existing pension fund clients due to the prevailing economic conditions.

NOTES

FIRSTRAND

FIRSTRAND CAPITAL

CAPITAL MANAGEMENT

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

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

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

The Bank's capital planning efforts ensure that the total capital adequacy and Tier 1 ratios remain within the approved ranges or above target levels across the economic and business cycle. The Bank is appropriately capitalised under a range of normal and severe scenarios as well as under a range of stress events. FirstRand Bank Holdings Group ("FRBH") has continued to meet its goal of operating at the upper end of its targeted capitalisation range. The actual Tier 1 ratio for FRBH is 12.19%. Similarly, FirstRand Bank ("FRB") excluding subsidiaries and branches is operating above its Tier 1 target of 9.5%, at 10.55%.

Momentum's targeted capital range of 1.4 – 1.6 times CAR (based on the revised capital adequacy requirement formulae), satisfies the same risk appetite as the previous targeted range and takes cognisance of Momentum's conservative investment strategy for capital, as well as the business' capital efficient liability mix. Momentum's CAR cover improved mainly as a result of the recovery in equity markets. Its current capitalisation level is 2.0 times CAR and 1.9 times CAR after payment of the interim dividend in April 2010.

Dividends

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

BANKING GROUP

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

FIRSTRAND BANK HOLDINGS

Strategic overview

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

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

The board-approved capital plan for FRBH is reviewed as part of the Banking Group's Internal Capital Adequacy Assessment Process ("ICAAP"), with the stress testing framework being an extension of this process. These processes are under continuous review and refinement.

The Basel Committee on Banking Supervision ("BCBS") released a number of consultative papers during 2009. These papers focused on strengthening the resilience of the banking sector, enhancing the current Basel II framework, revising the market risk framework and providing guidance on liquidity risk measurement and monitoring. The BCBS is currently in the process of conducting a quantitative impact study to assess the impact on participating banks of the rules provided in these consultative papers. FRBH is participating in this process, and preliminary calculations show an impact on the Tier 1 and total CAR of FRBH. However, both FRB and FRBH remain above the current regulatory minimum and within the targeted range. The proposed changes will be incorporated in the continuous capital planning for FRBH.

Six months under review

FRBH has continued to focus on its Tier 1 ratio during the past 6 months. This ratio has fallen slightly to 12.19%, which is still comfortably ahead of the internal target of 10%. Similarly, FRB is operating above its Tier 1 target of 9.5%, at 10.55%. During the period credit risk weighted assets ("RWA") increased primarily as a result of credit risk recalibrations despite a decline in advances. In the capital ratios this increase was largely offset by the strong internal capital generation during the period.

The targeted capital levels as well as the current ratios as at 31 December 2009 are summarised in the table below:

	FRBH			FRB*			
%	Actual	Actual**	Target	Actual	Actual**	Target	Regulatory minimum
Capital adequacy ratio	14.34	14.83	12.0 – 13.5	12.83	13.38	11.5 – 13.0	9.50#
Tier 1 ratio	12.19	12.68	10.00	10.55	11.09	9.50	7.00

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

** *Including unappropriated profits of R1 616 million and R1 713 million for FRB and FRBH, respectively.*

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

The following table shows the composition of regulatory capital (financial resources) and capital ratios of FRBH, while the subsequent table provides a breakdown of risk weighted assets.

	FRBH					
	At 31 December				At 30 June	
R million	**2009**	**%**	2008	%	2009	%
Tier 1						
Ordinary share capital and premium	**5 750**		5 672		5 672	
Non controlling interest	**1 668**		1 930		1 517	
Non redeemable non cumulative preference shares	**3 100**		3 100		3 100	
Reserves	**34 218**		32 536		32 626	
Less: Total impairments	**(2 563)**		(3 230)		(2 303)	
Excess of expected loss over eligible provisions (50%)	**(292)**		(1 055)		(325)	
First loss credit enhancement in respect of securitisation structures (50%)	**(221)**		(262)		(260)	
Goodwill and other impairments	**(2 050)**		(1 913)		(1 718)	
Total Tier 1 capital	**42 173**	**12.2**	40 008	11.1	40 612	12.3
Tier 2						
Upper Tier 2 instruments	**1 068**		1 068		1 068	
Tier 2 subordinated debt instruments	**6 633**		6 911		6 642	
Other reserves	**176**		160		193	
Less: Total impairments	**(431)**		(1 317)		(493)	
Excess of expected loss over eligible provisions (50%)	**(292)**		(1 055)		(325)	
First loss credit enhancement in respect of securitisation structures (50%)	**(221)**		(262)		(260)	
Other impairments	**82**		–		92	
Total Tier 2 capital	**7 446**	**2.2**	6 822	1.9	7 410	2.2
Total qualifying capital and reserves	**49 619**	**14.3**	46 830	13.0	48 022	14.6

Risk weighted assets by risk type

	FRBH		
	At 31 December		At 30 June
R million	**2009**	2008	2009
Credit risk	**252 557**	245 336	241 447
Operational risk	**47 579**	61 696	47 125
Market risk	**12 437**	12 689	13 246
Equity investment risk	**18 781**	24 624	13 649
Other risk	**14 695**	16 840	14 037
Total risk weighted assets	**346 049**	361 185	329 504

The following table shows the composition of regulatory capital (financial resources) and capital ratios for FRB*, while the subsequent table provides a breakdown of risk weighted assets.

	FRB*					
R million	At 31 December				At 30 June	
	2009	**%**	2008	%	2009	%
Tier 1						
Ordinary share capital and share premium	**10 969**		10 294		10 821	
Non redeemable non cumulative preference shares	**3 000**		3 000		3 000	
Reserves	**18 976**		18 123		17 682	
Less: Total impairments	**(1 828)**		(1 741)		(1 782)	
Excess of expected loss over eligible provisions (50%)	**(292)**		(1 055)		(325)	
First loss credit enhancements in respect of securitisation structures (50%)	**–**		(13)		–	
Qualifying capital in branches	**(1 330)**		–		(1 297)	
Goodwill and other impairments	**(206)**		(673)		(160)	
Total Tier 1 capital	**31 117**	**10.5**	29 676	9.9	29 721	10.7
Tier 2						
Upper Tier 2 instruments	**1 068**		1 068		1 068	
Tier 2 subordinated debt instruments	**5 893**		6 055		5 872	
Less: Total impairments	**(210)**		(1 068)		(234)	
Excess of expected loss over eligible provisions (50%)	**(292)**		(1 055)		(325)	
First loss credit enhancement in respect of securitisation structures (50%)	**–**		(13)		–	
Other impairments	**82**		–		91	
Total Tier 2 capital	**6 751**	**2.3**	6 055	2.0	6 706	2.4
Total qualifying capital and reserves	**37 868**	**12.8**	35 731	11.9	36 427	13.1

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

Risk weighted assets by risk type

	FRB*		
	At 31 December		At 30 June
R million	**2009**	2008	2009
Credit risk	**219 493**	211 196	205 472
Operational risk	**35 522**	47 435	35 000
Market risk	**8 251**	6 272	7 809
Equity investment risk	**18 120**	20 609	17 469
Other risk	**13 660**	14 513	12 071
Total risk weighted assets	**295 046**	300 025	277 821

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

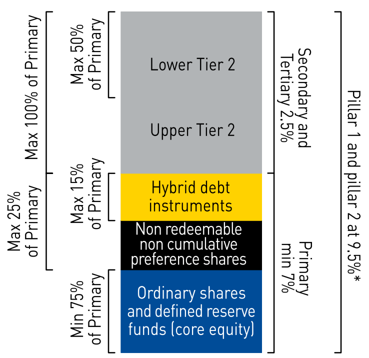
Risk weighted assets for each risk type are calculated as follows:

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

* *Approval for the application of the AMA was given by the SARB from 1 January 2009.*

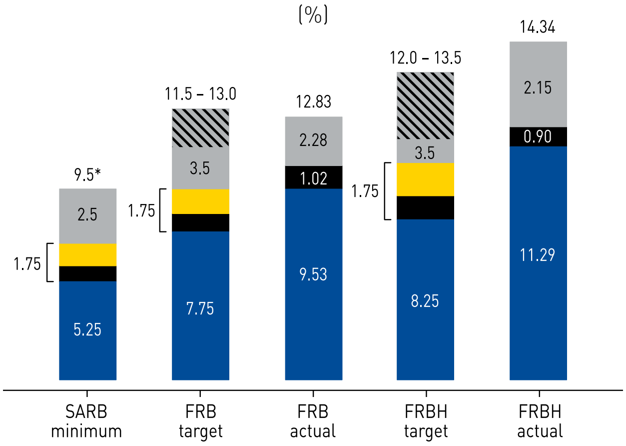
The graphs below depict the current capital adequacy position.

Minimum capital adequacy



Capital adequacy

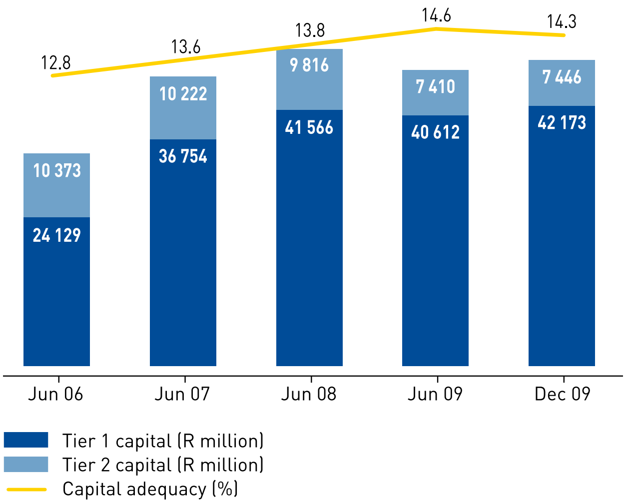
(%)



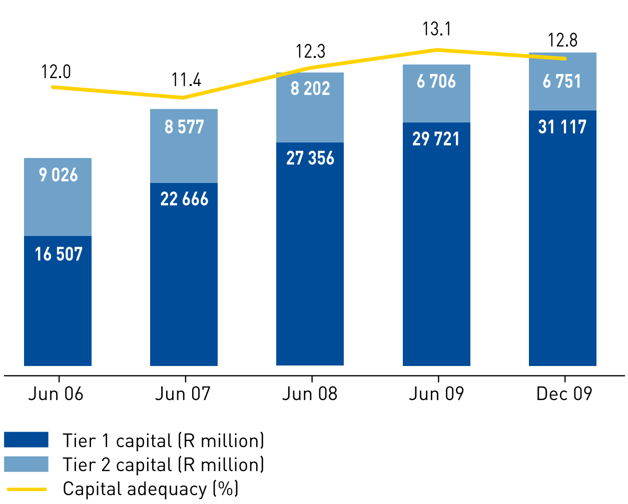
* *Excludes the bank specific (Pillar 2b) add on.*

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

FRBH regulatory capital position



FRB regulatory capital position



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

The risk weighted assets and capital adequacy position of FRBH and its subsidiaries

	At 31 December			At 30 June
	2009	**2009**	2008	2009
	Risk weighted assets (R million)	**Total capital adequacy %**	Total capital adequacy %	Total capital adequacy %
Basel II				
FirstRand Bank Holdings Limited*	**346 049**	**14.34**	12.97	14.57
FirstRand Bank Limited (South Africa)	**295 046**	**12.83**	11.91	13.11
FirstRand Bank UK (London Branch)	**4 356**	**14.64**	18.53	21.35
FirstRand India	**83**	**266.22**	–	157.15
FirstRand (Ireland) PLC	**6 903**	**22.69**	18.31	18.15
RMB Australia Holdings Limited	**5 885**	**18.07**	15.78	19.53
Basel I**				
FNB (Botswana) Limited	**6 232**	**17.26**	15.90	19.05
FNB (Lesotho) Limited	**220**	**18.51**	16.10	19.08
FNB (Moçambique) S.A.	**522**	**16.96**	18.08	17.43
FNB (Namibia) Limited	**9 144**	**19.70**	19.62	20.31
FNB (Swaziland) Limited	**1 239**	**22.11**	23.26	24.69
FNB (Zambia) Limited	**119**	**71.27**	–	168

* *Note: FRBH successfully implemented Basel II at the beginning of January 2008. The registered banks in FRBH must comply with the SARB regulations and those of their home regulators, with primary focus placed on Tier 1 capital and total capital adequacy ratios.*

** *Entities operating under Basel II are subject to a minimum capital requirement of 9.5% (excluding the Pillar 2b add on). The FNB Africa subsidiaries currently report under Basel I. These entities also report under Basel II and are included on this basis for the consolidated position of FRBH.*

Economic capital

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

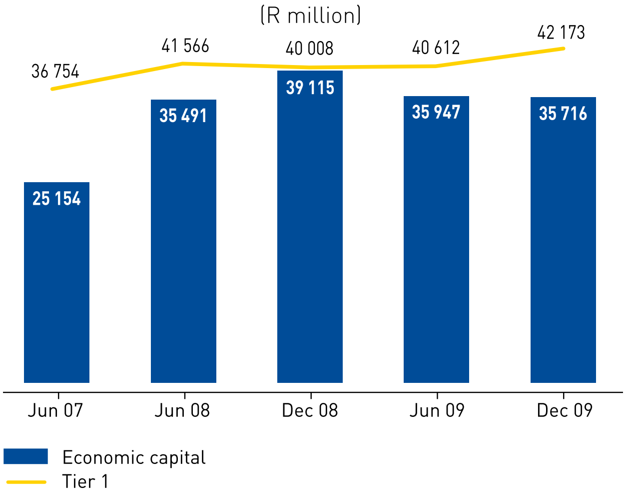
Regular reviews of the economic capital position are carried out across the businesses and the Banking Group remains well capitalised in the current environment, with levels of Tier 1 capital (available financial resources) exceeding the level of economic capital required. Furthermore, it uses the allocation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

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

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

The allocation methodology for economic capital is broadly based on the approaches set out as part of the AIRB component of Basel II, with the exception of credit risk, which is considered at a product level. A number of assumptions are necessarily made in the attribution and allocation methodologies. These are reviewed periodically and any changes will have a direct impact on business unit level measures, such as economic profit or net income after capital charges ("NIACC"). The economic capital framework incorporates aspects of the portfolio's composition in its calibration and reflects the effects of risk concentrations (e.g. large exposures and industry concentrations) and diversification benefits. The Banking Group aims to back all economic risks with Tier 1 capital as it offers the greatest capacity to absorb losses. Consequently, required Tier 1 capitalisation levels are used as the primary driver of performance measurement across the various businesses. The graph below provides an overview of the evolution of economic capital requirements and Tier 1 capital as at 31 December 2009 for FRBH.

Economic capital



Return on equity and economic profit

The Bank considers the identification and management of risk a core competence and it has therefore aligned its performance measures with risk considerations where appropriate. The use of NIACC has been embedded across the businesses and management culture.

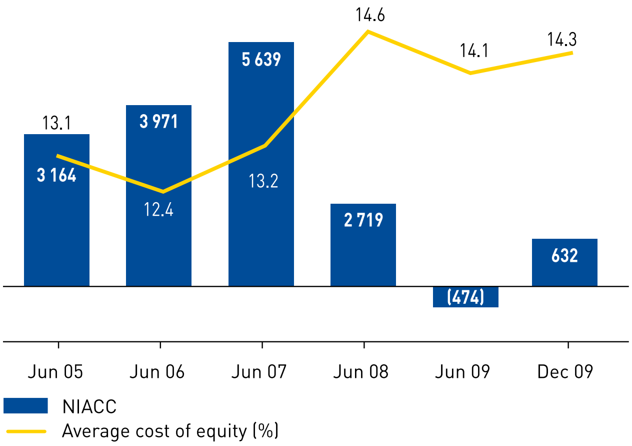
As a function of the normalised earnings, capital utilised in the businesses and the average cost of equity, NIACC provides a clear indication of the economic value added by a transaction or business unit. For the six months to December 2009, the Banking Group added economic value, given the slight increase in earnings and the higher average cost of equity.

The following table and chart provide an overview of the relevant calculation and economic value added over time for the Banking Group.

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Normalised earnings	**4 038**	4 149	6 056
Preference dividends	**(127)**	(153)	(309)
Normalised earnings attributable to ordinary shareholders	**3 911**	3 996	5 747
Charge for capital	**(3 279)**	(3 267)	(6 221)
NIACC	**632**	729	(474)
Average ordinary shareholders' equity	**45 703**	44 755	43 999
Total shareholders equity, excluding non controlling interest	**50 395**	48 748	47 213
Return on average ordinary shareholders' equity (%)	**17.1**	17.9	13.1
Average cost of equity	**14.3**	14.6	14.1

Net economic profit

(R million)



Segmental ROE

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

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

The table below provides a summary of the ROE numbers for the main segments based on normalised earnings:

	Six months ended 31 December			Year ended 30 June
	2009		2008	2009
R million	**Normalised earnings***	**ROE %**	ROE %	ROE %
FNB	**2 222**	**31**	28	26
FNB Africa**	**312**	**25**	30	24
RMB	**1 129**	**17**	20	12
WesBank	**375**	**14**	7	7
Group Support	**(127)**			
Total	**3 911**	**17**	18	13

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

** *Restatement due to refinement of methodology to include non controlling interest.*

MOMENTUM

Investment mandate for the shareholders' portfolio

Momentum supports its regulatory CAR with cash or near-cash assets, while the balance of the shareholders' assets is invested in a combination of strategic investments and interest bearing assets. RMBAM manages the discretionary cash, held by the shareholders' portfolio, according to a conservative investment mandate.

Capital position

Momentum targets an economic capitalisation level range of 1.4 – 1.6 times CAR. At 31 December 2009, Momentum's CAR was covered 2.0 times by the excess of assets over liabilities (on the statutory valuation basis).

	At 31 December		At 30 June
R million	**2009**	2008	2009
Statutory excess over liabilities	**7 699**	6 379	7 108
CAR	**3 856**	4 523	3 843
CAR cover (times)	**2.0**	1.4	1.8

The improvement in the capital position over the six month period to 31 December 2009 resulted mainly from the positive contribution of Momentum's operating profits as well as the impact of the recovery in equity markets over this period. The marginal increase in CAR was due mainly to the offsetting impacts of a decrease in the capital held against investment risks and an increase in the allowance for operational and credit risk.

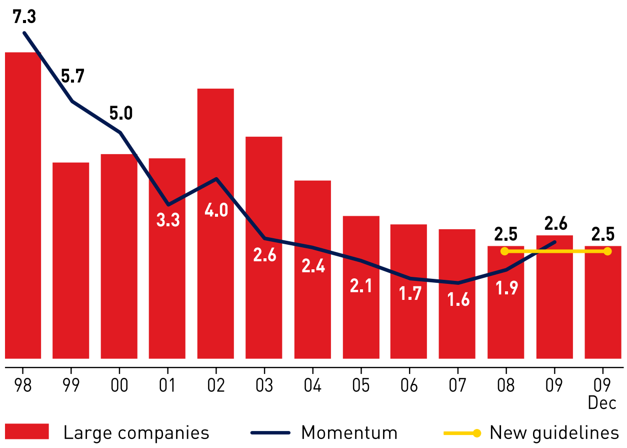
The capital position at 31 December 2009 is above the upper end of the targeted range. Momentum's board deems it prudent to maintain a buffer above the upper end of the range in recognition of the uncertainty regarding the sustainability of the recent recovery in equity markets.

