circular

TO SHAREHOLDERS FOR THE YEAR ENDED 30 JUNE 2010

FIRSTRAND

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FIRSTRAND

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FIRSTRAND

INTRODUCTION

This report covers the audited financial results of FirstRand Limited ("FirstRand" or "the Group") for the year ended 30 June 2010 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 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

	Year ended 30 June		
R million	**2010**	2009	% change
Continuing and discontinued operations			
Attributable earnings to shareholders	**9 444**	6 501	45
Headline earnings	**9 453**	6 939	36
Normalised earnings (unaudited)	**9 963**	7 151	39
Diluted headline earnings per share (cents)	**178.3**	133.1	34
Diluted normalised earnings per share (cents) (unaudited)	**176.7**	126.8	39
Ordinary dividend per share (cents)	**77.0**	56.0	38
Normalised return on equity (%) (unaudited)	**18**	14	
Assets under management or administration	**1 006 475**	965 484	4
Normalised net asset value per share (cents) (unaudited)	**1 045.6**	938.4	11
Continuing operations			
Headline earnings	**8 075**	5 490	47
Normalised earnings (unaudited)	**8 569**	5 836	47
Diluted headline earnings per share (cents)	**151.3**	104.6	45
Diluted normalised earnings per share (cents) (unaudited)	**152.0**	103.5	47

Key financial results and ratios
for the year ended 30 June

R million	Year ended 30 June 2010	2009	% change
From continuing and discontinued operations			
Attributable earnings to ordinary equity holders	**9 444**	6 501	45
Headline earnings	**9 453**	6 939	36
Normalised earnings (unaudited)	**9 963**	7 151	39
Normalised net asset value (unaudited)	**58 953**	52 905	11
Normalised return on equity (%) (unaudited)	**18**	14	
Normalised price to book (times) (unaudited)	**1.73**	1.50	
Normalised earnings per share (cents) (unaudited)			
– Basic	**176.7**	126.8	39
– Diluted	**176.7**	126.8	39
Earnings per share (cents)			
– Basic	**179.9**	124.9	44
– Diluted	**178.1**	124.7	43
Headline earnings per share (cents)			
– Basic	**180.1**	133.3	35
– Diluted	**178.3**	133.1	34
Ordinary dividend per share (cents)	**77.0**	56.0	38
Non cumulative non redeemable preference dividend per share (cents)			
B Class (68% of FNB prime lending rate)	**765.4**	1 030.3	(26)
B1 Class (68% of FNB prime lending rate)*	**423.1**	1 030.3	(59)
From continuing operations			
Normalised earnings (unaudited)	**8 569**	5 836	47
Normalised return on equity (%) (unaudited)	**18**	13	
Normalised earnings per share (cents) (unaudited)			
– Basic	**152.0**	103.5	47
– Diluted	**152.0**	103.5	47
Capital adequacy			
FirstRand Bank Holdings			
– Capital adequacy ratio	**15.6**	14.6	
– Tier 1 ratio	**13.5**	12.3	
Momentum			
– Capital adequacy cover rate	**2.1**	1.8	

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

Statement of headline earnings from continuing and discontinued operations
for the year ended 30 June