Momentum's board approved the payment of an interim ordinary dividend of R340 million to FirstRand Limited in April 2010. This dividend represents a dividend cover of 2.5 times based on the normalised earnings for the period. Following the payment of the proposed dividend (as well as the cost of STC thereon), Momentum's capital level will reduce to 1.9 times CAR.

Capital efficiency

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

Improvements in Momentum's capital efficiency



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

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

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

At 31 December 2009, the CAR as a percentage of liabilities amounted to 2.5%. The ratio at 30 June 2009 (2.6%), is also shown in the graph above. The slight decrease in the ratio over the six months to 31 December 2009 was due mainly to the largely offsetting impacts of an increase in the allowance for operational and credit risk in CAR and a decrease in the capital required for the discretionary participation funds, given the recovery of the equity market over the period (and the consequent improvement in the financial position of these funds).

Composition of regulatory capital

The Financial Services Board ("FSB") has not formally limited the extent to which South African life insurance companies can incur debt on their balance sheets. In line with FirstRand's guidance, Momentum believes that it is appropriate to operate on a debt to total regulatory capital ratio of below 30%. The table below analyses the sources of total qualifying regulatory capital utilised by Momentum as at 31 December 2009.

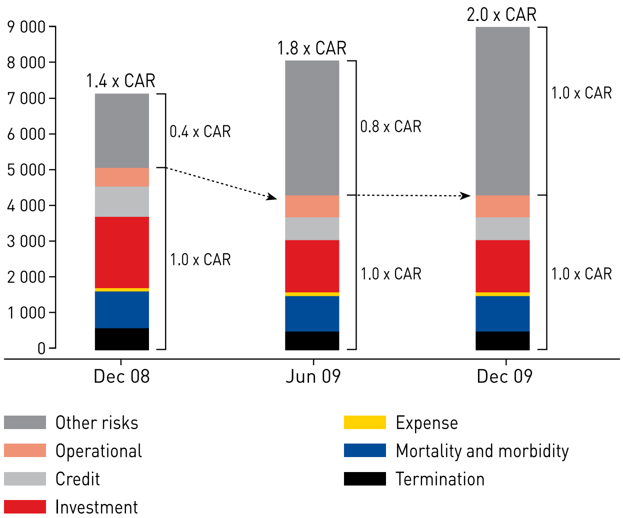
Regulatory capital

	At 31 December		At 31 December		At 30 June	
R million	**2009**	**%**	2008	%	2009	%
Tier 1	**6 713**	**87**	5 343	84	6 102	86
– Core Tier 1 (i.e. equity capital)	**6 258**	**81**	4 887	77	5 642	79
– Non redeemable preference shares	**455**	**6**	456	7	460	7
Subordinated qualifying bond[1]	**986**	**13**	1 036	16	1 006	14
Qualifying statutory capital	**7 699**	**100**	6 379	100	7 108	100

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

Composition of economic capital

The bar chart below sets out how the main risks contribute to Momentum's total economic capital requirement.



As is evident from the graph above, Momentum's capital position improved significantly over the past 12 months, mainly as a result of the recovery in equity markets over this period. The graph also shows that the absolute level of Momentum's CAR decreased from 31 December 2008 to 30 June 2009, whereafter it remained fairly stable, due to the recovery in equity markets and as a result of Momentum's ongoing focus on active capital management.

ROE

The active management of Momentum's capital plays an important role in achieving the targeted ROE set by FirstRand Limited. The ROE for the six months ended 31 December 2009 amounted to 22.1% (based on normalised earnings), compared to 22.6% in the comparative period. The marginal decrease in the ROE is mainly due to the increase in the retained capital, which Momentum deems prudent given the uncertain market outlook.

Subsidiary activities

During the period under review, Momentum increased its stake in Swabou Life to 49%. Swabou Life was subsequently renamed Momentum Life Assurance Namibia Limited. The company added Momentum's Myriad life-cover offering to its suite of products. The investment in Momentum Namibia complements the Momentum Group's wider African strategy.

CREDIT RATINGS

FirstRand Bank Limited and FirstRand Bank Holdings Limited

The credit ratings for FRB and FRBH reflect the Bank's strong market position as one of the Big 4 banks in South Africa as well as its focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

Credit ratings assigned by Standard & Poor's as at 8 March 2010

	FirstRand Bank Limited	FirstRand Bank Holdings Limited	Sovereign rating South Africa
Foreign currency counterparty credit rating			
Long term	BBB+	BBB	BBB+
Outlook	Negative	Negative	Negative
Short term	A-2	A-2	A-2
Local currency counterparty credit rating			
Long term	BBB+	BBB	A+
Outlook	Negative	Negative	Negative
Short term	A-2	A-2	A-1

Summary of rating actions:

- There were no changes to the ratings assigned to FRB or FRBH by Standard & Poor's during the period under review.

Credit ratings assigned by Moody's Investors Service as at 8 March 2010

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency deposit ratings		
Long term	A3	A3
Outlook	Stable	Stable
Short term	P-2	
Local currency deposit ratings		
Long term	A2	A3
Outlook	Stable	Stable
Short term	P-1	
National scale bank deposit ratings		
Long term issuer default rating	Aa2.za	
Outlook	Stable	
Short term issuer default rating	P-1.za	
Bank financial strength rating ("BFSR")	C-	
Outlook	Stable	

Summary of rating actions:

- on 12 November 2009, Moody's Investors Service downgraded the bank financial strength ratings (BFSR) of the five major South African banks. According to the agency, the downgrades reflected the impact of the deteriorating operating and macro conditions on the banks' financial fundamentals. Moody's said the new ratings better captured the ensuing slowdown in business growth, more challenging funding conditions and overall future prospects for the banks. Moody's did, however, acknowledge that the banks had maintained adequate liquidity levels while increasing their capitalisation ratios and noted that adequate capitalisation buffers increased the resilience of the South African banks to withstand possible stress situations;
- FRB's BFSR was downgraded by one notch from C to C-;
- the downgrades in the BFSRs in turn triggered downgrades in the Global Local Currency ("GLC") deposit ratings of the Big 4 South African banks – FRB's long term GLC deposit rating was downgraded by one notch from A1 to A2;
- FRB's national scale rating was also impacted by the change in its BFSR, resulting in a one notch downgrade from Aa1.za to Aa2.za; and
- The outlooks on the all of the ratings were changed to "stable" from "negative".

Credit ratings assigned by Fitch Ratings as at 8 March 2010

	FirstRand Bank Limited	FirstRand Bank Holdings Limited	Sovereign rating South Africa
National			
Long term rating	AA(zaf)	AA-(zaf)	
Outlook	Negative	Negative	
Short term rating	F1+(zaf)	F1+(zaf)	
Local currency			
Long term issuer default rating	BBB+		A
Outlook	Negative		Negative
Foreign currency			
Long term issuer default rating	BBB+	BBB	BBB+
Outlook	Negative	Negative	Negative
Short term issuer default rating	F2	F3	F2
Individual rating	C	C	
Support rating	2	5	

Summary of rating actions:

- On 17 December 2009, Fitch Ratings affirmed the ratings on FRB and FRBH.

Momentum Group Limited

Momentum's credit ratings reflect its well established and strong domestic franchise, diversified business position in South Africa, the strength and diversity of its distribution network, good capitalisation levels and strong affiliation with FirstRand Bank Limited.

As part of the ongoing management of Momentum's capital position the annual review of Momentum's credit rating was conducted by Fitch Ratings during November 2009.

Credit ratings assigned by Fitch Ratings as at 8 March 2010

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

Summary of rating actions:

- On 22 December 2009, Fitch Ratings affirmed Momentum's IFS and national long term ratings at AA+(zaf) and AA(zaf), respectively.
- The Outlook for Momentum is consistent with its main competitors also rated by Fitch Ratings, and Fitch Ratings indicated that the Negative Outlooks reflect the current economic environment.

CREDIT PORTFOLIO MANAGEMENT

INTRODUCTION

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

The Banking Group sets its risk appetite with reference to the economic and business cycle in the markets in which it operates. The interrelationship between the risk appetite and credit criteria is carefully managed on an ongoing basis. After carefully tightening the credit criteria up to the previous financial year end, the Banking Group began to ease some criteria in line with the recovery in the external environment. As concerns remain around the overall recovery of consumers, a cautious approach to lending in this segment is maintained with the focus on adequate return for risk throughout the economic cycle.

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

Credit highlights at a glance

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

		Six months ended 31 December			Year ended 30 June
R million/%	Note	**2009**	2008	% change	2009
Total advances	1	**426 882**	441 886	(3)	429 815
NPLs	2	**23 121**	18 612	24	24 227
NPLs as % of advances (%)		**5.42**	4.21	29	5.64
Impairment charge	3	**3 225**	3 693	(13)	8 024
Impairment charge as % of average advances (%)		**1.51**	1.64	(8)	1.81
Total impairments[a]	4	**10 991**	9 859	11	10 984
– Portfolio impairments[a]		**3 703**	3 479	6	3 500
– Specific impairments[a]		**7 288**	6 380	14	7 484
Implied loss given default (coverage)[b]	4	**31.5**	34.3	(8)	30.9
Total impairments coverage ratio[c]		**47.5**	53.0	(10)	45.3

a) Includes cumulative credit fair value adjustments.

b) Specific impairments and non performing book cumulative credit fair value adjustments as a % of NPLs.

c) Total impairments and total cumulative credit fair value adjustments as a % of NPLs.

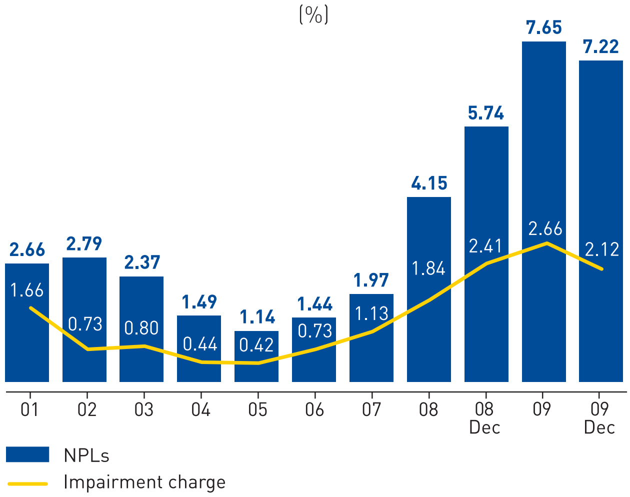
The notes referred to in the table above, are detailed on the pages to follow.

Retail credit portfolios

The retail credit portfolios showed an improvement during the six months under review. Interest rate reductions during 2008 and 2009 resulted in a reduction in new NPLs and consequentially the credit impairment charges in most of the retail portfolios. The new NPLs reduced but NPL balances were significantly impacted by increasing debt counselling cases.

The graph below shows the impairment charge and NPLs history for the retail portfolios:

Retail

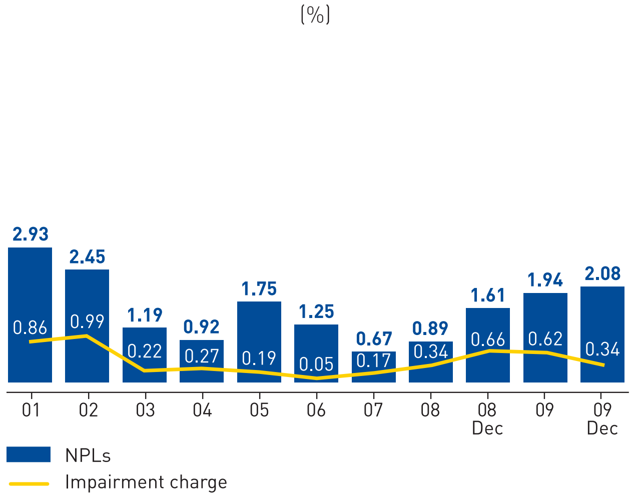


Corporate/Wholesale credit portfolios

To date, the Corporate/Wholesale environment remained resilient except for stress in some commercial portfolios notably small businesses which are highly correlated with the retail market. Recent increases in the NPLs and impairment charge mostly relate to the FNB Commercial mid corporate and development finance portfolios.

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

Corporate/Wholesale



Expectations

The Banking Group's current credit strategy remains aligned to the macroeconomic view of a slow economic recovery and potential volatilities introduced from the global recovery phase. The view is that credit demand will increase in accordance with general consumer expenditure growth, but moderate when compared with the previous economic cycle.

The Banking Group is looking to carefully ease some credit criteria in line with its risk appetite and the expectation of appropriate risk return. Within the current economic environment, areas of opportunity, however, remain limited.

The positive impact of the interest rate reductions during 2008 and 2009 are reflected in the reduced levels of new NPLs and credit impairments in most retail credit portfolios. Interest rate increases are not expected in the short term. However, job losses incurred during 2009 are only expected to reverse markedly during 2011. This will result in a slower recovery in the real disposable income of consumers. Improvements in consumers' balance sheets are expected to transpire slowly over the 2010 calendar year. Cognisance should be taken of the impact of this on consumer spending and the effect on the other market sectors. As expected, the SME market remains vulnerable until consumer spending growth momentum returns. The large corporate market is still vulnerable for the same reason, but the expectation is that this market will follow the recovery in the global corporate environment.

NOTE 1: ANALYSIS OF ADVANCES

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

Advances

	Six months ended 31 December			Year ended 30 June
R million	2009	2008	% change	2009
Retail	**276 032**	278 541	(1)	275 886
Residential mortgages	**149 484**	146 747	2	147 959
Credit card	**11 065**	12 255	(10)	11 726
Vehicle and asset finance	**87 120**	92 060	(5)	88 536
Other retail	**28 363**	27 479	3	27 665
Corporate/Wholesale	**144 371**	158 175	(9)	148 578
FNB Corporate	**2 899**	7 270	(60)	8 727
FNB Commercial	**26 681**	25 379	5	26 862
Investment banking	**114 791**	125 526	(9)	112 989
Corporate Centre and other	**6 479**	5 170	25	5 351
Total	**426 882**	441 886	(3)	429 815
Of which:				
Accrual book	**320 828**	340 908	(6)	330 902
Fair value book	**106 054**	100 978	5	98 913

Advances decreased 3% during the period under review. The decrease in advances is due to lower supply and demand for credit as a result of reduced corporate activity, a reduction in property and vehicle financing activity, and general lower quality of customer applications. A process of de-risking in the wholesale credit portfolios resulted in lower advances for FNB Corporate and the Investment Bank. The application of setoff in the FNB Corporate portfolio resulted in a reduction in advances during the 2009 calendar year. The de-risking of the balance sheet in RMB occurred mostly in the period up to June 2009.

The table below provides a sectoral and geographical analysis of advances. The market environment and balance sheet de-risking described above resulted in a reduction in the advances especially in the banks and financial services sector.

Advances – sector and geographic analysis

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Gross advances	**428 991**	443 683	(3)	431 711
Less: Interest in suspense ("ISP")	**(2 109)**	(1 797)	17	(1 896)
Advances net of ISP	**426 882**	441 886	(3)	429 815
Sector analysis				
Agriculture	**12 099**	12 286	(2)	11 877
Banks and financial services	**39 739**	55 305	(28)	42 535
Building and property development	**19 448**	17 054	14	18 425
Government, Land Bank & Public Authorities	**18 004**	17 526	3	20 825
Individuals	**250 598**	250 879	–	248 806
Manufacturing and commerce	**32 205**	38 632	(17)	35 917
Mining	**9 969**	11 136	(10)	9 457
Transport and communication	**14 035**	13 348	5	13 096
Other services	**30 785**	25 720	20	28 877
Total advances	**426 882**	441 886	(3)	429 815
Geographic analysis				
South Africa	**391 970**	406 641	(4)	393 803
Other Africa	**21 405**	21 818	(2)	20 965
United Kingdom	**8 179**	4 894	67	10 381
Ireland	**983**	118	>100	381
Europe	**2 086**	5 446	(62)	2 204
North America	**370**	290	28	320
South America	**353**	1 034	(66)	445
Australasia	**967**	1 393	(31)	1 158
Other	**569**	252	>100	158
Total advances	**426 882**	441 886	(3)	429 815

NOTE 2: ANALYSIS OF NON PERFORMING LOANS

The interest rate reductions resulted in lower new NPLs in most retail portfolios if compared to 30 June 2009. The NPL % increased from 4.2% at 31 December 2008 to 5.4% at 31 December 2009 (but improved since 30 June 2009 from 5.6%). NPL levels are currently significantly impacted by increasing debt counselling cases which remain on balance sheet for longer time periods.

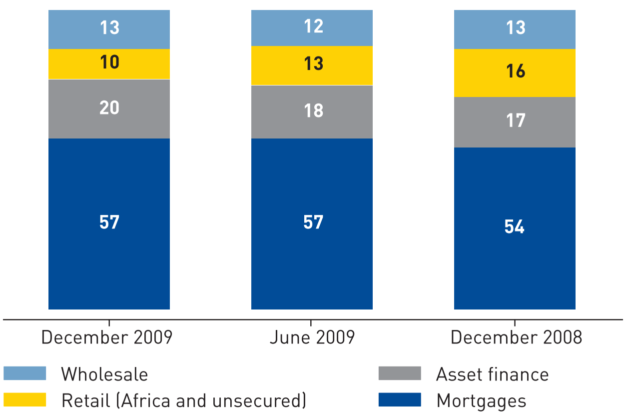
NPLs

	NPLs				NPLs as a % of advances		
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June
R million/%	**2009**	2008	% change	2009	**2009**	2008	2009
Retail	**19 936**	16 001	25	21 092	**7.22**	5.74	7.65
Residential mortgages	**13 013**	9 960	31	13 625	**8.71**	6.79	9.21
Credit card	**940**	1 625	(42)	1 444	**8.50**	13.26	12.31
Vehicle and asset finance	**4 568**	3 125	46	4 355	**5.24**	3.39	4.92
Other retail	**1 415**	1 291	10	1 668	**4.99**	4.70	6.03
Corporate/Wholesale	**3 007**	2 544	18	2 884	**2.08**	1.61	1.94
FNB Corporate	**4**	145	(97)	84	**0.14**	1.99	0.96
FNB Commercial	**1 803**	920	96	1 623	**6.76**	3.63	6.04
Investment banking	**1 200**	1 479	(19)	1 177	**1.05**	1.18	1.04
Corporate Centre and other	**178**	67	>100	251	**2.75**	1.30	4.69
Total portfolio	**23 121**	18 612	24	24 227	**5.42**	4.21	5.64
Of which:							
Accrual book	**22 385**	**17 728**	**26**	**23 398**	**6.98**	**5.20**	**7.07**
Fair value book	**736**	**884**	**(17)**	**829**	**0.69**	**0.88**	**0.84**

The graph provides the NPL distribution across the product categories showing an increase in the secured (especially residential mortgages) portfolios since December 2008. This contributed to a reduction in the overall coverage ratio of the Banking Group. Residential mortgages with lower coverage ratios represented 57% of NPLs at 31 December 2009 (54% at 31 December 2008). The other (mostly unsecured) retail category, with high coverage ratios, reduced from 16% of total NPLs to 10% of total NPLs over the same period.