R million	2010	2009	% change
Attributable earnings to ordinary equity holders	**9 444**	6 501	45
Adjusted for:	**9**	438	(98)
Impairment of goodwill	**153**	110	
Gain from a bargain purchase	**(203)**	–	
Loss due to the fair value adjustment of a non current asset held for sale	**100**	–	
Loss on the disposal of property and equipment	**2**	4	
(Gain)/loss on the disposal of subsidiaries	**(115)**	27	
Impairment of assets in terms of IAS 36	**175**	–	
Impairment of intangible assets	**12**	71	
Gain on disposal/impairment of available-for-sale assets	**(177)**	(2)	
Loss on sale of MotorOne Finance advances book	**–**	203	
Loss on sale of Private Label book	**–**	39	
Other	**4**	10	
Tax effects of adjustments	**55**	(11)	
Non controlling interest adjustments	**3**	(13)	
Headline earnings	**9 453**	6 939	36
Adjusted for:	**510**	212	>100
IFRS 2 Share based payment expense/(income)	**241**	(120)	
Treasury shares	**269**	332	
– consolidation of staff share schemes	**313**	437	
– FirstRand shares held by policyholders and client trading activities	**(44)**	(105)	
Normalised earnings* (unaudited)	**9 963**	7 151	39
Segmental normalised earnings			
Banking Group	**8 535**	6 056	41
FNB Life**	**416**	334	25
FirstRand Limited (company)	**(38)**	(90)	(58)
Dividend paid to non cumulative non redeemable preference shareholders	**(344)**	(464)	(26)
Normalised earnings from continuing operations	**8 569**	5 836	47
Momentum Group	**1 394**	1 315	6
Normalised earnings from continuing and discontinued operations*	**9 963**	7 151	39
Segmental headline earnings			
Banking Group	**8 234**	6 076	36
FNB Life**	**416**	334	25
FirstRand Limited (company)	**28**	1	>100
Consolidation of share trusts	**(313)**	(437)	(28)
Other FirstRand treasury shares	**54**	(20)	>(100)
Dividend paid to non cumulative non redeemable preference shareholders	**(344)**	(464)	(26)
Headline earnings from continuing operations	**8 075**	5 490	47
Momentum Group	**1 388**	1 324	5
FirstRand shares held by Momentum policyholders	**(10)**	125	>(100)
Headline earnings from continuing and discontinued operations	**9 453**	6 939	36

** The definition of normalised earnings is provided on page 149.*
*** For segmental purposes FNB Life is included in Momentum.*

Statement of headline earnings from continuing operations
for the year ended 30 June

R million	2010	2009	% change
Attributable earnings to ordinary shareholders	**8 249**	5 116	61
Adjusted for:	**(174)**	374	>(100)
Impairment of goodwill	**82**	107	
Gain from a bargain purchase	**(203)**	–	
Loss on the disposal of property and equipment	**2**	4	
(Gain)/loss on the disposal of subsidiaries	**(115)**	27	
Impairment of assets in terms of IAS 36	**175**	–	
Impairment of intangible assets	**–**	10	
Gain on disposal/impairment of available-for-sale assets	**(177)**	(2)	
Loss on sale of MotorOne Finance advances book	**–**	203	
Loss on sale of Private Label book	**–**	39	
Other	**4**	10	
Tax effects of adjustments	**55**	(11)	
Non controlling interest adjustments	**3**	(13)	
Headline earnings	**8 075**	5 490	47
Adjusted for:	**494**	346	43
IFRS 2 Share based payment expense/(income)	**235**	(111)	
Treasury shares	**259**	457	
– consolidation of staff share schemes	**313**	437	
– FirstRand shares held by policyholders and client trading activities	**(54)**	20	
Normalised earnings* (unaudited)	**8 569**	5 836	47
Normalised earnings			
– Basic	**152.0**	103.5	47
– Diluted	**152.0**	103.5	47
Earnings per share (cents)			
– Basic	**156.1**	97.6	60
– Diluted	**154.5**	97.5	58
Headline earnings per share (cents)			
– Basic	**152.8**	104.8	46
– Diluted	**151.3**	104.6	45
Number of shares for calculation of earnings and headline earnings per share			
Weighted average number of shares	**5 284 127 158**	5 239 761 796	
Diluted weighted average number of shares	**5 338 380 839**	5 247 209 644	
Number of shares for calculation of normalised earnings per share			
Weighted average number of shares	**5 637 941 689**	5 637 895 243	
Diluted weighted average number of shares	**5 637 941 689**	5 637 895 243	
Return on equity (%)	**18**	13	
Average normalised net asset value	**47 668**	44 989	
Normalised earnings	**8 569**	5 836	

** The definition of normalised earnings is provided on page 149.*

Overview of results

OPERATING ENVIRONMENT

The global economy staged a recovery during the financial year, brought about mainly by the respective radical fiscal and monetary policy responses in many developed economies. The positive sentiment associated with the recovery was, however, tempered towards the latter part of the financial year as it became increasingly evident that global activity will experience severe "growth headwinds" over the next few years.

The developed world is facing rising government debt from elevated levels and an already over-indebted consumer. The risk these debt burdens pose to global economic activity was evident by the actions of the IMF and EU to prevent a sovereign debt default in Greece. These developments forced a number of developed economies to recognise that economic growth will slow towards the latter part of 2010.

While emerging markets were not isolated from these events, as balance sheets are generally healthier and in a better position to sustain growth at or above long term growth trends.

Lagging the global economic recovery somewhat, the South African economy emerged from recession during the third quarter of 2009 and growth was supported by significant monetary and fiscal policy stimulus and external trade. Falling inflation allowed the South African Reserve Bank ("SARB") to cut interest rates by a further 100 bps to 30 year lows. While this eased the pressure on real disposable income, rising unemployment continued to weigh on credit demand.

The lower interest rate environment and recovery in economic activity did support an improvement in the housing market. However, overall economic conditions remained challenging and uncertainty over the sustainability of the recovery also weighed on credit growth.

The cumulative benefit of the interest rate cuts, the modest recovery in house prices during the latter half of the financial year and higher equity prices eased pressure on consumers. Whilst this resulted in a positive impact on retail bad debt levels, credit growth was extremely subdued. Corporate balance sheets remained robust, however utilisation levels were low, reflecting a lack of investment activity in most sectors.

OVERVIEW OF RESULTS

Against this difficult, albeit improving, macro background, FirstRand's diverse portfolio of banking and insurance businesses produced a strong performance. Normalised earnings improved 39% to R9.96 billion with a normalised return on equity ("ROE") of 18%.

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

	Year ended 30 June			
R million	**2010**	2009	% change	% contri-bution
Banking Group	**8 535**	6 056	41	85
Momentum	**1 810**	1 649	10	18
FirstRand and dividend paid to non cumulative non redeemable preference shareholders	**(382)**	(554)	(32)	(3)
Normalised earnings (unaudited)	**9 963**	7 151	39	100

The Banking Group's results for the year under review reflect a significant recovery in profitability in comparison to the 12 month period ended 30 June 2009. The total banking portfolio produced R8.5 billion of normalised earnings, representing an increase of 41% compared to the previous comparative period.

This recovery in earnings was driven mainly by a modest increase in topline revenue and the reversal of the two most significant negative issues from the previous comparative period, namely bad debts emanating from the large retail lending books and losses from certain offshore trading portfolios within the investment bank. Many of the banking operations also showed strong operational performances and a significant private equity realisation positively impacted earnings.

Overall impairments decreased 29% from R8.0 billion to R5.7 billion, primarily in the retail franchises of FNB and WesBank, reflecting the positive benefits of the lower interest rate environment. In addition, non interest revenue increased 32 % from R20 billion to R26 billion representing a strong recovery in RMB's trading activities and the realisation of Life Healthcare which produced R1.25 billion of profit.

Pressure remained on the net interest income component of the earnings base, due mainly to declining asset growth and the negative impact of lower interest rates on capital and endowment balances. This was, however, partly offset by successful repricing strategies across all lending portfolios.

Impairments were better than originally anticipated, coming in at the lower end of management expectations with the bad debt ratio at 1.30% of advances (retail 1.79% and wholesale 0.44%). Major components of the bad debt charge are:

	Year ended 30 June				
	2010	2009		**2010**	2009
Bad debts	**R million**	R million	% change	**%**	%
Residential mortgages	**1 416**	2 375	(40)	**0.94**	1.62
Credit card	**776**	1 355	(43)	**6.92**	11.18
Vehicle and asset finance	**1 722**	2 222	(23)	**1.94**	2.41
Retail other	**1 075**	1 434	(25)	**3.75**	5.37
Wholesale	**675**	982	(31)	**0.44**	0.62
Total bad debts*	**5 686**	8 024	(29)	**1.30**	1.81

** Total includes Corporate Centre and other.*

The earnings of the insurance subsidiary, Momentum, were positively impacted by a recovery in equity markets, particularly in the first half of the year, combined with a continued strong operational performance. Overall normalised earnings increased 10% to R1.81 billion with the ROE of 22% (2009: 23%) remaining ahead of the Group's target. Volumes of new savings and retirement annuity business were subdued, as consumers remained under pressure, however lump sum inflows showed strong growth and FNB Life continued to perform well. The marginal increase in the value of new business was pleasing given the challenging environment.