NPLs distribution

(%)



The table below provides a sectoral and geographical analysis of non performing loans. Residential mortgages remain the majority of the non performing loans.

NPLs – sector and geographic analysis

	NPLs				NPLs as a % of advances		
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June
R million/%	**2009**	2008	% change	2009	**2009**	2008	2009
Sector analysis							
Agriculture	**392**	561	(30)	413	**3.24**	4.57	3.48
Banks and financial services	**430**	103	>100	406	**1.08**	0.19	0.95
Building and property development	**1 294**	631	>100	1 034	**6.65**	3.70	5.61
Government, Land Bank & Public Authorities	**74**	48	54	75	**0.41**	0.27	0.36
Individuals	**17 759**	15 324	16	19 178	**7.09**	6.11	7.71
Manufacturing and commerce	**824**	591	39	1 063	**2.56**	1.53	2.96
Mining	**125**	47	>100	133	**1.25**	0.42	1.41
Transport and communication	**284**	201	41	243	**2.02**	1.51	1.86
Other services	**1 939**	1 106	75	1 682	**6.30**	4.30	5.82
Total NPLs	**23 121**	18 612	24	24 227	**5.42**	4.21	5.64
Geographic analysis							
South Africa	**21 887**	16 951	29	22 934	**5.58**	4.17	5.82
Other Africa	**479**	389	23	513	**2.24**	1.78	2.45
United Kingdom	**41**	30	37	37	**0.50**	0.61	0.36
Europe	**–**	178	(100)	100	**–**	3.27	4.54
South America	**286**	462	(38)	300	**81.02**	44.68	67.42
Australasia	**428**	602	(29)	343	**44.26**	43.22	29.65
Total NPLs	**23 121**	18 612	24	24 227	**5.42**	4.21	5.64

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Security and recoverable amounts

	Six months ended 31 December 2009			
R million	NPLs	Security and recoverable amounts	Residual risk	Specific impairment[1]
Retail	19 936	14 010	5 926	5 926
Residential mortgages	13 013	10 433	2 580	2 580
Credit card	940	253	687	687
Vehicle and asset finance	4 568	2 942	1 626	1 626
Other retail	1 415	382	1 033	1 033
Corporate/Wholesale	3 007	1 785	1 222	1 222
FNB Corporate	4	–	4	4
FNB Commercial	1 803	1 117	686	686
Investment banking	1 200	668	532	532
Corporate Centre and other	178	38	140	140
Total	23 121	15 833	7 288	7 288

1 Includes cumulative credit fair value adjustments.

Six months ended 31 December 2008				Year ended 30 June 2009			
NPLs	Security and recoverable amounts	Residual risk	Specific impairment[1]	NPLs	Security and recoverable amounts	Residual risk	Specific impairment[1]
16 001	10 766	5 235	5 235	21 092	14 893	6 199	6 199
9 960	7 994	1 966	1 966	13 625	11 074	2 551	2 551
1 625	460	1 165	1 165	1 444	403	1 041	1 041
3 125	1 947	1 178	1 178	4 355	2 965	1 390	1 390
1 291	365	926	926	1 668	451	1 217	1 217
2 544	1 508	1 036	1 036	2 884	1 801	1 083	1 083
145	29	116	116	84	15	69	69
920	538	382	382	1 623	1 095	528	528
1 479	941	538	538	1 177	691	486	486
67	(42)	109	109	251	49	202	202
18 612	12 232	6 380	6 380	24 227	16 743	7 484	7 484

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NOTE 3. ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The credit impairment charge for the six months ended 31 December 2009 was 1.51%, comparing well to the impairment charge at 31 December 2008 of 1.64% or 30 June 2009 of 1.81%. The table below provides an analysis of the impairment charges in the income statement:

Income statement impairments

	Total impairment charge				As a % of average advances			
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June[1]	Six months ended 30 June[2]
R million/%	**2009**	2008	% change	2009	**2009**	2008	2009	2009
Retail	**2 921**	3 361	(13)	7 386	**2.12**	2.41	2.66	2.90
Residential mortgages	**869**	1 078	(19)	2 380	**1.17**	1.48	1.63	1.77
Credit card	**464**	605	(23)	1 355	**8.14**	9.77	11.18	12.51
Vehicle and asset finance	**993**	1 045	(5)	2 222	**2.26**	2.22	2.41	2.61
Other retail	**595**	633	(6)	1 429	**4.25**	4.76	5.36	5.77
Corporate/Wholesale	**251**	538	(53)	982	**0.34**	0.66	0.62	0.58
FNB Corporate	**(31)**	53	(<100)	70	**(1.07)**	0.93	0.58	0.43
FNB Commercial	**221**	150	47	389	**1.65**	1.21	1.53	1.83
Investment banking	**61**	335	(82)	523	**0.11**	0.52	0.43	0.32
Corporate Centre and other	**53**	(206)	(>100)	(344)	**1.79**	(6.32)	(5.20)	(5.25)
Total	**3 225**	3 693	(13)	8 024	**1.51**	1.64	1.81	1.99
Of which:								
Portfolio impairment charge	**137**	(77)	(>100)	(4)	**0.07**	(0.04)	–	0.03
Specific impairment charge	**3 088**	3 770	(18)	8 028	**1.44**	1.68	1.81	1.96

1 Impairment charge for the year ended 30 June 2009 calculated as a percentage of average advances.

2 Impairment charge for the six months ended 30 June 2009 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 table below provides the balance sheet impairments and coverage ratios:

Implied loss given default ("LGD") and total impairment coverage ratios

	Balance sheet impairments				As a percentage of NPLs		
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June
R million/%	**2009**	2008	% change	2009	**2009**	2008	2009
Specific impairments[1]							
Retail	**5 926**	5 235	13	6 199	**29.73**	32.72	29.39
Residential mortgages	**2 580**	1 966	31	2 551	**19.83**	19.74	18.72
Credit card	**687**	1 165	(41)	1 041	**73.09**	71.69	72.09
Vehicle and asset finance	**1 626**	1 178	38	1 390	**35.60**	37.70	31.92
Other retail	**1 033**	926	12	1 217	**73.00**	71.73	72.96
Corporate/Wholesale	**1 222**	1 036	18	1 083	**40.64**	40.72	37.55
FNB Corporate	**4**	116	(97)	69	**100.00**	80.00	82.14
FNB Commercial	**686**	382	80	528	**38.05**	41.52	32.53
Investment banking	**532**	538	(1)	486	**44.33**	36.38	41.29
Corporate Centre and other	**140**	109	28	202	**78.65**	162.69	80.48
Total specific impairments/ implied LGD[1]	**7 288**	6 380	14	7 484	**31.52**	34.28	30.89
Portfolio impairments[2]	**3 703**	3 479	6	3 500			
Total impairments/total impairment coverage ratio	**10 991**	9 859	11	10 984	**47.54**	52.97	45.34

1 NPL specific impairments and non performing book credit fair value adjustments as a % of NPLs.

2 Portfolio impairments and performing book credit fair value adjustments.

The Group regularly reviews the coverage ratios to ascertain market conditions as well as recent and expected recoveries on NPLs. The Group believes the NPL coverage ratio of 31.5% (December 2008: 34.2%) to be adequate, the reduction largely caused by the higher proportion of secured NPLs in the overall NPL composition. (Refer note 2 above).

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Reconciliation of impairments

	Six months ended 31 December 2009				
		Balance sheet impairments			Income statement impairment
R million	Total[1]	Retail	Corporate	Group and other	charge
Specific impairment – opening balance	7 206	6 199	805	202	
Reclassifications and transfers	30	151	(42)	(79)	
Acquisitions	–	–	–	–	
Exchange rate difference	4	(5)	9	–	
Unwinding of discounted present value on NPLs	(155)	(146)	(9)	–	
Bad debts written off	(3 430)	(3 372)	(55)	(3)	
Net new impairments created	3 385	3 099	281	5	
Specific impairments	7 040	5 926	989	125	3 385
Portfolio impairments	2 528	1 935	850	(257)	137
Recoveries of bad debts	–	–	–	–	(297)
Total impairments	9 568	7 861	1 839	(132)	3 225

1 *The balance sheet impairments excludes cumulative credit fair value adjustments.*

	Six months ended 31 December 2008				
		Balance sheet impairments			Income statement impairment
R million	Total	Retail	Corporate	Group and other	charge
Specific impairment – opening balance	4 918	4 186	582	150	
Reclassifications and transfers	(63)	(62)	(1)	–	
Acquisitions	3	3	–	–	
Exchange rate difference	(16)	(11)	(5)	–	
Unwinding of discounted present value on NPLs	(118)	(104)	(14)	–	
Bad debts written off	(2 526)	(2 491)	(35)	–	
Net new impairments created or (released)	3 904	3 714	231	(41)	
Specific impairments	6 102	5 235	758	109	3 904
Portfolio impairments	2 441	1 736	531	174	(77)
Recoveries of bad debts	–	–	–	–	(134)
Total impairments	8 543	6 971	1 289	283	3 693

Year ended June 2009					
		Balance sheet impairments			Income statement impairment
R million	Total	Retail	Corporate	Group and other	charge
Specific impairment – opening balance	4 918	4 186	582	150	
Reclassifications and transfers	27	89	22	(84)	
Acquisitions	–	–	–	–	
Exchange rate difference	(45)	(26)	(19)	–	
Unwinding of discounted present value on NPLs	(413)	(388)	(32)	7	
Bad debts written off	(5 839)	(5 112)	(634)	(93)	
Net new impairments created	8 558	7 450	886	222	
Specific impairments	7 206	6 199	805	202	8 558
Portfolio impairments	2 385	1 935	546	(96)	(4)
Recoveries of bad debts	–	–	–	–	(530)
Total impairments	9 591	8 134	1 351	106	8 024

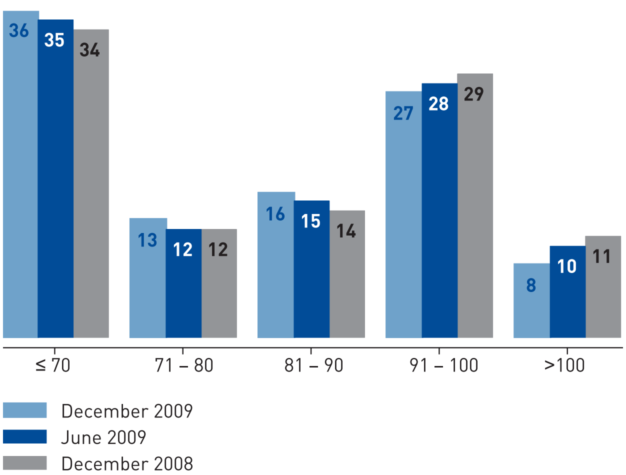
RISK ANALYSIS

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

The graphs below provide the balance to value distribution for the residential mortgages over time as well as the aging of the residential mortgages portfolios. The recent focus on the loan to value ratios for new business resulted in a slight improvement in the balance to original value.

Residential mortgages balance to value – original value

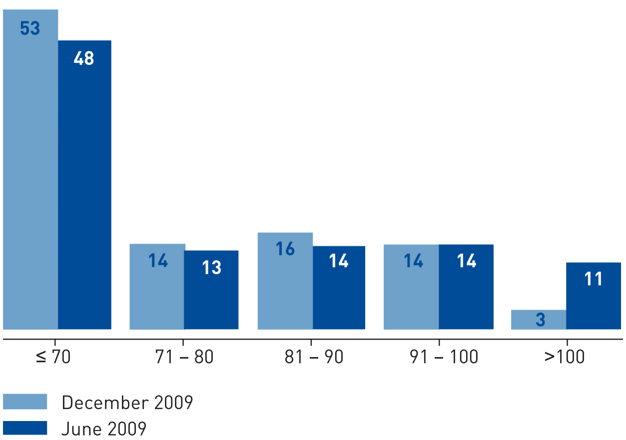
(%)



The balance to market value shows a significant proportion of the book in the lower risk category of below 70%.

Residential mortgages balance to market value

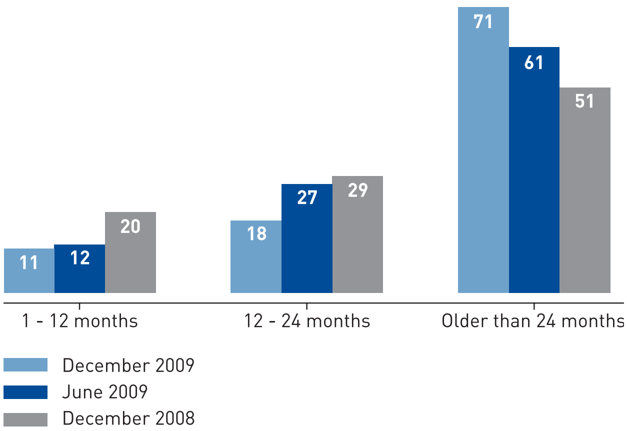
(%)



The improvement in the residential mortgages age distribution is a direct result of the reduction in new loans written during the 2008/2009 year due to the credit and pricing policies followed.

Residential mortgages age distribution

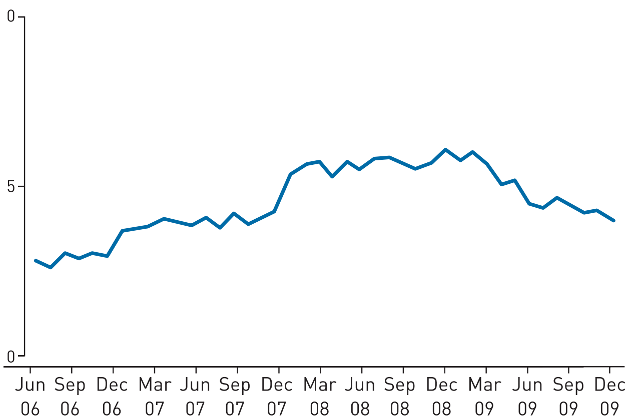
(%)



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

(%)



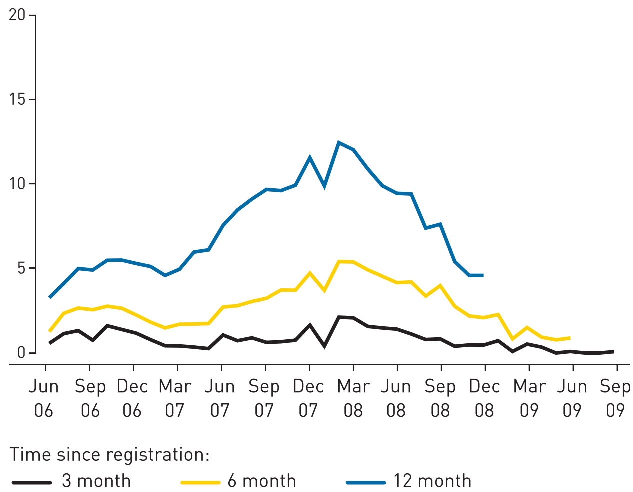
FNB HomeLoans arrears are showing a decreasing trend in the recent months. Similar trends are also observed in the WesBank and credit card portfolios.

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

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

HomeLoans vintage analysis

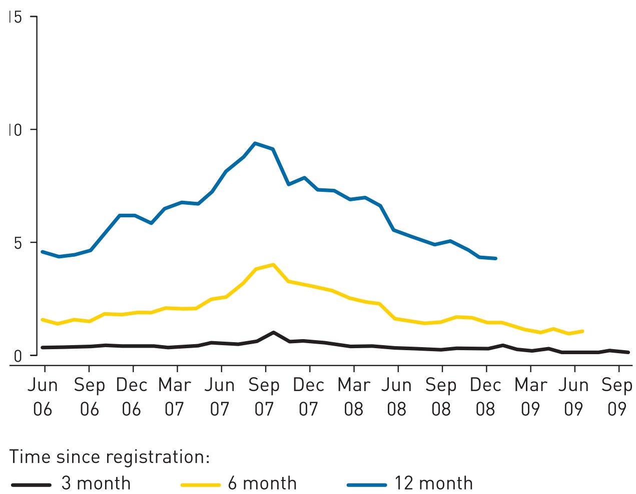
(%)



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 as well as reflecting the lower interest rate environment experienced lately.

WesBank retail vintage analysis

(%)



In the asset finance business, repossession and stock holding levels continue to decline over the previous comparative period, the reducing trend (although gradual) is likely to continue into the future as the economic environment eases.

The Banking Group's South African repossessed properties increased from R178 million (670 properties) at 30 June 2009 to R413 million (1 135 properties) at 31 December 2009.

SUPPLEMENTARY INFORMATION

Reconciliation of advances

The sector analysis and geographical analysis of advances provided in note 1 on page 77 provides the information net of interest in suspense. The table below provides the same data gross of interest in suspense, which was the disclosure practice used in prior periods.

Advances gross of interest in suspense – sector and geographic analysis

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Sector analysis				
Agriculture	**12 126**	12 319	(2)	11 904
Banks and financial services	**39 769**	55 319	(28)	42 549
Building and property development	**19 612**	17 225	14	18 539
Government, Land Bank & Public Authorities	**18 008**	17 529	3	20 828
Individuals	**252 184**	252 262	–	250 335
Manufacturing and commerce	**32 308**	38 706	(17)	36 007
Mining	**9 972**	11 142	(11)	9 459
Transport and communication	**14 047**	13 360	5	13 107
Other services	**30 965**	25 821	20	28 983
Total gross advances	428 991	443 683	(3)	431 711
Geographic analysis				
South Africa	**393 870**	408 167	(4)	395 540
Other Africa	**21 514**	21 928	(2)	21 074
United Kingdom	**8 179**	4 894	67	10 381
Ireland	**983**	118	>100	381
Europe	**2 086**	5 459	(62)	2 204
North America	**370**	290	28	320
South America	**353**	1 044	(66)	445
Australasia	**1 067**	1 531	(30)	1 208
Other	**569**	252	>100	158
Total gross advances	428 991	443 683	(3)	431 711

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Advances – product analysis

Advances per product – advanc

R million	Total	Retail	Corporate	Group and other
	Six months ended 31 December 2009			
Overdrafts and managed accounts	27 276	5 752	21 417	107
Loans to banks and other financial institutions	5 308	–	5 308	–
Card loans	12 250	12 245	5	–
Instalment sales	63 652	63 740	–	(88)
Lease payments receivable	19 910	19 910	–	–
Property finance	169 985	158 303	11 957	(275)
Personal loans	10 318	10 318	–	–
Term loans	8 369	447	7 999	(77)
Preference share agreements	24 200	–	22 916	1 284
Investment banking, corporate and structured products	47 823	–	47 823	–
Repayable in foreign currency	4 755	355	720	3 680
Other	8 522	6 605	–	1 917
Assets under agreement to resell	26 623	–	26 623	–
Sub total	428 991	277 675	144 768	6 548
Less: Interest in suspense	(2 109)	(1 643)	(397)	(69)
Total	426 882	276 032	144 371	6 479

Advances per product – advances net of interest in suspense

R million	Total	Retail	Corporate	Group and other
	Six months ended 31 December 2009			
Overdrafts and managed accounts	26 987	5 587	21 293	107
Loans to banks and other financial institutions	5 308	–	5 308	–
Card loans	12 194	12 189	5	–
Instalment sales	63 413	63 501	–	(88)
Lease payments receivable	19 833	19 833	–	–
Property finance	168 827	157 270	11 845	(288)
Personal loans	10 254	10 254	–	–
Term loans	8 311	447	7 941	(77)
Preference share agreements	24 200	–	22 916	1 284
Investment banking, corporate and structured products	47 721	–	47 721	–
Repayable in foreign currency	4 755	355	720	3 680
Other	8 457	6 596	–	1 861
Assets under agreement to resell	26 622	–	26 622	–
Total	426 882	276 032	144 371	6 479

es gross of interest in suspense

Six months ended 31 December 2008				Year ended June 2009			
Total	Retail	Corporate	Group and other	Total	Retail	Corporate	Group and other
38 140	4 973	28 372	4 795	36 292	5 496	27 669	3 127
7 166	20	7 068	78	4 317	–	4 317	–
13 796	13 669	127	–	12 961	12 916	45	–
63 963	64 051	–	(88)	62 600	62 693	–	(93)
23 416	23 416	–	–	22 030	22 030	–	–
165 373	154 686	11 078	(391)	166 763	156 072	11 075	(384)
10 675	10 675	–	–	10 622	10 622	–	–
11 138	567	10 678	(107)	8 752	472	8 396	(116)
22 173	161	20 732	1 280	22 276	90	20 905	1 281
45 657	–	45 657	–	47 315	–	47 315	–
3 371	405	2 966	–	3 312	192	3 120	–
7 072	7 396	73	(397)	8 472	6 926	–	1 546
31 743	–	31 743	–	25 999	–	25 999	–
443 683	280 019	158 494	5 170	431 711	277 509	148 841	5 361
(1 797)	(1 478)	(319)	–	(1 896)	(1 623)	(263)	(10)
441 886	278 541	158 175	5 170	429 815	275 886	148 578	5 351

Six months ended 31 December 2008				Year ended June 2009			
Total	Retail	Corporate	Group and other	Total	Retail	Corporate	Group and other
37 977	4 880	28 302	4 795	36 093	5 390	27 576	3 127
7 166	20	7 068	78	4 317	–	4 317	–
13 604	13 477	127	–	12 901	12 856	45	–
63 813	63 901	–	(88)	62 411	62 504	–	(93)
23 355	23 355	–	–	21 958	21 958	–	–
164 316	153 802	10 905	(391)	165 598	155 038	10 955	(395)
10 584	10 584	–	–	10 466	10 466	–	–
11 098	567	10 638	(107)	8 703	472	8 347	(116)
22 173	161	20 732	1 280	22 276	90	20 905	1 281
45 623	–	45 623	–	47 314	–	47 314	–
3 371	405	2 966	–	3 312	192	3 120	–
7 064	7 388	73	(397)	8 467	6 920	–	1 547
31 742	1	31 741	–	25 999	–	25 999	–
441 886	278 541	158 175	5 170	429 815	275 886	148 578	5 351

Segmental advances, NPLs and impairment analysis

The tables below provide analysis of the advances, NPLs and credit impairment charges for the year under review:

	Six months ended 31 December 2009				
R million/%	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
FNB	196 136	16 450	8.39	1 916	1.91
FNB Retail	166 665	14 699	8.82	1 700	2.04
Residential mortgages	149 484	13 013	8.71	869	1.17
– FNB HomeLoans (Consumer segment)	109 177	10 571	9.68	758	1.38
– Wealth	34 784	2 193	6.30	96	0.57
– Affordable Housing (Mass segment)	5 523	249	4.51	15	0.59
Credit Card	11 065	940	8.50	464	8.14
Personal banking	3 285	499	15.19	113	6.69
Mass (Secured and unsecured)	2 831	247	8.72	254	17.63
FNB Commercial	26 681	1 803	6.76	221	1.65
FNB Corporate Banking	2 899	4	0.14	(31)	(1.07)
FNB Other	(109)	(56)	51.38	26	4.03
WesBank	90 785	4 836	5.33	1 178	2.57
WesBank asset backed finance	87 120	4 568	5.24	993	2.26
– WesBank Retail	51 081	2 626	5.14	545	2.12
– WesBank Business and Corporate	31 519	1 774	5.63	380	2.37
– WesBank International	4 520	168	3.72	68	3.10
WesBank loans	3 665	268	7.31	185	10.00
RMB	114 791	1 200	1.05	61	0.11
FNB Africa	18 582	401	2.16	43	0.48
Corporate Centre	6 588	234	3.55	27	1.17
Total	426 882	23 121	5.42	3 225	1.51

Six months ended 31 December 2008					Year ended June 2009				
Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
202 302	13 366	6.61	2 105	2.05	204 370	17 769	8.69	4 920	2.39
165 213	12 301	7.45	2 004	2.44	166 093	16 062	9.67	4 545	2.76
146 747	9 960	6.79	1 078	1.48	147 959	13 625	9.21	2 380	1.63
112 619	8 821	7.83	1 008	1.79	110 428	11 278	10.21	2 287	2.05
29 865	966	3.23	56	0.39	32 968	2 130	6.46	77	0.25
4 263	173	4.06	14	0.69	4 563	217	4.76	16	0.38
12 255	1 625	13.26	605	9.77	11 726	1 444	12.31	1 355	11.18
3 511	347	9.88	170	9.59	3 476	445	12.80	424	12.01
2 700	369	13.67	151	12.16	2 932	548	18.69	386	14.85
25 379	920	3.63	150	1.21	26 862	1 623	6.04	389	1.53
7 270	145	1.99	53	0.93	8 727	84	0.96	70	0.58
4 440	–	–	(102)	(4.20)	2 688	–	–	(84)	(2.11)
96 024	3 312	3.45	1 307	2.67	92 274	4 600	4.99	2 745	2.86
92 060	3 125	3.39	1 045	2.22	88 536	4 355	4.92	2 222	2.41
56 065	2 328	4.15	855	2.96	51 601	2 906	5.63	1 539	2.77
31 660	727	2.30	114	0.72	32 690	1 273	3.89	505	1.57
4 335	70	1.61	76	3.38	4 245	176	4.15	178	4.00
3 964	187	4.72	262	13.05	3 738	245	6.55	523	13.40
125 526	1 479	1.18	335	0.52	112 989	1 177	1.04	523	0.43
17 304	388	2.24	50	0.60	17 519	430	2.45	96	0.58
730	67	9.18	(104)	(12.55)	2 663	251	9.43	(260)	(9.91)
441 886	18 612	4.21	3 693	1.64	429 815	24 227	5.64	8 024	1.81

NOTES

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FIRSTRAND
Banking Group

SECURITISATIONS AND CONDUITS

The Banking Group uses securitisation transactions as a tool to achieve one or more of the following objectives:

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

From an accounting perspective, traditional securitisations are treated as sales transactions. At inception, the assets are sold to the special purpose vehicle at carrying value and no gains or losses are recognised. Subsequently, the securitisation entities are consolidated into FRBH Limited for financial reporting purposes. For synthetic securitisations, the credit derivatives used in the transaction are recognised at fair value, with any fair value adjustments reported in profit or loss.

1. TRADITIONAL AND SYNTHETIC SECURITISATIONS

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

Securitisation transactions

Transaction	Asset type	Year initiated	Expected close	Rating agency	Assets securitised
R million					
Traditional securitisations					16 784
Nitro 1	Retail: Auto loans	2006	2009	Moody's	2 000
Nitro 2	Retail: Auto loans	2006	2010	Moody's	5 000
Nitro 3	Retail: Auto loans	2007	2011	Moody's and Fitch Ratings	5 000
Ikhaya 1	Retail mortgages	2007	2011	Fitch Ratings	1 900
Ikhaya 2	Retail mortgages	2007	2012	Fitch Ratings	2 884
Synthetic securitisations					22 000
Procul	Retail: Auto loans	2002	2010	Fitch Ratings	2 000
Fresco II	Corporate receivables	2007	2013	Fitch Ratings	20 000
Total					38 784

Retained securitisation exposure

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

R million	AAA(zaf)	AA(zaf)	A+(zaf)	A(zaf)	BBB+(zaf)	BBB(zaf)
Traditional						
At 31 Dec 2009	15	8	–	4	29	–
At 31 Dec 2008	15	8	–	4	39	4
At 30 June 2009	56	1	–	–	–	–
Synthetic						
At 31 Dec 2009	18 124	180	52	–	–	–
At 31 Dec 2008	18 126	182	52	–	–	–
At 30 June 2009	18 083	189	52	4	–	–

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

Downgrades of South African structured finance ratings by Moody's

On 20 July 2009, Moody's downgraded all Aaa- and Aa1-rated notes of South African asset backed securities, residential mortgage asset backed securities, commercial mortgage backed securities and repackaged securities to Aa2. This was as a result of Moody's downgrading South Africa's local currency ceiling for bonds and deposits to Aa2 from Aaa. This action aligned the global scale structured finance ratings with the revised ceiling. The rating action affected notes in the following FRB transactions:

- Nitro Securitisation 1 (Pty) Limited (Class A14 and A15 downgraded to Aa2)
- Nitro International Securitisation 1 Plc (Class A downgraded to Aa2)
- Nitro Securitisation 2 (Pty) Limited (Class A12, A13, A14 and A15 downgraded to Aa2)
- Nitro International Securitisation 2 Plc (Class A downgraded to Aa2)
- Nitro Securitisation 3 (Pty) Limited (Class A9, A10, A11, A12, A13, A14 and A15 downgraded to Aa2)

Notably, Moody's did point out that the action was not prompted by concerns on the performance of the underlying portfolios.

Assets outstanding			Notes outstanding			Retained exposure		
As at 31 December	As at 31 December	As at 30 June	**As at 31 December**	As at 31 December	As at 30 June	**As at 31 December**	As at 31 December	As at 30 June
2009	2008	2009	**2009**	2008	2009	**2009**	2008	2009
4 972	7 578	6 206	**5 780**	8 596	7 261	**342**	361	351
–	320	181	**–**	392	245	**–**	8	5
489	1 282	847	**838**	1 651	1 216	**28**	32	24
1 151	2 294	1 688	**1 555**	2 759	2 095	**54**	96	73
1 377	1 522	1 439	**1 432**	1 596	1 592	**100**	82	93
1 955	2 160	2 051	**1 955**	2 198	2 113	**160**	143	156
22 000	22 000	22 000	**22 000**	22 000	22 000	**19 183**	19 190	19 182
2 000	2 000	2 000	**2 000**	2 000	2 000	**1 010**	1 015	1 009
20 000	20 000	20 000	**20 000**	20 000	20 000	**18 173**	18 175	18 173
26 972	29 578	28 206	**27 780**	30 596	29 261	**19 525**	19 551	19 533

BBB-(zaf)	BB+(zaf)	BB(zaf)	Not rated	Total
–	–	–	285	341
–	–	–	291	361
–	–	–	294	351
–	–	–	827	19 183
–	–	–	830	19 190
–	29	2	823	19 182

Nitro Securitisation 1 (Pty) Limited – Exercise of Clean Up Call

Nitro Securitisation 1 (Pty) Limited ("Nitro 1") was launched on 28 March 2006 with a value of R2 billion and a 7% subordination below the Aaa rated notes. FRB, the originator, held the sub-ordinated loan of R20 million and the Class D notes from March 2008. There was an excess spread of 2%. By 14 September 2009, R186.5 million of notes was outstanding, which represented less than 10% of the original principal amount. On 14 September, the next interest payment date, Nitro 1 redeemed the total outstanding balance by exercising the clean-up call option as outlined in Clause 7.3 of the Offering Circular. This brought to a successful close the first securitisation of instalment sale agreements originated by WesBank. The objective of the Bank to obtain matched term funding at a time when its retail asset book was growing rapidly was achieved. The structure of the securitisation proved to be robust, even during the recent stressed consumer environment.

All the other transactions continue to perform in line with expectations.

2. CONDUIT PROGRAMMES AND FIXED INCOME FUNDS

FirstRand Bank's conduit programmes are debt capital market vehicles, which provide investment grade corporate South African counterparties with an alternative funding source to traditional bank funding. These also provide institutional investors with highly rated short term alternative investments. The fixed income fund is a call loan bond fund, which offers overnight borrowers and lenders an alternative to traditional overnight bank lending products on a matched basis.

All the assets originated for the conduit programmes are rigorously evaluated as part of the ordinary credit approval process applicable to any other corporate exposure held on the Bank's statement of financial position.

The following tables show the programmes currently in place as well as the ratings distribution of the underlying assets and the role played by the Bank in each of these programmes. All of these capital market vehicles continue to perform in line with expectations.

Conduits and fixed income funds

Transaction	Underlying assets	Year initiated	Rating agency	Programme size	Non recourse investments			Credit enhancement provided		
					As at 31 Dec	As at 31 Dec	As at 30 Jun	**As at 31 Dec**	As at 31 Dec	As at 30 Jun
R million					**2009**	2008	2009	**2009**	2008	2009
Conduits										
iNdwa	Corporate and Structured Finance term loans	2003	Fitch	15 000	**7 117**	10 810	7 287	**–**	–	–
iVuzi	Corporate and Structured Finance term loans	2007	Fitch	15 000	**5 797**	5 083	5 017	**805**	680	679
Total					**12 914**	15 893	12 304	**805**	680	679
Fixed income fund										
iNkotha	Overnight Corporate loans	2006	Fitch	10 000	**3 763**	5 631	3 623	**–**	–	–
Total					**3 763**	5 631	3 623	**–**	–	–

Ratings distribution of conduit and fixed income fund assets

R million	F1+(zaf)	AAA(zaf)	AA+(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A(zaf)	A-(zaf)	Total
Conduits									
At 31 Dec 2009	–	1 400	327	1 230	4 883	1 586	2 720	768	12 914
At 31 Dec 2008	1 488	1 985	379	2 637	5 951	2 321	1 060	72	15 893
At 30 June 2009	–	1 552	341	2 076	4 640	2 259	1 020	416	12 304
Fixed income fund									
At 31 Dec 2009	–	1 142	–	–	2 076	–	202	343	3 763
At 31 Dec 2008	–	1 708	–	–	3 107	–	302	514	5 631
At 30 June 2009	–	1 209	–	–	1 107	–	1 002	305	3 623

3. LIQUIDITY FACILITIES

The table below provides an overview of the liquidity facilities issued by the Banking Group:

Liquidity facilities*

		Exposure		
		At 31 December	At 31 December	At 30 June
		2009	2008	2009
Transaction	Transaction type	**(R million)**	(R million)	(R million)
Own transactions		**10 902**	12 154	9 540
iNdwa	Conduit	**5 790**	8 024	5 653
iVuzi	Conduit	**5 112**	4 130	3 887
Third party transactions	Securitisations	**1 601**	2 332	2 160
Total		**12 503**	14 486	11 700

* *It is important to note that from an accounting perspective, upon consolidation, the underlying assets in the entities not recognised in the statement of financial position are reconsolidated back into the Banking Group's statement of financial position.*

All liquidity facilities in the transactions given in the table above rank as senior in terms of payment priority in the event of a drawdown. Economic capital is allocated to the liquidity facility extended to iNdwa and iVuzi as if the underlying assets were held on the Bank's statement of financial position to reflect the risk that these assets may have to be brought onto the statement of financial position in a stress scenario. The conduit programmes are consolidated into FirstRand Bank Holdings Limited for financial reporting purposes.

APPENDIX 1

R million	Notes	Six months ended 31 December 2009	Six months ended 31 December 2008	Year ended 30 June 2009
Interest and similar income		**19 525**	28 620	52 098
Interest expenses and similar charges		**(11 082)**	(19 488)	(34 464)
Net interest income before impairment of advances	1	**8 443**	9 132	17 634
Impairment losses on loans and advances[1]		**(3 225)**	(3 693)	(8 024)
Net interest income after impairment of advances		**5 218**	5 439	9 610
Non interest revenue	2	**12 322**	9 401	19 760
– fee and commission income		**8 555**	7 964	15 298
– fair value revenue		**2 093**	272	1 427
– investment income		**637**	174	588
– other non interest revenue		**1 037**	991	2 447
Income from operations		**17 540**	14 840	29 370
Operating expenses	3	**(11 850)**	(10 401)	(22 659)
Net income from operations		**5 690**	4 439	6 711
Share of profit from associates and joint ventures	4	**390**	983	1 577
Income before tax		**6 080**	5 422	8 288
Indirect tax		**(234)**	(196)	(396)
Profit before tax		**5 846**	5 226	7 892
Direct tax		**(1 591)**	(684)	(1 300)
Profit for the period		**4 255**	4 542	6 592
Attributable to:				
Ordinary shareholders		**3 806**	3 799	5 393
Non cumulative non redeemable preference shares		**127**	153	309
Equity holders		**3 933**	3 952	5 702
Non controlling interest		**322**	590	890
Profit for the period		**4 255**	4 542	6 592

1 Refer to page 82 for more detailed information.

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	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Profit for the period	**4 255**	4 542	6 592
Other comprehensive income			
Cash flow hedges	**68**	(1 296)	(1 229)
Available-for-sale financial assets	**240**	477	(31)
Exchange differences on translation of foreign operations	**(69)**	252	(634)
Share of other comprehensive income of associates	**28**	132	73
Other comprehensive income for the period before tax	**267**	(435)	(1 821)
Income tax relating to components of other comprehensive income	**(27)**	180	289
Other comprehensive income for the period	**240**	(255)	(1 532)
Total comprehensive income for the period	**4 495**	4 287	5 060
Total comprehensive income attributable to:			
Equity holders of the Group	**4 180**	3 582	4 194
Non controlling interest	**315**	705	866
Total comprehensive income for the period	**4 495**	4 287	5 060

	At 31 December		At 30 June
R million	2009	2008	2009
ASSETS			
Cash and short term funds	**25 941**	34 565	25 756
Derivative financial instruments	**38 702**	81 526	60 229
– qualifying for hedge accounting	**318**	477	376
– held for trading	**38 384**	81 049	59 853
Advances	**417 314**	433 343	420 224
– loans and receivables	**311 117**	331 529	320 689
– held-to-maturity	**142**	275	163
– available-for-sale	**467**	561	459
– fair value through profit and loss	**105 588**	100 978	98 913
Investment securities and other investments	**116 394**	109 821	105 745
Financial securities held for trading	**50 221**	45 340	38 676
Investment securities	**66 173**	64 481	67 069
– held-to-maturity	**580**	479	616
– available-for-sale	**32 073**	26 601	32 461
– fair value through profit and loss	**16 567**	17 789	17 746
– fair value through profit and loss non recourse investments	**16 953**	19 612	16 246
Commodities	**1 825**	1 259	1 323
Accounts receivable	**5 315**	5 940	5 255
Investments in associates and joint ventures	**7 591**	7 411	7 339
Property and equipment	**9 604**	8 854	9 488
Deferred tax asset	**505**	737	1 063
Intangible assets	**2 597**	2 286	2 694
Policy loans on insurance contracts	**26**	22	23
Reinsurance assets	**362**	332	287
Tax asset	**859**	1 592	842
Non current assets and disposal groups held for sale	**61**	–	450
Loans to Insurance Group	**5 444**	6 184	6 115
Total assets	632 540	693 872	646 833

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R million	Note	At 31 December 2009	At 31 December 2008	At 30 June 2009
EQUITY AND LIABILITIES				
Liabilities				
Deposits		**496 804**	496 392	489 746
– deposits and current accounts		**479 851**	476 780	473 500
– fair value through profit or loss non recourse deposits		**16 953**	19 612	16 246
Short trading positions		**22 197**	39 487	23 434
Derivative financial instruments		**33 656**	76 055	54 436
– qualifying for hedge accounting		**713**	1 140	838
– held for trading		**32 943**	74 915	53 598
Creditors and accruals		**6 782**	7 467	6 680
Provisions		**2 743**	1 765	2 680
Tax liability		**183**	334	243
Post retirement liabilities		**2 092**	1 789	2 042
Deferred tax liability		**2 170**	3 055	2 407
Long term liabilities		**6 934**	9 584	7 976
Policyholder liabilities under insurance contracts		**1 732**	1 434	1 655
Policyholder liabilities under investment contracts		**83**	98	77
Liabilities directly associated with non current assets and disposal groups held for sale		**–**	–	253
Loans from Insurance Group		**4 391**	5 072	5 776
Total liabilities		**579 767**	642 532	597 405
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares		**106**	106	106
Ordinary share premium		**7 712**	7 635	7 634
Reserves attributable to equity holders		**39 477**	37 882	36 371
Total ordinary shareholders' funds		**47 295**	45 623	44 111
Non cumulative non redeemable preference shares		**3 100**	3 100	3 100
Cumulative redeemable preference shares		**–**	25	2
Capital and reserves attributable to the Group's equity holders		**50 395**	48 748	47 213
Non controlling interest		**2 378**	2 592	2 215
Total equity	5	**52 773**	51 340	49 428
Total equity and liabilities		**632 540**	693 872	646 833

A detailed segment report is set out in note 6.

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

1.1 Net interest income before impairment of advances

	Six months ended 31 December			Year ended 30 June
R million	2009	2008	% change	2009
FNB	4 722	5 152	(8)	10 359
Mass	531	623	(15)	1 241
Consumer segment	2 142	2 073	3	4 422
– HomeLoans	620	303	>100	1 003
– Card Issuing	556	587	(5)	1 182
– Other Consumer	966	1 183	(18)	2 237
Wealth segment	409	358	14	721
Commercial segment	1 412	1 911	(26)	3 594
Corporate segment	282	265	6	528
FNB other	(54)	(78)	(31)	(147)
RMB	66	222	(70)	362
WesBank	1 999	1 748	14	3 717
FNB Africa	788	786	0	1 564
Corporate centre	1 094	1 615	(32)	1 857
Consolidation and IFRS adjustments	(226)	(391)	(42)	(225)
Net interest income	8 443	9 132	(8)	17 634

1.2 Margin analysis

	2009		2008	
	Average balance	% Margin	Average balance	% Margin
Prime rate (SA)		10.62		15.45
Advances				
Property finance	154 235	1.18	151 359	0.80
Instalment sales and lease instalments receivable	72 585	3.96	74 543	3.23
Card	11 680	8.13	12 792	7.09
Overdrafts and loans	20 605	4.60	19 762	3.81
Term[1]	17 709	7.13	18 253	7.92
Total advances	276 814	2.86	276 709	2.43
Deposit				
Current and savings	89 121	3.99	84 405	5.85
Call	25 336	1.83	26 670	2.04
Money market	28 495	1.76	25 045	1.82
Term	41 306	0.99	39 542	1.12
Total deposits	184 258	2.68	175 662	3.63
Africa				
Africa advances	18 051	3.36	16 529	2.22
Africa deposits[2]	25 889	2.39	23 869	3.47

Notes:

The advances margins are calculated using total net interest as a percentage of gross advances before impairments.

Average balances are daily average balances for the six months ended 31 December.

Advances and deposits for the South African divisions of FNB and WesBank are included in this analysis.

Balances in cash management accounts are set off, even where legal right of setoff ("LROS") cannot be applied as no margin is earned.

1 Certain balances in overdrafts and short term loans were reclassified as term loans since the prior year.

2 Africa deposits invested in Bank of Botswana Certificates, previously excluded from this table are included.

NOTE 2: NON INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2009**	2008	% change	2009
Fee and commission income	2.1	**8 555**	7 964	7	15 298
Fair value revenue	2.2	**2 093**	272	>100	1 427
Investment income	2.3	**637**	174	>100	588
Other non interest revenue		**1 037**	991	5	2 447
– Consolidated private equity income		**223**	394	(43)	1 127
– Other		**814**	597	36	1 320
Total non interest revenue		**12 322**	9 401	31	19 760

2.1 Fee and commission income

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Bank commissions and fee income	**6 418**	6 041	6	11 230
Card commissions	**884**	808	9	1 596
Cash deposit fees	**740**	688	8	1 360
Bank charges	**4 412**	4 112	7	7 605
Commissions on bills, drafts and cheques	**382**	433	(12)	669
Knowledge based fees	**420**	363	16	772
Management fees	**441**	457	(4)	731
Insurance income	**683**	564	21	1 334
Other nonbank commissions	**593**	539	10	1 231
Total fee and commission income[1]	**8 555**	7 964	7	15 298

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

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Commitment fees	**133**	138	(4)	193
Acceptances, guarantees and indemnities	**88**	98	(10)	190

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2.2 Fair value revenue

R million	2009	2008	% change	June 2009
Annuity	**1 469**	1 343	9	3 342
Risk income	**439**	(767)	>100	(1 154)
Other	**185**	(304)	>100	(761)
Total	**2 093**	272	>100	1 427

2.3 Investment income

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Investment activities				
Income from private equity activities	**(4)**	1 313	(>100)	1 487
– Profit on realisation of private equity investments	**15**	660	(98)	553
– Profit on realisation of other investment banking assets	**1**	(16)	>100	–
– Dividends received	**12**	120	(90)	99
– Private equity associates	**(32)**	549	(>100)	835
Income from operational investment activities	**422**	434	(3)	742
– WesBank associates	**95**	61	56	151
– FirstRand International associates	**–**	2	(100)	6
– FirstRand Short Term Insurance	**216**	227*	(5)	440
– Listed associates	**40**	27	48	(38)
– Other operational associates	**71**	117*	(39)	183
Income from investments	**609**	(590)	>100	(64)
– Profit on disposal of available-for-sale assets	**–**	–	–	2
– Profit/(loss) on assets held against employee liabilities	**208**	(381)	>100	(364)
– Other investment income	**401**	(209)	>100	298
Total investment income	**1 027**	1 157	(11)	2 165
Less: Income from associates	**(390)**	(983)	(60)	(1 577)
Total	**637**	174	>100	588

* *R16 million in respect of FNB's joint venture with OUTsurance has been re-allocated from "Other operational associates" to "FirstRand Short Term Insurance".*

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NOTE 3: OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	2009	2008	% change	2009
Staff expenditure	6 323	5 207	21	11 241
– Salaries and wages	4 168	4 031	3	8 062
– Other staff related expenditure	2 155	1 176	83	3 179
Depreciation	688	590	17	1 310
Amortisation of other intangible assets	84	77	9	124
Advertising and marketing	411	447	(8)	902
Insurance	183	190	(4)	420
Lease charges	570	458	24	1 050
Professional fees	403	381	6	952
HomeLoans third party origination costs	15	12	25	26
Audit fees	68	61	11	123
Computer expenses	351	450	(22)	846
Conveyance of cash	161	129	25	278
Maintenance	413	398	4	779
Telecommunications	239	271	(12)	540
eBucks rewards	131	126	4	213
Cooperation agreements and joint ventures	179	102	75	241
Other expenditure	1 631	1 502	9	3 614
Total	11 850	10 401	14	22 659

Normalised cost growth in line with inflation

	Six months ended 31 December		%
R million	2009	2008	change
As per income statement	11 850	10 401	14
Share based payments expense	(87)	50	>100
Pension and provident fund liabilities	(654)	(456)	43
Impairments	(74)	–	100
New subsidiaries	(132)	–	100
Expansion costs	(110)	(37)	>100
Normalised costs	10 793	9 958	8

NOTE 4: SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Private equity associates	**(32)**	549	(>100)	835
– Private equity associates	**217**	683	(68)	1 365
– Less impairments	**(249)**	(134)	86	(530)
WesBank associates	**95**	61	56	151
– Toyota Financial Services	**39**	39	–	81
– Tracker Investment Holdings (Pty) Ltd	**49**	44	11	95
– Other	**7**	(22)	>100	(25)
FirstRand International associates and joint ventures	**–**	2	(100)	6
FirstRand Short Term Insurance	**216**	227*	(5)	440
Listed associates	**40**	27	48	(38)
Other operational associates	**71**	117	(39)	183
– Eris Property Group (Pty) Ltd	**11**	23	(52)	37
– Morgan Stanley (Pty) Ltd	**54**	45	20	78
– Other	**6**	49*	(88)	68
Total	**390**	983	(60)	1 577

** R16 million in respect of FNB's joint venture with OUTsurance has been re-allocated from "Other" to "FirstRand Short Term Insurance".*

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NOTE 5: CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

R million	Share capital	Share premium	Share capital and share premium	General risk reserve	Cash flow hedge reserve	Share based payment reserve
Balance as at 1 July 2008	106	7 164	**7 270**	8	609	467
Issue of share capital	–	471	**471**	–	–	–
Ordinary dividends	–	–	**–**	–	–	–
Preference dividends	–	–	**–**	–	–	–
Transfer (to)/from reserves	–	–	**–**	–	–	–
Effective change of shareholding in subsidiary	–	–	**–**	–	–	–
Contribution from parent company	–	–	**–**	–	–	49
Movement in other reserves	–	–	**–**	–	–	–
Total comprehensive income for the year	–	–	**–**	–	(944)	–
Balance as at 31 December 2008	106	7 635	**7 741**	8	(335)	516
Issue of share capital	–	(1)	**(1)**	–	–	–
Redemption of preference shares	–	–	**–**	–	–	–
Movement in other reserves	–	–	**–**	–	–	–
Ordinary dividends	–	–	**–**	–	–	–
Preference dividends	–	–	**–**	–	–	–
Transfer (to)/from reserves	–	–	**–**	–	–	(62)
Effective change of shareholding in subsidiary	–	–	**–**	–	–	–
Contribution from parent company	–	–	**–**	–	–	48
Total comprehensive income for the year	–	–	**–**	–	50	–
Balance as at 1 July 2009	106	7 634	7 740	8	(285)	502
Issue of share capital	–	78	78	–	–	–
Movement in other reserves	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	–	–	(58)
Effective change of shareholding in subsidiary	–	–	–	–	–	–
Change in outside shareholders' interest	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	87
Total comprehensive income for the year	–	–	–	–	49	–
Balance as at 31 December 2009	106	7 712	7 818	8	(236)	531

Available-for-sale reserve	Currency translation reserve	Other reserves	Retained income	Reserves attributable to equity holders	Non cumulative redeemable preference shares	Non cumulative non redeemable preference shares	Total preference shareholders' funds	Non controlling interest	Total equity
472	1 303	592	33 165	36 616	25	3 100	3 125	2 518	49 529
–	–	–	–	–	–	–	–	–	471
–	–	–	(2 171)	(2 171)	–	–	–	(600)	(2 771)
–	–	–	(153)	(153)	–	–	–	–	(153)
–	–	42	(42)	–	–	–	–	–	–
–	–	–	–	–	–	–	–	(45)	(45)
–	–	–	–	49	–	–	–	–	49
–	–	(41)	–	(41)	–	–	–	14	(27)
305	148	121	3 952	3 582	–	–	–	705	4 287
777	1 451	714	34 751	37 882	25	3 100	3 125	2 592	51 340
–	–	–	–	–	2	–	2	13	14
–	–	–	–	–	(25)	–	(25)	–	(25)
–	–	34	–	34	–	–	–	(149)	(115)
–	–	–	(2 014)	(2 014)	–	–	–	(239)	(2 253)
–	–	–	(156)	(156)	–	–	–	–	(156)
–	–	19	43	–	–	–	–	–	–
–	–	(35)	–	(35)	–	–	–	(163)	(198)
–	–	–	–	48	–	–	–	–	48
(384)	(756)	(48)	1 750	612	–	–	–	161	773
393	695	684	34 374	36 371	2	3 100	3 102	2 215	49 428
–	–	–	–	–	–	–	–	(185)	(107)
–	–	(16)	–	(16)	–	–	–	210	194
–	–	–	(1 034)	(1 034)	–	–	–	(162)	(1 196)
–	–	–	(127)	(127)	–	–	–	–	(127)
–	–	–	58	–	–	–	–	–	–
–	–	–	–	–	(2)	–	(2)	(15)	(17)
–	–	–	16	16	–	–	–	–	16
–	–	–	–	87	–	–	–	–	87
229	(42)	11	3 933	4 180	–	–	–	315	4 495
622	653	679	37 220	39 477	–	3 100	3 100	2 378	52 773

NOTE 6: SEGMENT REPORT

Primary segments (business)

2009	FNB						
Segment information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Com-mercial
Net interest income before impairment of advances	531	620	556	966	**2 142**	409	1 412
Impairment of advances	(269)	(758)	(464)	(113)	**(1 335)**	(96)	(221)
Net interest income after impairment of advances	262	(138)	92	853	**807**	313	1 191
Non interest revenue	1 835	126	747	1 397	**2 270**	352	1 715
Net income from operations	2 097	(12)	839	2 250	**3 077**	665	2 906
Operating expenses	(1 486)	(294)	(653)	(1 428)	**(2 375)**	(510)	(1 853)
Income from operations	611	(306)	186	822	**702**	155	1 053
Share of income from associates	–	26	–	4	**30**	–	–
Income before tax	611	(280)	186	826	**732**	155	1 053
Indirect tax	(16)	(9)	(6)	(29)	**(44)**	(7)	(12)
Income before direct tax	595	(289)	180	797	**688**	148	1 041
Direct tax	(158)	78	(48)	(211)	**(181)**	(39)	(276)
Income after tax	437	(211)	132	586	**507**	109	765
Attributable to:							
Equity holders of FirstRand Banking Group	437	(211)	132	586	**507**	109	765
Non controlling interest	–	–	–	–	**–**	–	–
	437	(211)	132	586	**507**	109	765
Equity holders of FirstRand Banking Group	437	(211)	132	586	**507**	109	765
(Profit) on sale of property and equipment	–	–	–	–	**–**	(2)	–
Excess of acquiror's interest in the net fair value over cost	–	–	–	–	**–**	–	–
Loss on sale of Private Label book	–	–	–	–	**–**	–	–
Plus: Impairments goodwill	–	–	–	–	**–**	–	–
Plus: Impairments losses	–	–	–	–	**–**	–	–
Plus: Impairments reversed	–	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Non controlling interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	1	–
Headline earnings	437	(211)	132	586	**507**	108	765
Impact of IFRS 2	–	–	–	1	**1**	–	–
Normalised headline earnings	437	(211)	132	587	**508**	108	765

FNB Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjust-ments	Sub total	Divisions disclosed else-where	Total
282	(54)	4 722	788	66	1 999	1 094	(226)	8 443	–	8 443
31	(26)	(1 916)	(43)	(61)	(1 178)	(41)	14	(3 225)	–	(3 225)
313	(80)	2 806	745	5	821	1 053	(212)	5 218	–	5 218
653	429	7 254	728	2 858	1 387	599	(200)	12 626	(304)	12 322
966	349	10 060	1 473	2 863	2 208	1 652	(412)	17 844	(304)	17 540
(567)	(254)	(7 045)	(819)	(1 488)	(1 828)	(1 016)	346	(11 850)	–	(11 850)
399	95	3 015	654	1 375	380	636	(66)	5 994	(304)	5 690
–	6	36	2	63	95	201	(7)	390	–	390
399	101	3 051	656	1 438	475	837	(73)	6 384	(304)	6 080
(2)	(75)	(156)	(13)	(35)	(70)	(22)	62	(234)	–	(234)
397	26	2 895	643	1 403	405	815	(11)	6 150	(304)	5 846
(105)	(7)	(766)	(154)	(372)	(108)	(216)	(60)	(1 676)	85	(1 591)
292	19	2 129	489	1 031	297	599	(71)	4 474	(219)	4 255
292	19	2 129	311	1 031	273	599	(191)	4 152	(219)	3 933
–	–	–	178	–	24	–	120	322	–	322
292	19	2 129	489	1 031	297	599	(71)	4 474	(219)	4 255
292	19	2 129	311	1 031	273	599	(191)	4 152	(219)	3 933
–	(4)	(6)	(1)	–	(1)	–	(1)	(9)	–	(9)
–	–	–	–	(2)	–	–	2	–	–	–
19	–	19	–	–	–	–	–	19	–	19
–	–	–	–	10	65	–	–	75	–	75
–	4	4	–	–	–	–	–	4	–	4
–	(1)	(1)	–	–	–	–	–	(1)	–	(1)
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–	–	–	–
(5)	–	(4)	–	–	–	–	–	(4)	–	(4)
306	18	2 141	310	1 039	337	599	(190)	4 236	(219)	4 017
–	–	1	2	–	–	–	18	21	–	21
306	18	2 142	312	1 039	337	599	(172)	4 257	(219)	4 038

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2009	FNB						
Segment information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Com-mercial
Cost to income (%)	62.8	38.1	50.1	60.3	**53.5**	67.0	59.3
Diversity ratio (%)	77.6	16.3	57.3	59.0	**51.1**	46.3	54.8
Total impairment charge (%)	6.79	1.38	8.14	6.69	**2.14**	0.57	1.65
NPLs as a percentage of advances (%)	5.94	9.68	8.50	15.19	**9.72**	6.30	6.76
Off balance sheet assets under management	–	–	–	–	**–**	44 150	–
Income statement includes							
Depreciation	(5)	(7)	(2)	(86)	**(95)**	(17)	(6)
Amortisation	–	–	–	(6)	**(6)**	(4)	(3)
Impairment charges	–	–	–	–	**–**	–	–
Other non cash provisions	(9)	(6)	(4)	(37)	**(47)**	(51)	(36)
Balance sheet includes							
Advances (after ISP – before impairments)	8 354	109 177	11 065	3 285	**123 527**	34 784	26 681
– Normal advances	8 354	105 891	11 065	3 285	**120 241**	34 784	26 681
Advances net of LROS	8 354	105 891	11 065	3 285	**120 241**	34 784	26 681
LROS adjustment	–	–	–	–	**–**	–	–
– Securitised advances	–	3 286	–	–	**3 286**	–	–
NPLs	496	10 571	940	499	**12 010**	2 193	1 803
– Accrual advances	496	10 571	940	499	**12 010**	2 193	1 803
– Fair value advances	–	–	–	–	**–**	–	–
Investment in associated companies	–	52	–	42	**94**	–	–
Total deposits (incl non recourse deposits)	8 514	43	1 119	55 639	**56 801**	16 218	64 188
Deposits net of LROS	8 514	43	1 119	55 639	**56 801**	16 218	64 188
LROS adjustment	–	–	–	–	**–**	–	–
Total assets	8 218	106 861	10 144	3 414	**120 419**	34 782	25 903
Total liabilities	8 788	150	1 191	56 862	**58 203**	16 390	64 347
Total assets under management	8 218	106 861	10 144	3 414	**120 419**	78 932	25 903
Capital expenditure	2	2	1	43	**46**	33	11

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

FNB										
Corporate	FNB Other and support	**Total FNB**	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjust-ments	**Sub total**	Divisions disclosed else-where	**Total**
60.6	66.7	**58.6**	54.0	49.8	52.5	53.7	(213.4)	**55.2**	–	**56.0**
69.8	112.6	**60.4**	48.0	95.7	39.8	31.6	>100	**58.8**	100.0	**58.2**
(1.07)	4.03	**1.91**	0.48	0.11	2.57	1.19	(4.76)	**1.51**	–	**1.51**
0.14	51.38	**8.39**	2.16	1.05	5.33	3.25	2.80	**5.42**	–	**5.42**
–	–	**44 150**	1 538	–	–	–	–	**45 688**	–	**45 688**
(41)	(277)	**(441)**	(30)	(65)	(96)	(43)	(13)	**(688)**	–	**(688)**
–	(15)	**(28)**	(10)	(31)	(14)	–	(1)	**(84)**	–	**(84)**
–	(4)	**(4)**	–	(10)	(65)	–	–	**(79)**	–	**(79)**
(36)	(307)	**(486)**	(49)	(502)	(73)	–	(97)	**(1 207)**	–	**(1 207)**
2 899	(109)	**196 136**	18 582	114 791	90 785	10 976	(4 388)	**426 882**	–	**426 882**
2 899	(109)	**192 850**	18 582	114 791	89 155	10 976	(4 388)	**421 966**	–	**421 966**
2 899	(109)	**192 850**	18 582	114 791	89 155	10 976	(4 388)	**421 966**	–	**421 966**
–	–	**–**	–	–	–	–	–	**–**	–	**–**
–	–	**3 286**	–	–	1 630	–	–	**4 916**	–	**4 916**
4	(56)	**16 450**	401	1 200	4 836	357	(123)	**23 121**	–	**23 121**
4	(56)	**16 450**	401	464	4 836	357	(123)	**22 385**	–	**22 385**
–	–	**–**	–	736	–	–	–	**736**	–	**736**
–	73	**167**	24	5 264	1 023	978	135	**7 591**	–	**7 591**
31 806	13 552	**191 079**	26 451	111 655	538	155 597	11 484	**496 804**	–	**496 804**
31 806	13 552	**191 079**	26 451	111 655	538	155 597	11 484	**496 804**	–	**496 804**
–	–	**–**	–	–	–	–	–	**–**	–	**–**
4 082	7 444	**200 848**	32 887	255 129	96 443	101 126	(53 893)	**632 540**	–	**632 540**
32 369	14 780	**194 877**	29 079	251 527	95 459	62 944	(54 119)	**579 767**	–	**579 767**
4 082	7 444	**244 998**	34 425	255 129	96 443	101 126	(53 893)	**678 228**	–	**678 228**
14	524	**630**	155	89	98	99	(21)	**1 050**	–	**1 050**

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2008		FNB					
Segment information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Com-mercial
Net interest income before impairment of advances	623	303	587	1 183	**2 073**	358	1 911
Impairment of advances	(165)	(1 008)	(605)	(170)	**(1 783)**	(56)	(150)
Net interest income after impairment of advances	458	(705)	(18)	1 013	**290**	302	1 761
Non interest revenue	1 601	123	719	1 295	**2 137**	370	1 697
Net income from operations	2 059	(582)	701	2 308	**2 427**	672	3 458
Operating expenses	(1 427)	(383)	(662)	(1 344)	**(2 389)**	(508)	(1 902)
Income from operations	632	(965)	39	964	**38**	164	1 556
Share of income from associates	–	–	–	2	**2**	–	–
Income before tax	632	(965)	39	966	**40**	164	1 556
Indirect tax	(16)	(12)	(3)	(34)	**(49)**	(8)	(6)
Income before direct tax	616	(977)	36	932	**(9)**	156	1 550
Direct tax	(163)	259	(10)	(247)	**2**	(41)	(411)
Income after tax	453	(718)	26	685	**(7)**	115	1 139
Attributable to:							
Equity holders of FirstRand Banking Group	453	(718)	26	685	**(7)**	115	1 139
Non controlling interest	–	–	–	–	**–**	–	–
	453	(718)	26	685	**(7)**	115	1 139
Equity holders of FirstRand Banking Group	453	(718)	26	685	**(7)**	115	1 139
Profit/(loss) on sale of property and equipment	–	–	–	–	**–**	–	–
Excess of acquiror's interest in the net fair value over cost	–	–	–	–	**–**	–	–
Profit on sale of RMB Property	–	–	–	–	**–**	–	–
Plus: Impairments goodwill	–	–	–	–	**–**	–	–
Plus: Impairments reversed	–	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Non controlling interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	453	(718)	26	685	**(7)**	115	1 139
Profit on private equity associate realisations	–	–	–	–	**–**	–	–
Impact of IFRS 2	–	–	–	1	**1**	(1)	–
Normalised headline earnings	453	(718)	26	686	**(6)**	114	1 139

FNB										
Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjust-ments	Sub total	Divisions disclosed else-where	Total
265	(78)	5 152	786	222	1 748	1 615	(391)	9 132	–	9 132
(53)	102	(2 105)	(50)	(335)	(1 307)	(46)	150	(3 693)	–	(3 693)
212	24	3 047	736	(113)	441	1 569	(241)	5 439	–	5 439
664	432	6 901	614	2 777	1 159	(243)	(1 609)	9 599	(198)	9 401
876	456	9 948	1 350	2 664	1 600	1 326	(1 850)	15 038	(198)	14 840
(515)	(195)	(6 936)	(680)	(1 410)	(1 640)	(426)	691	(10 401)	–	(10 401)
361	261	3 012	670	1 254	(40)	900	(1 159)	4 637	(198)	4 439
–	6	8	2	683	61	234	(5)	983	–	983
361	267	3 020	672	1 937	21	1 134	(1 164)	5 620	(198)	5 422
(7)	(59)	(145)	(14)	(33)	(59)	75	(20)	(196)	–	(196)
354	208	2 875	658	1 904	(38)	1 209	(1 184)	5 424	(198)	5 226
(94)	(54)	(761)	(179)	(505)	10	(320)	1 016	(739)	55	(684)
260	154	2 114	479	1 399	(28)	889	(168)	4 685	(143)	4 542
260	154	2 114	320	1 399	(47)	889	(580)	4 095	(143)	3 952
–	–	–	159	–	19	–	412	590	–	590
260	154	2 114	479	1 399	(28)	889	(168)	4 685	(143)	4 542
260	154	2 114	320	1 399	(47)	889	(580)	4 095	(143)	3 952
–	(2)	(2)	–	–	–	(1)	–	(3)	–	(3)
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	29	29	–	29
–	–	–	–	–	–	–	14	14	–	14
(1)	–	(1)	–	–	–	–	–	(1)	–	(1)
–	–	–	–	–	206	–	–	206	–	206
–	–	–	–	–	–	–	1	1	–	1
–	–	–	–	–	–	–	1	1	–	1
259	152	2 111	320	1 399	159	888	(535)	4 342	(143)	4 199
–	–	–	–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	(50)	(50)	–	(50)
259	152	2 111	320	1 399	159	888	(585)	4 292	(143)	4 149

NOTE 6: SEGMENT REPORT continued

Primary segments (business)

2008	FNB						
Segment information		Consumer segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Com-mercial
Cost to income (%)	64.2	89.9	50.7	54.2	**56.7**	69.8	52.7
Diversity ratio (%)	72.0	28.9	55.1	52.2	**50.7**	50.8	47.0
Total impairment charge (%)	5.04	1.79	9.77	9.59	**2.77**	0.39	1.21
NPLs as a percentage of advances (%)	7.78	7.83	13.26	9.88	**8.41**	3.23	3.63
Off balance sheet assets under management	–	–	–	–	**–**	43 673	–
Income statement includes							
Depreciation	(5)	(5)	(2)	(77)	**(84)**	(15)	(5)
Amortisation	–	–	–	(7)	**(7)**	(3)	(5)
Impairment charges	–	–	–	–	**–**	–	–
Other non cash provisions	(13)	(2)	(3)	(56)	**(61)**	(53)	(45)
Balance sheet includes							
Advances (after ISP – before impairments)	6 963	112 619	12 255	3 511	**128 385**	29 865	25 379
– Normal advances	6 963	108 937	12 255	3 511	**124 703**	29 865	25 379
Advances net of LROS	6 963	108 937	12 255	3 511	**124 703**	29 865	25 241
LROS adjustment	–	–	–	–	**–**	–	138
– Securitised advances	–	3 682	–	–	**3 682**	–	–
NPLs	542	8 821	1 625	347	**10 793**	966	920
– Accrual advances	542	8 821	1 625	347	**10 793**	966	920
– Fair value advances	–	–	–	–	**–**	–	–
Investment in associated companies	–	(7)	–	39	**32**	–	–
Total deposits (incl non recourse deposits)	8 062	40	1 203	53 466	**54 709**	16 982	65 052
Deposits net of LROS	8 062	40	1 203	53 466	**54 709**	16 982	64 914
LROS adjustment	–	–	–	–	**–**	–	138
Total assets	6 753	110 690	10 861	3 994	**125 545**	30 323	24 895
Total liabilities	8 377	104	1 275	54 712	**56 091**	17 132	65 201
Total assets under management	6 753	110 690	10 861	3 994	**125 545**	73 996	24 895
Capital expenditure	2	–	1	91	**92**	67	9

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

FNB										
Corporate	FNB Other and support	**Total FNB**	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjust-ments	**Sub total**	Divisions disclosed else-where	**Total**
55.4	54.2	**57.5**	48.5	38.3	55.3	26.5	34.5	**52.8**	–	**53.3**
71.5	120.0	**57.2**	43.8	75.4	39.0	(15.1)	>100	**48.7**	100.0	**48.2**
0.93	(4.20)	**2.05**	0.60	0.52	2.67	1.58	–	**1.64**	–	**1.64**
1.99	–	**6.61**	2.24	1.18	3.45	(0.06)	(3.35)	**4.21**	–	**4.21**
–	–	**43 673**	–	–	–	–	–	**43 673**	–	**43 673**
(38)	(256)	**(403)**	(19)	(49)	(83)	(31)	(5)	**(590)**	–	**(590)**
(6)	(2)	**(23)**	(8)	(34)	(13)	–	1	**(77)**	–	**(77)**
–	–	**–**	–	–	–	–	(1)	**(1)**	–	**(1)**
(46)	(122)	**(340)**	–	–	(58)	–	(50)	**(448)**	–	**(448)**
7 270	4 440	**202 302**	17 304	125 526	96 024	9 056	(8 326)	**441 886**	–	**441 886**
7 270	4 440	**198 620**	17 304	125 526	92 128	9 056	(8 326)	**434 308**	–	**434 308**
3 463	6	**190 241**	17 304	125 526	92 128	9 056	(8 326)	**425 929**	–	**425 929**
3 807	4 434	**8 379**	–	–	–	–	–	**8 379**	–	**8 379**
–	–	**3 682**	–	–	3 896	–	–	**7 578**	–	**7 578**
145	–	**13 366**	388	1 479	3 312	(6)	73	**18 612**	–	**18 612**
145	–	**13 366**	388	595	3 312	(6)	73	**17 728**	–	**17 728**
–	–	**–**	–	884	–	–	–	**884**	–	**884**
–	68	**100**	8	5 703	931	800	(131)	**7 411**	–	**7 411**
35 067	16 102	**195 974**	23 872	114 232	552	145 039	16 723	**496 392**	–	**496 392**
31 260	11 668	**187 595**	23 872	114 232	552	145 039	16 723	**488 013**	–	**488 013**
3 807	4 434	**8 379**	–	–	–	–	–	**8 379**	–	**8 379**
8 082	11 726	**207 324**	30 121	317 959	101 599	116 065	(79 196)	**693 872**	–	**693 872**
35 651	17 469	**199 921**	26 707	313 784	101 351	77 374	(76 605)	**642 532**	–	**642 532**
8 082	11 726	**250 997**	30 121	317 959	101 599	116 065	(79 196)	**737 545**	–	**737 545**
30	646	**846**	62	–	–	160	687	**1 755**	–	**1 755**

NOTES

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APPENDIX II

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Insurance premium revenue	**3 756**	3 344	12	7 249
Insurance premium ceded to reinsurers	**(412)**	(365)	13	(694)
Net insurance premium revenue	**3 344**	2 979	12	6 555
Fee income	**1 438**	1 342	7	2 771
Investment income	**5 099**	5 245	(3)	12 262
Net realised gains on assets	**37**	27	37	7
Net fair value gains/(losses) on assets at fair value through profit or loss[1]	**10 575**	(9 075)	>100	(16 731)
Net income	**20 493**	518	>100	4 864
Insurance benefits	**(3 609)**	(3 354)	8	(6 599)
Insurance benefits recovered from reinsurers	**256**	330	(22)	660
Transfer (to)/from policyholder liabilities under insurance contracts	**(1 951)**	126	>(100)	2 870
Net insurance benefits and claims	**(5 304)**	(2 898)	83	(3 069)
Fair value adjustment to policyholder liabilities under investment contracts[1]	**(10 239)**	4 428	>100	3 939
Fair value adjustment to financial liabilities	**(796)**	1 407	>100	1 820
Expenses for the acquisition of insurance and investment contracts	**(816)**	(880)	(7)	(1 557)
Expenses for marketing and administration	**(1 613)**	(1 595)	1	(3 399)
Expenses	**(18 768)**	462	>100	(2 266)
Results of operating activities	**1 725**	980	76	2 598
Finance costs	**(306)**	(270)	13	(852)
Share of income from associate companies	**16**	12	33	22
Profit before tax	**1 435**	722	99	1 768
Tax[2]	**(597)**	30	>100	(179)
Profit for the period	**838**	752	11	1 589
Profit for the period attributable to:				
– Equity holders of the Group	**840**	752	12	1 594
– Non controlling interest	**(2)**	–	–	(5)
Profit for the period	**838**	752	11	1 589

1 *The recovery in the equity markets compared to the prior period is the main reason for the turnaround in the fair value losses experienced in the prior period. The movement in the fair value adjustment to policyholder liabilities under investment contracts should be viewed in conjunction with the fair value gains/(losses) on assets.*

2 *The increase in the tax charge is due mainly to the increase in the deferred capital gains tax liability as a result of the increase in the fair value of investment assets backing policyholder liabilities during the six months ended 31 December 2009.*

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Profit for the period	**838**	752	1 589
Other comprehensive income			
Available-for-sale financial assets	**129**	(15)	(52)
Exchange differences on translation of foreign operations	**(12)**	(8)	(8)
Movement in other reserves	**–**	–	(4)
Other comprehensive income for the period before tax	**117**	(23)	(64)
Deferred tax relating to components of other comprehensive income	**(1)**	–	4
Other comprehensive income for the period	**116**	(23)	(60)
Total comprehensive income for the period	**954**	729	1 529
Total comprehensive income for the period attributable to:			
– Equity holders of the Group	**956**	729	1 534
– Non controlling interest	**(2)**	–	(5)
Total comprehensive income for the period	**954**	729	1 529

	At 31 December		At 30 June
R million	2009	2008	2009
ASSETS			
Cash and cash equivalents	**4 079**	4 259	4 014
Derivative financial instruments	**7 857**	8 676	9 455
Loans and receivables (including insurance receivables)	**35 680**	29 445	43 338
Investment securities			
– held for trading	**10**	–	11
– loans and receivables	**19**	–	21
– held-to-maturity	**55**	476	56
– available-for-sale	**3 685**	3 054	2 766
– designated fair value through profit or loss	**123 064**	118 781	104 313
Investments in associates			
– designated fair value through profit or loss	**8 419**	8 787	7 914
– at equity accounted value	**253**	250	164
Property and equipment	**109**	94	105
Owner occupied buildings	**457**	433	427
Deferred tax asset	**951**	926	969
Intangible assets	**2 901**	2 800	2 866
Goodwill	**231**	295	236
Investment properties	**2 274**	4 089	2 156
Policy loans	**616**	739	604
Reinsurance assets	**635**	611	8 143
Current income tax asset	**63**	28	40
Non current assets held for sale	**–**	–	58
Total assets	**191 358**	183 743	187 656
LIABILITIES AND EQUITY			
LIABILITIES			
Accounts payable (including insurance payables)	**11 570**	8 773	12 810
Derivative financial instruments	**1 016**	1 940	1 853
Provisions	**208**	99	207
Current income tax liability	**25**	234	71
Employee benefits liabilities	**138**	127	166
Deferred tax liability	**1 806**	1 646	1 570
Interest bearing borrowings	**–**	223	–
Other financial liabilities at fair value through profit or loss	**5 763**	7 349	5 461
Policyholder liabilities under insurance contracts	**41 019**	41 939	39 069
Policyholder liabilities under investment contracts			
– with discretionary participation features	**13 880**	12 929	13 264
– without discretionary participation features	**99 591**	95 185	96 963
Liabilities arising to third parties as a result of consolidating unit trusts	**7 601**	5 996	8 114
Deferred revenue liability	**345**	298	322
Total liabilities	**182 962**	176 738	179 870
EQUITY			
Share capital and share premium	**1 541**	1 541	1 541
Reserves attributable to equity holders	**6 865**	5 467	6 254
Capital and reserves attributable to the Group's equity holders	**8 406**	7 008	7 795
Non controlling interest	**(10)**	(3)	(9)
Total equity	**8 396**	7 005	7 786
Total liabilities and equity	**191 358**	183 743	187 656

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	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Recurring premiums	**1 037**	1 083	(4)	2 257
Retail	**544**	663	(18)	1 239
– Risk	**324**	305	6	587
– Retirement annuities	**96**	142	(32)	274
– Discretionary savings	**124**	216	(43)	378
Employee benefits	**208**	215	(3)	517
FNB Insurance	**285**	205	39	501
Lump sums	**28 059**	31 727	(12)	58 213
Retail	**16 208**	13 739	18	31 753
– Guaranteed annuities	**495**	442	12	810
– Living annuities	**1 427**	1 471	(3)	2 823
– Endowments	**1 064**	557	91	1 311
– Linked products – local	**5 467**	4 198	30	7 950
– Linked products – offshore	**1 226**	787	56	1 256
– Unit trusts	**6 529**	6 284	4	17 603
Employee benefits	**462**	1 167	(60)	2 074
Asset management	**11 389**	16 821	(32)	24 386
– On balance sheet	**6 924**	6 863	1	12 196
– Off balance sheet	**4 465**	9 958	(55)	12 190
Total new business inflows	**29 096**	32 810	(11)	60 470
– Retail	**17 037**	14 607	17	33 493
– Employee benefits	**670**	1 382	(52)	2 591
– Asset management	**11 389**	16 821	(32)	24 386
Annualised new business inflows[1]	**3 843**	4 256	(10)	8 078
– Retail	**2 450**	2 242	9	4 915
– Employee benefits	**254**	332	(23)	724
– Asset management	**1 139**	1 682	(32)	2 439

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

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	Funds received from clients (A)			
	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Retail	**19 875**	17 165	16	38 684
Employee benefits	**1 916**	2 478	(23)	5 016
Asset management	**11 389**	16 821	(32)	24 386
Total	**33 180**	36 464	(9)	68 086

	Payments to clients (B)			
	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Retail	**18 461**	16 262	14	34 909
Employee benefits	**1 627**	1 624	–	3 170
Asset management	**28 189**	27 938	1	64 037
Total	**48 277**	45 824	5	102 116

	Net flow of funds (A – B)			
	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Retail	**1 414**	903	57	3 775
Employee benefits	**289**	854	(66)	1 846
Asset management	**(16 800)**	(11 117)	(51)	(39 651)
Total	**(15 097)**	(9 360)	(61)	(34 030)

	Directors' value at 31 December				30 June
R million	**2009**	2008	% change	Valuation method	2009
RMBAM[1]	**1 898**	1 976	(4)	A	1 891
Momentum International MultiManagers (including Advantage) (85%)	**212**	221	(4)	B	244
MMSA[2]	**417**	439	(5)	C	444
Momentum Africa (including Momentum Namibia)[3]	**357**	226	58	B	223
FRAIM	**57**	54	6	D	56
MSTI[4]	**50**	33	52	B	40
Directors' valuation of strategic subsidiary investments	**2 991**	2 949	1		2 898

Valuation methods:

A – Price/earnings multiple using sustainable forward earnings

B – Discounted cash flow valuation

C – Value per principal member

D – Net asset value

Notes:

1 *RMBAM's institutional business was valued using a PE multiple of 8 (June 2009: 8 PE) and sustainable forward earnings of R143 million (June 2009: R139 million), whilst the retail business of RMBUT was valued using a PE multiple of 9 (June 2009: 9 PE) and sustainable forward earnings of R84 million (June 2009: R86 million).*

2 *MMSA was valued using an amount of R1 700 per principal member (June 2009: R1 700).*

3 *The increase in the directors' value of Momentum Africa is due mainly to the increase in the stake in Momentum Namibia from 35% to 49%.*

4 *MSTI was valued at net asset value in the past. This valuation method was changed to a discounted cash flow basis during the six months under review.*

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED

At 31 December 2009

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

The embedded value as presented here was prepared in accordance with the Actuarial Society of South Africa's Professional Guidance Note 107: Embedded Value Reporting (version 4).

Definition of embedded value

Momentum's embedded value was determined as the total of the embedded values of the non covered business and covered business.

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

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

The components of the embedded value of covered business consist of:

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

The adjusted net worth is the excess of assets over liabilities on the statutory valuation method, but where deductions for inadmissible assets and impairments are added back. The ordinary shareholders' net worth consists of the directors' value of non covered business and the adjusted net worth of covered business.

The present value of in-force covered business represents the discounted value of the projected stream of future after tax profits as determined on the statutory valuation basis, in respect of covered business in force at the calculation date.

The opportunity cost of required capital reflects the extent to which the expected long term after tax investment return on the assets backing the required capital is less than the return required by shareholders, as reflected in the risk discount rate.

Embedded value results

The embedded value attributable to ordinary shareholders as at 31 December 2009 compares as follows with the embedded value as at 30 June 2009. The embedded value is also split to show the relative contribution of the covered and non covered business.

R million	31 Dec 2009	30 June 2009
Embedded value of covered business	**14 844**	13 188
Adjusted net worth of covered business	**6 147**	5 666
Present value of in-force business after cost of required capital	**8 697**	7 522
Present value of in-force business[1]	**10 414**	9 243
Cost of required capital[2]	**(1 717)**	(1 721)
Embedded value of non covered business	**2 991**	2 898
Momentum's embedded value attributable to ordinary shareholders[3]	**17 835**	16 086

1 The present value of in-force covered business of R10 414 million as at 31 December 2009 includes an amount of R190 million in respect of linked business written off balance sheet (30 June 2009: R219 million).

2 The required capital amounted to R5 783 million (30 June 2009: R5 765 million) and is supported by the statutory surplus of R7 699 million (30 June 2009: R7 108 million).

3 Momentum's embedded value excludes the value attributable to preference shareholders.

Change in Momentum's embedded value over the six month period to 31 December 2009

The change in the embedded value over the six month period to 31 December 2009 is set out below.

R million	Ordinary shareholders' net worth[1]	Value of in-force business	Cost of required capital	Embedded value
Embedded value as at 30 June 2009	**8 564**	**9 243**	**(1 721)**	**16 086**
Embedded value earnings	860	1 223	4	2 087
Transfer of business between covered and non covered business[2]	52	(52)	–	–
New capital raised	–	–	–	–
Dividend paid	(338)	–	–	(338)
Embedded value as at 31 December 2009	**9 138**	**10 414**	**(1 717)**	**17 835**
% change				10.9
% return on embedded value[3]				13.0
% return on embedded value (annualised)				27.6

1 The total value of the ordinary shareholders' net worth of R9 138 million (30 June 2009: R8 564 million) consists of the adjusted net worth of covered business of R6 147 million (30 June 2009: R5 666 million) and the directors' value of non covered business of R2 991 million (30 June 2009: R2 898 million).

2 During the course of the six month period to 31 December 2009, business previously managed by Momentum and included within the covered business as at 30 June 2009, was transferred to RMBAM. This business is now included within the directors' value of RMBAM.

3 Return on embedded value is the increase in embedded value, excluding the impact of dividends paid to ordinary shareholders of R338 million, expressed as a % of the embedded value at 30 June 2009. The corresponding annualised return for the reporting period ended 31 December 2008 was negative 5.4% (30 June 2009: 3.3%).

The change in the embedded value over the period is presented separately for covered and non covered business as follows:

R million	Adjusted net worth	Value of in-force business	Cost of required capital	Embedded value
Embedded value of covered business as at 30 June 2009	**5 666**	**9 243**	**(1 721)**	**13 188**
Embedded value earnings of covered business	905	1 223	4	2 132
Transfer to non covered business	–	(52)	–	(52)
Capital transferred to non covered business	(86)	–	–	(86)
Dividend paid	(338)	–	–	(338)
Embedded value of covered business as at 31 December 2009	**6 147**	**10 414**	**(1 717)**	**14 844**

R million	Ordinary shareholders' net worth	Value of in-force business	Cost of required capital	Embedded value
Embedded value of non covered business as at 30 June 2009	**2 898**	**–**	**–**	**2 898**
Return on non covered business	(45)	–	–	(45)
Transfer from covered business	52	–	–	52
Capital transferred from covered business	86	–	–	86
Embedded value of non covered business as at 31 December 2009	**2 991**	**–**	**–**	**2 991**

Analysis of embedded value earnings of covered business

The embedded value earnings of covered business can be further analysed as follows:

R million		Adjusted net worth	Value of in-force business	Cost of required capital	Embedded value
Factors relating to operations		**565**	**435**	**(56)**	**944**
Value of new business	a	(454)	823	(37)	332
Expected return	b	–	543	(103)	440
Release from the cost of required capital	c	–	–	158	158
Expected profit transfer to net worth	d	869	(869)	–	–
Operating experience variations	e	177	(111)	(34)	32
Experience assumption changes	f	(27)	49	(40)	(18)
Factors relating to market conditions		**340**	**788**	**60**	**1 188**
Investment return on adjusted net worth	g	283	–	–	283
Investment variations	h	57	647	52	756
Economic assumption changes	i	–	141	8	149
Embedded value earnings of covered business		**905**	**1 223**	**4**	**2 132**

Details of the items above are as follows:

a) Value of new business

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

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Value of new business (before cost of required capital)	**369**	399	(7.5)	637
Cost of required capital[1]	**(37)**	(68)	45.6	(93)
Value of new business[2]	**332**	331	0.3	544
Present value of premiums[3, 4]	**14 898**	14 800	0.7	27 864
Margin (%)	**2.2**	2.2		2.0

1 The basis used to determine the cost of required capital for new business have been changed to reflect changes in the underlying capital as well as the assumed run off pattern. The cost of required capital would have been R43 million under the old basis. Under this basis the new business margins would have been 2.2%.

2 The value of new business shown above excludes RMBAM's investment management fees on new business written by Momentum Wealth. If this is included, the value of new business would be R354 million (31 December 2008: R379 million; 30 June 2009: R626 million). Momentum's overall new business margin would be 2.4% (31 December 2008: 2.6%; 30 June 2009: 2.2%).

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

4 The present value of premiums is shown gross of reinsurance premiums. The present value of premiums net of reinsurance premiums for the six months to 31 December 2009 is R14 506 million (31 December 2008: R14 333 million) with a corresponding margin of 2.3% (31 December 2008: 2.3%).

The value of new business (after cost of required capital), present value of premiums and margins of new business written during the six months to 31 December 2009 compare as follows with the new business written during the previous reporting periods for different lines of business:

	Six months ended 31 December			Year ended 30 June
R million	**2009**	2008	% change	2009
Wealth and Retail[1]				
Value of new business[2,3]	**196**	204	(3.9)	267
Present value of premiums	**12 693**	12 200	4.0	21 415
Margin (%)	**1.5**	1.7		1.2
Employee benefits				
Value of new business[3]	**9**	37	(75.7)	86
Present value of premiums	**1 684**	2 147	(21.6)	5 497
Margin (%)	**0.5**	1.7		1.6
FNB collaboration				
Value of new business[3]	**127**	90	41.1	191
Present value of premiums	**521**	453	15.0	952
Margin (%)	**24.4**	19.9		20.1

1 *The value of new business of Wealth and Retail excludes RMBAM's investment management fees on Wealth new business. If this is included, the value of new business would be R218 million (31 December 2008: R252 million; 30 June 2009: R349 million). The Wealth and Retail new business margin would be 1.7% (31 December 2008: 2.1%; 30 June 2009: 1.6%).*

2 *The Wealth and Retail value of new business of R196 million includes an amount of R9 million in respect of new linked business written off balance sheet (31 December 2008: negative R7 million; 30 June 2009: negative R24 million).*

3 *New business within Wealth, Retail and FNB collaboration is defined as all new contracts issued during the reporting period for which contractual obligations were recognised in the financial statements as well as one off premium increases on existing contracts not previously expected in the present value of in-force covered business. For employee benefits, business from new schemes as well as new benefits and significant increases in members on existing schemes are included in the definition of new business.*

The following table provides a reconciliation of the total new business as reported to the new business inflows used in the calculation of the value of new business.

R million	Annualised recurring premiums	Single premium inflows
Total new business inflows as reported	**1 037**	**28 059**
Wealth and Retail	544	16 208
Employee benefits	208	462
FNB collaboration	285	–
Asset management	–	11 389
Inflows not included in value of new business	**–**	**(18 238)**
Wealth and Retail		
Policy alterations and other retail items	–	(11)
Linked products	–	(75)
Unit trusts	–	(6 529)
MIIP and Portfolio Bond	–	(164)
Employee benefits[1]	–	(70)
Asset Management		
On balance sheet	–	(6 924)
Off balance sheet	–	(4 465)
Term extensions on maturing policies[2]	**6**	**366**
New business inflows included in value of new business	**1 043**	**10 187**
Consisting of:		
Wealth and Retail	550	9 795
Employee benefits	208	392
FNB collaboration	285	–

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

2 Only client initiated term extensions (R6 million recurring premiums and R366 single premiums) were included in the value of new business calculation (31 December 2008: R4 million recurring premiums and R653 million single premiums). Automatic term extensions (R864 million single premiums) were excluded from the calculation (31 December 2008: R1 228 million single premiums).

b) Expected return

The expected return is determined by applying the risk discount rate applicable at 30 June 2009 to the present value of in-force covered business at the start of the reporting period, and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to 31 December 2009.

c) Release from the cost of required capital

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

d) Expected profit transfer to net worth

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

e) Operating experience variations

The operating experience variances represent the impact of differences between the actual experience and the assumptions used in the embedded value calculations. The operating experience variances of R32 million include the following:

R million	Adjusted net worth	Value of in-force business (net of cost of required capital)	Embedded value
Wealth and Retail	**35**	**(60)**	**(25)**
Mortality and morbidity	92	6	98
Terminations, premium cessations and policy alterations	(15)	(18)	(33)
Benefit enhancement[1]	(1)	(50)	(51)
Expense variation	(41)	2	(39)
Employee benefits	**(46)**	**3**	**(43)**
Mortality and morbidity	(16)	22	6
Other (including expense and termination experience)	(30)	(19)	(49)
FNB collaboration	**95**	**(34)**	**61**
Mortality and morbidity	97	–	97
Other (including expense and termination experience)	(2)	(34)	(36)
Return on working capital	**10**	**–**	**10**
Cost of required capital	**–**	**(34)**	**(34)**
Tax variance	**27**	**–**	**27**
STC related variation	**19**	**–**	**19**
Other	**37**	**(20)**	**17**
Total operating experience variations	**177**	**(145)**	**32**

1 As a result of the SCIDEP requirements issued by ASISA the critical illness conditions under which a claim will be paid, were expanded. This new definition was extended to existing policyholders as a benefit enhancement.

f) Experience assumption changes

The impact of the experience assumption changes of negative R18 million consists of the following:

R million	Adjusted net worth	Value of in-force business (net of cost of required capital)	Embedded value
Wealth and Retail	**(27)**	**(37)**	**(64)**
Mortality and morbidity assumptions	95	2	97
Termination assumptions	3	(84)	(81)
Change in discretionary margins[1]	(97)	86	(11)
Wealth modelling change	–	(73)	(73)
Other methodology changes	(28)	32	4
FNB collaboration: Mortality	**–**	**86**	**86**
Methodology change: Cost of required capital	**–**	**(40)**	**(40)**
Total operating experience basis change	**(27)**	**9**	**(18)**

1 Discretionary margins on the Sage Universal Life book were aligned with the rest of the Momentum business.

g) Investment return on adjusted net worth

Investment returns on adjusted net worth of covered business of R283 million comprise the following (strategic subsidiaries are excluded as they form part of non covered business):

	R million
Investment income	**164**
Capital appreciation	**129**
Change in fair value of properties	**6**
Preference share dividends paid and the change in fair value of the preference shares issued	**(16)**
Investment return on adjusted net worth	**283**

h) Investment variations

The investment variance of R756 million represents the impact of the higher than assumed investment returns on current and expected future after tax profits from in-force business.

i) Economic assumption changes

The economic assumption changes of R149 million include the effect of the change in the assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business.

Embedded value earnings of non covered business

The embedded value of the non covered business based on the directors' values at 31 December 2009 compares as follows with the values as at 30 June 2009:

R million	31 Dec 2009	30 June 2009
RMBAM (including collective investment scheme subsidiaries)	**1 898**	1 891
FRAIM	**57**	56
Momentum International Multi-Managers (including Advantage)	**212**	244
MMSA	**417**	444
Momentum Africa (including Momentum Namibia[1])	**357**	223
MSTI	**50**	40
Embedded value of non covered business	**2 991**	2 898

1 Swabou Life was renamed Momentum Namibia.

The increase in the embedded value of non covered business since 30 June 2009 relates to:

- capital injections of R86 million;
- the transfer of business previously managed by Momentum (and included within the covered business as at 30 June 2009) to RMBAM of R52 million; and
- the return on non covered business which can be analysed as follows:

	R million
Subsidiaries' earnings and other changes in equity	65
Devaluation of subsidiaries	(110)
Return on non covered business	**(45)**

Composition of adjusted net worth

The composition of the adjusted net worth of covered business at 31 December 2009 is shown below:

R million	31 Dec 2009	30 June 2009
Shareholders' portfolio investments	**7 826**	7 357
Cash and other	**3 879**	4 341
Share trust loan	**204**	245
Preference shares	**2 642**	1 681
Properties	**509**	434
Subsidiaries and associate companies included in covered business[1]	**592**	656
Less: Unsecured subordinated debt	**(986)**	(1 006)
Fair value of debt	**(927)**	(926)
Accrued interest and interest rate swap	**(59)**	(80)
Adjustment to move from published to statutory valuation method for calculating liabilities	**(238)**	(225)
Attributable to preference shareholders[2]	**(455)**	(460)
Adjusted net worth of covered business	**6 147**	5 666

1 Subsidiaries including Momentum Administration Services and the life insurance subsidiaries (Momentum Ability and FirstLife) are included at net asset value.

2 The value of R455 million (30 June 2009: R460 million) attributable to preference shareholders reflects the market value of the preference share issue of R500 million.

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

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

R million	31 Dec 2009	30 June 2009
Ordinary shareholders' net worth	**9 138**	8 564
Impairment of subsidiaries' and associates' values for statutory purposes	**(2 388)**	(2 397)
Other impairments and inadmissible assets	**(109)**	(127)
Add back fair value of preference shares allowed as statutory capital	**455**	460
Add back fair value of subordinated debt allowed as statutory capital	**927**	926
Subtract fair value of properties above book value	**(324)**	(318)
Statutory surplus	**7 699**	7 108

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

R million	31 Dec 2009	30 June 2009
Ordinary shareholders' net worth for embedded value purposes	**9 138**	8 564
Difference between statutory and published valuation methods	**238**	225
Difference in insurance contract liabilities	**1 177**	1 189
Difference in investment contract liabilities	**(2 233)**	(2 251)
Deferred acquisition costs and deferred revenue liabilities	**1 386**	1 374
Deferred tax on the items above	**(92)**	(87)
Intangible asset relating to Sage	**670**	686
Adjustment in respect of Momentum Namibia embedded value[1]	**(89)**	(61)
Adjustment in respect of MSTI embedded value[2]	**(6)**	–
Value of preference shares issued	**455**	460
Fair value of properties above book value	**(324)**	(318)
Total shareholders' funds in company financial statements	**10 082**	9 556

1 *The adjustment in respect of Momentum's share of Momentum Namibia reflects the difference between the directors' value of R298 million (included in ordinary shareholders' net worth) and the equity accounted value of R209 million included in the total shareholders' funds.*

2 *The adjustment in respect of Momentum's share of MSTI reflects the difference between the directors' value of R50 million (included in ordinary shareholders' net worth) and the equity accounted value of R44 million included in the total shareholders' funds.*

Assumptions

The embedded value calculations comply with the Actuarial Society of South Africa's Professional Guidance Note 107. The same best estimate assumptions were used for the embedded value calculations and the statutory valuation.

The value of new business was calculated using the revised assumptions as at 31 December 2009. Exceptions relate to contracts where premium rates were set according to investment yields at the point of sale (e.g. annuity and guaranteed endowment contracts) where the investment yields at the point of sale were used.

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

Economic assumptions

The economic basis used in the calculation of the embedded value as at 31 December 2009 was updated in line with the underlying economic environment.

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

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

The economic bases at 31 December 2009 and at 30 June 2009 are shown below.

%	31 Dec 2009	30 June 2009
Risk discount rate	**11.8**	11.6
Investment returns (before tax)	**11.7**	11.4
Implied differential	**0.1**	0.2
Expense inflation rate	**7.0**	7.2
Implied real return	**4.7**	4.2

The investment return assumption of 11.7% per annum was derived from the yields on South African government bonds at 31 December 2009 taking into account the expected outstanding term of the in-force policy book.

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

%	31 Dec 2009	30 June 2009
Equities	**3.5**	3.5
Properties	**1.0**	1.0
Government stocks	**0.0**	0.0
Other fixed interest stocks	**0.5**	0.5
Cash	**(1.0)**	(1.0)

The future expense inflation assumption of 7.0% per annum was determined as the difference between the yields on conventional and inflation linked government bonds, plus an addition of 0.75% per annum to make allowance for the expected gradual shrinking of Momentum's existing book.

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

Mortality, morbidity and recovery rates

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

Mortality rates (excluding AIDS) have been reduced for individual life products in line with recent experience investigations. Morbidity rates in respect of future claims were left unchanged from 30 June 2009.

Termination rates for group income disability claims in payment were left unchanged from 30 June 2009.

Expenses

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

It was assumed that, for employee benefits administration business, the expense to income ratio will improve by 36% over 5.5 years as a result of restructuring of the business and improved efficiencies.

Premium growth take-up rates

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

Termination rates

The policy and premium discontinuance rates were strengthened as at 31 December 2009 taking recent past experience into account.

Bonus rates

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

Reserving bases

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

Policy and premium discontinuance bases

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

Financial options and guarantees

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

Required capital

The required capital is set as 1.5 times the statutory CAR which is the midpoint of Momentum's targeted capital range of 1.4 to 1.6 times CAR. Momentum's targeted capital range is the internally assessed level of capital required to cover statutory CAR over the next five years with a 95% level of confidence.

The statutory CAR was derived in accordance with the South African Actuarial Society's Professional Guidance Note 104: Life Offices – Valuation of Long term Insurers.

The cost of required capital was based on projected after tax returns on the assets backing the required capital. It was assumed that the assets backing the required capital consisted of two thirds cash and one third preference shares.

Tax

Allowance was made for future income tax based on the four-fund tax dispensation, and for Capital Gains Tax at face value in the policyholders' portfolios. No allowance was made for Capital Gains Tax on the shareholders' strategic subsidiary investments, as these are not held with the intention of ultimate disposal.

Allowance was made for Secondary Tax on Companies ("STC") on future dividends ultimately payable to shareholders at a rate of 4.0% of net expected future profits. The STC assumption is based on the expected future cash dividends according to the dividend policy of Momentum. This allowance does not anticipate any changes in STC and the projections allow for STC over the entire projection term. The impact on the embedded value of allowing for STC is equal to negative R434 million (30 June 2009: negative R385 million).

Foreign currency translation

In deriving the embedded value earnings we follow the accounting policies of the company to translate foreign currency profits into Rand using the average exchange rates applicable over the reporting period.

Sensitivities

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

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

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

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

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

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

Embedded value of in-force business: sensitivities

R million	Present value of in-force covered business	Cost of required capital	Value of in-force business (net of cost of required capital)	Change from base (%)
Base value	10 414	(1 717)	8 697	
Risk discount rate increases from 11.8% to 12.8%	9 883	(1 948)	7 935	(8.8)
Risk discount rate decreases from 11.8% to 10.8%	10 935	(1 459)	9 476	9.0
Renewal expenses decrease by 10%	10 822	(1 717)	9 105	4.7
Expense inflation decreases from 7% to 6%	10 512	(1 717)	8 795	1.1
Policy discontinuance rates decrease by 10%	10 715	(1 796)	8 919	2.6
5% reduction in mortality and morbidity rates (excluding the impact from annuity business)	10 933	(1 717)	9 216	6.0
5% reduction in mortality and morbidity rates (impact from annuity business only)	10 279	(1 717)	8 562	(1.6)
Premium growth take-up reduces by 10%	10 284	(1 717)	8 567	(1.5)
Investment returns reduce from 11.7% to 10.7%	10 344	(1 784)	8 560	(1.6)
Equity values decrease by 10%	9 872	(1 966)	7 906	(9.1)
Equity risk premium increases by 1%	10 611	(1 717)	8 894	2.3

Value of new business: sensitivities

R million	Value of new business before cost of required capital	Cost of required capital	Value of new business	Change from base (%)
Base value	369	(37)	332	
Risk discount rate increases from 11.8% to 12.8%	334	(42)	292	(12.0)
Risk discount rate decreases from 11.8% to 10.8%	408	(32)	376	13.3
Renewal expenses decrease by 10%	389	(37)	352	6.0
Expense inflation decreases from 7% to 6%	378	(37)	341	2.7
Policy discontinuance rates decrease by 10%	426	(39)	387	16.6
5% reduction in mortality and morbidity rates (excluding the impact from annuity business)	423	(37)	386	16.3
5% reduction in mortality and morbidity rates (impact from annuity business only)	367	(37)	330	(0.6)
Premium growth take-up reduces by 10%	358	(37)	321	(3.3)
Investment returns reduce from 11.7% to 10.7%	391	(38)	353	6.3
Equity risk premium increases by 1%	376	(37)	339	2.1
New business acquisition expenses decrease by 10%	394	(37)	357	7.5
New business volumes decrease by 20%	236	(30)	206	(38.0)

APPENDIX III

R million	Six months ended 31 December 2009	Six months ended 31 December 2008	% change	Year ended 30 June 2009
Return on equity				
Average normalised net asset value	**54 769**	52 592	4	52 271
Normalised earnings	**4 605**	4 576	1	7 151
Normalised net asset value per share (cents)	**1 004.5**	949.8	6	938.4
Normalised return on equity (%)	**16.8**	17.4		13.7
Banking Group (%)	**17.1**	17.9		12.9
Momentum Group (%)	**22.1**	22.6		22.6
Price to book				
Market capitalisation (number of shares in issue times 31 December/30 June closing share price)	**103 400**	90 827	14	79 269
Normalised net asset value (refer below)	**56 633**	53 547	6	52 905
Normalised price to book (times)	**1.83**	1.70		1.50
Capital adequacy				
CAR: Banking Group (Regulatory requirement: 9.5%)*	**14.3**	13.0		14.6
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**2.0**	1.4		1.8
Core leverage ratio				
Core equity (%)	**79.3**	74.1		75.2
Non cumulative non redeemable preference shares (%)	**6.3**	6.3		6.4
Debt instruments (%)	**14.4**	19.6		18.4
	100.0	100.0		100.0

* *Excludes the Bank specific (Pillar 2b) add on.*

R million	Six months ended 31 December 2009	Six months ended 31 December 2008	% change	Year ended 30 June 2009
Sources and application of capital				
Ordinary shareholders' equity and reserves				
Ordinary shareholders' equity and reserves	**54 429**	50 701	7	50 004
Less: Non cumulative non redeemable preference shares	**(4 519)**	(4 519)	–	(4 519)
Total ordinary shareholders' equity	**49 910**	46 182	8	45 485
Plus: Treasury shares	**5 279**	5 921	(11)	5 976
Plus: Excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval	**1 444**	1 444	–	1 444
Normalised ordinary shareholders' equity (normalised net asset value)	**56 633**	53 547	6	52 905
Non cumulative non redeemable preference shares	**4 519**	4 519	–	4 519
Debt capital instruments	**10 295**	14 163	(27)	12 928
Total capital sourced	**71 447**	72 229	(1)	70 352
Banking Group	**57 329**	58 307	(2)	55 187
Ordinary shareholders' equity	**47 295**	45 623	4	44 111
Non cumulative non redeemable preference shares	**3 100**	3 100	–	3 100
Debt capital instruments	**6 934**	9 584	(28)	7 976
Momentum Group	**9 424**	8 248	14	9 418
Ordinary shareholders' equity	**7 906**	6 508	21	7 295
Non cumulative non redeemable preference shares	**500**	500	–	500
Debt capital instruments	**1 018**	1 240	(18)	1 623
Unregulated entities	**4 694**	5 674	(17)	5 747
Ordinary shareholders' equity	**1 432**	1 416	1	1 499
Non cumulative non redeemable preference shares	**919**	919	–	919
Debt capital instruments	**2 343**	3 339	(30)	3 329
Total capital applied	**71 447**	72 229	(1)	70 352

ASSETS UNDER MANAGEMENT OR ADMINISTRATION

{p143}

	at 31 December			at 30 June
R million	2009	2008	% change	2009
Banking Group[1]	**632 540**	693 872	(9)	646 833
Momentum Group[1]	**191 358**	180 548	6	187 656
FirstRand company and consolidation[2]	**(21 509)**	(24 551)	(12)	(24 638)
Total recognised on the statement of financial position	**802 389**	849 869	(6)	809 851
Assets not recognised on the statement of financial position managed or administered on behalf of clients	**163 030**	185 011	(12)	155 633
Total assets under management or administration	**965 419**	1 034 880	(7)	965 484

1 Assets are disclosed before elimination of intergroup balances. Refer note 2.

2 All consolidation entries are included.

CONTINGENCIES AND COMMITMENTS

	at 31 December			at 30 June
R million	**2009**	2008	% change	2009
Guarantees	**19 155**	18 298	5	19 085
Acceptances	**288**	451	(36)	279
Letters of credit	**5 776**	6 231	(7)	5 576
Total contingencies	**25 219**	24 980	1	24 940
Capital commitments				
Contracted capital commitments	**407**	691	(41)	1 700
Capital expenditure authorised not yet contracted	**876**	362	>100	1 101
Total capital commitments	**1 283**	1 053	22	2 801
Other commitments				
Irrevocable commitments	**60 962**	46 580	31	58 204
Underwriting commitments	**–**	200	(100)	2
Operating lease and other commitments	**6 271**	18 167	(65)	6 025
Total capital commitments	**67 233**	64 947	4	64 231
Total contingencies and commitments	**93 735**	90 980	3	91 972

	at 31 December		at 30 June
	2009	2008	2009
Shares in issue			
Opening balance 1 July	**5 637 941 689**	5 637 830 218	5 637 830 218
Movements:			
Outperformance conversion December 2008	**–**	111 471	111 471
Shares in issue	**5 637 941 689**	5 637 941 689	5 637 941 689
Less: Treasury shares	**(375 083 967)**	(425 964 866)	(424 341 687)
Staff schemes	**(172 655 119)**	(222 097 912)	(217 817 733)
BEE staff trusts	**(171 401 072)**	(171 401 072)	(171 401 072)
Shares held by policyholders	**(31 027 776)**	(32 465 882)	(35 122 882)
Number of shares in issue (after treasury shares)	**5 262 857 722**	5 211 976 823	5 213 600 002
Weighted average number of shares			
Actual number of shares in issue as at 1 July	**5 637 941 689**	5 637 830 218	5 637 830 218
Adjustment: Outperformance conversion weighting	**–**	18 579	65 025
Weighted average number of shares before treasury shares	**5 637 941 689**	5 637 848 797	5 637 895 243
Less: Treasury shares	**(385 527 906)**	(439 172 526)	(430 984 355)
Staff share schemes	**(181 488 108)**	(232 036 584)	(225 295 065)
BEE staff trusts	**(171 401 072)**	(171 401 072)	(171 401 072)
Shares held by policyholders	**(32 638 726)**	(35 734 870)	(34 288 218)
Weighted average number of shares in issue	**5 252 413 783**	5 198 676 271	5 206 910 888
Dilution impact:			
Staff share schemes	**6 879 392**	12 174 666	5 455 868
BEE staff trusts	**7 909 281**	1 704 636	1 184 615
Diluted weighted average number of shares in issue	**5 267 202 456**	5 212 555 573	5 213 551 371
Number shares for normalised earnings per share calculation			
Actual number of shares in issue used for calculation of normalised earnings per share	**5 637 941 689**	5 637 830 218	5 637 830 218
Adjustment: Outperformance conversion weighting	**–**	18 579	65 025
Diluted weighted average number of shares in issue for diluted normalised earnings per share calculation	**5 637 941 689**	5 637 848 797	5 637 895 243

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

These unaudited adjustments are consistent with those reported at 30 June 2009.

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

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

The normalised adjustments:

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

Treasury shares: FirstRand shares held by policyholders

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

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

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

	Amount as previously reported	Amount as restated	Difference	Explanation
30 June 2009				
Balance sheet				
Assets				
Accounts receivable	11 355	11 068	(287)	Reinsurance assets arising in the Group's Namibian operations were classified from accounts receivable to a separate line, reinsurance assets, on the face of the statement of financial position. The reclassification enhanced disclosure relating to the insurance operations in Namibia and ensures consistent treatment with the Group's other insurance operations.
Reinsurance assets	8 143	8 430	287	Refer accounts receivable.
31 December 2008				
Income statement				
Interest and similar income	32 311	32 318	7	Consolidation of funds previously fair valued.
Non interest income	8 640	8 633	(7)	Refer above
Balance sheet				
Assets				
Cash and short term funds	60 297	60 793	496	Consolidation of funds previously fair valued.
Derivative financial instruments	91 604	86 602	(5 002)	Offset criteria in IAS 32 were met.
Investment securities and other investments	221 189	228 410	7 221	Off set criteria in IAS 32 were not met.
Accounts receivable	9 121	8 719	(402)	Reinsurance assets arising in the Group's Namibian operations were classified from accounts receivable to a separate line, reinsurance assets, on the face of the statement of financial position. The reclassification enhanced disclosure relating to the insurance operations in Namibia and ensures consistent treatment with the Group's other insurance operations. (R332 million) Consolidation of funds previously fair valued. (R70 million)
Policy loans	211	761	550	Offset criteria in IAS 32 were not met.
Reinsurance assets	611	943	332	Refer accounts receivable.

	Amount as previously reported	Amount as restated	Difference	Explanation
Liabilities				
Derivative financial instruments	78 626	74 213	(4 413)	Offset criteria in IAS 32 were met.
Creditors and accruals	13 136	16 226	3 090	Net adjustment relating to offset criteria not being met and consolidation of certain funds previously fair valued.
Policyholder liabilities under investment contracts	107 011	107 561	550	Offset criteria in IAS 32 were not met.
Liabilities arising to third parties	2 028	5 996	3 968	Consolidation of funds previously fair valued.
Cash flow statement				
As a consequence of the above reclassifications, the cash flow statement was restated accordingly.				

Set out below is additional information pertaining to Section I of Circular 3/2009 – sector specific rules in calculating headline earnings.

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

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Aggregate cost of portfolio	**3 241**	2 626	3 030
Aggregate carrying value	**4 637**	4 352	4 699
Aggregate fair value	**6 606**	5 198	6 119
Equity accounted income[1]	**(23)**	616	935
Profit on realistation[2]	**59**	487	489
Aggregate other income earned[1]	**64**	90	135

1 Pre tax

2 Post tax and minorities

Issue 2 – Capital appreciation on investment products

	Six months ended 31 December		Year ended 30 June
R million	**2009**	2008	2009
Carrying value of investment properties	**2 274**	4 089	2 156
Fair value of investment properties	**2 274**	4 089	2 156
Capital appreciation after tax	**50**	49	85

DIRECTORS

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

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STOCK EXCHANGES

JSE Limited ("JSE")

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

Namibian Securities Exchange ("NSE")

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

Botswana Securities Exchange ("BSE")

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

Bond Exchange of South Africa ("BESA")

Subordinated debt

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRB01	ZAG000021585
FirstRand Bank Limited	FRB02	ZAG000021593
FirstRand Bank Limited	FRB03	ZAG000026774
FirstRand Bank Limited	FRB05	ZAG000031337
FirstRand Bank Limited	FRB06	ZAG000045758
FirstRand Bank Limited	FRB07	ZAG000047598
FirstRand Bank Limited	FRB08	ZAG000047796
FirstRand Bank Limited	FRB09	ZAG000047804
Momentum Group Limited	MGL01	ZAG000029935

Upper Tier II

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

Senior unsecured

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRBN01	ZAG000021601
FirstRand Bank Limited	FRBN04	ZAG000041005
FirstRand Bank Limited	FRBN05	ZAG000042169
FirstRand Bank Limited	FRBN06	ZAG000073214
FirstRand Bank Limited	FRBN07	ZAG000073206
FirstRand Bank Limited	FRBZ01	ZAG000049255
FirstRand Bank Limited	FRBZ02	ZAG000072711
FirstRand Bank Limited	FRS20	ZAG000067943
FirstRand Bank Limited	FRS21	ZAG000067950
FirstRand Bank Limited	FRS22	ZAG000067968
FirstRand Bank Limited	FRS23	ZAG000067976
FirstRand Bank Limited	FRS24	ZAG000067984
FirstRand Bank Limited	FRS25	ZAG000067992
FirstRand Bank Limited	FRS26	ZAG000068008

Senior unsecured (continued)

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRS27	ZAG000068016
FirstRand Bank Limited	FRS28	ZAG000068024
FirstRand Bank Limited	FRS29	ZAG000068032
FirstRand Bank Limited	FRS30	ZAG000069147
FirstRand Bank Limited	FRS31	ZAG000069154
FirstRand Bank Limited	FRS32	ZAG000070368
FirstRand Bank Limited	FRS33	ZAG000070889
FirstRand Bank Limited	FRS34	ZAG000071937
FirstRand Bank Limited	FRJ11	ZAG000051111
FirstRand Bank Limited	FRJ14	ZAG000069683
FirstRand Bank Limited	FRJ16	ZAG000073826
FirstRand Bank Limited	FRX11	ZAG000051095
FirstRand Bank Limited	FRX15	ZAG000051103
FirstRand Bank Limited	FRX24	ZAG000073693

Inflation-linked bonds

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	FRBI01	ZAG000025156
FirstRand Bank Limited	FRBI02	ZAG000025768
FirstRand Bank Limited	FRBI03	ZAG000033473
FirstRand Bank Limited	FRBI04	ZAG000044306
FirstRand Bank Limited	FRBI05	ZAG000050626
FirstRand Bank Limited	FRBI07	ZAG000055849
FirstRand Bank Limited	FRBI08	ZAG000071523
FirstRand Bank Limited	FRI11	ZAG000051129
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	FRC05	ZAG000050873
FirstRand Bank Limited	FRC06	ZAG000051178
FirstRand Bank Limited	FRC07	ZAG000051244
FirstRand Bank Limited	FRC08	ZAG000051749
FirstRand Bank Limited	FRC09	ZAG000054347
FirstRand Bank Limited	FRC10	ZAG000054149
FirstRand Bank Limited	FRC11	ZAG000054131
FirstRand Bank Limited	FRC16	ZAG000055914
FirstRand Bank Limited	FRC17	ZAG000056011
FirstRand Bank Limited	FRC26	ZAG000065277
FirstRand Bank Limited	FRC27	ZAG000065335
FirstRand Bank Limited	FRC29	ZAG000069857
FirstRand Bank Limited	FRC30	ZAG000071697
FirstRand Bank Limited	FRC31	ZAG000071705
FirstRand Bank Limited	FRC32	ZAG000071713
FirstRand Bank Limited	FRC33	ZAG000073701
FirstRand Bank Limited	FRC34	ZAG000073818
FirstRand Bank Limited	FRC35	ZAG000073800

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

Index-linked contracts

Issuer	*Bond code*	*ISIN code*
Rand Merchant Bank	RMBX38	ZAG000072281

London stock exchange ("LSE")

European Medium Term Note (EMTN) programme

FirstRand Bank Limited	EMTN	XS0306783621

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