OVERVIEW OF THE OPERATING FRANCHISES

Below is a brief overview of each operating franchise, with a detailed review on pages 37 to 51.

FNB (South Africa)	Year ended 30 June		
R million	**2010**	2009	% change
Normalised earnings (unaudited)	**4 303**	3 756	15
Profit before tax	**5 833**	5 060	15
Total assets	**204 309**	206 799	(1)
Total liabilities	**199 115**	197 230	1
Bad debt ratio	**1.70**	2.39	
ROE (%)	**32**	26	

FNB's South African operations produced a strong performance for the year under review with both profit and ROE increasing. These results were driven mainly by a 30% decrease in bad debts and 6% growth in non interest revenue reflecting reasonable growth in clients and transactional volumes, despite external pressures on customers. These positives were partly offset by contracting deposit margins, due to the endowment impact, and lower net interest income resulting from reduced balance sheet growth. The turnaround in the ROE was driven largely by improved profitability together with efficient capital management.

FNB continues to benefit from the execution of certain specific strategies in response to the current macro environment. These include a strong focus on efficiencies and sustainable containment of cost growth and specific strategies to grow revenue.

FNB maintained cost growth to well below inflation for two years running and the absolute increase in costs in the year under review is the lowest in recent history. Whilst the cost to income ratio has deteriorated year-on-year, this reflects pressure on revenues. The current cost initiatives should support profitability in the medium term as topline growth is expected to remain challenging.

FNB (Rest of Africa)	Year ended 30 June		
R million	**2010**	2009	% change
Normalised earnings (unaudited)	**524**	514	2
Profit before tax	**1 251**	1 222	2
Total assets	**33 593**	31 640	6
Total liabilities	**29 544**	28 180	5
Bad debt ratio	**0.37**	0.58	
ROE (%)	**23**	27	

The consolidated results of FNB Africa comprise the subsidiaries FNB Botswana, FNB Namibia, FNB Swaziland, FNB Moçambique, FNB Lesotho and FNB Zambia as well as the support centre in Johannesburg and a representative office in Angola.

Overall the African subsidiaries performed well, growing profits 2% despite significant investment activity across the portfolio.

As part of its strategy to grow the existing franchise and operating footprint further, FNB invested significantly in Zambia and Moçambique in the year under review. This investment phase is expected to continue in the medium term with a parallel focus on service and electronic delivery channels to increase the customer base and drive up volumes and resultant non interest revenue.

RMB	Year ended 30 June		
R million	**2010**	2009	% change
Normalised earnings (unaudited)	**3 261**	1 536	>100
Profit before tax	**4 623**	2 055	>100
Total assets	**268 819**	275 097	(2)
Total liabilities	**263 135**	272 646	(3)
ROE (%)	**24**	12	

RMB delivered a very strong performance with all of its divisions exceeding prior year results. Profitability increased significantly with normalised earnings increasing to R3.26 billion. Return on equity moved back above hurdle rates at 24%.

Despite a very high base created in the previous year, the Investment Banking division ("IBD") delivered another strong performance. Whilst this was driven mainly by robust deal flow in South Africa, the increased focus on the China – Africa business and the China Construction Bank ("CCB") relationship also began to bear fruit for investment banking and several significant deals were concluded.

The Fixed Income Currency and Commodities division ("FICC") experienced a tough first half in an environment characterised by lower proprietary trading profits, uncertainty in the markets, a decline in client flows, tighter margins and a strong Rand. The second half showed a much improved performance.

Private Equity performed well on the back of a significant realisation, Life Healthcare, in the second half of the year, which contributed R1.25 billion to RMB's profit. Equity accounted earnings remained under pressure due to market conditions.

The significantly improved performance from Equity Trading was driven mainly by the local portfolio positions combined with the derisking of the international legacy portfolios.

WesBank	Year ended 30 June		
R million	**2010**	2009	% change
Normalised earnings (unaudited)	**953**	324	>100
Profit before tax	**1 300**	130	>100
Total assets	**97 357**	94 472	3
Total liabilities	**95 452**	94 363	1
Bad debt ratio	**2.21**	2.86	
ROE (%)	**15**	7	

WesBank's overall profitability was positively impacted by an improving retail credit environment which resulted in a significant improvement in the bad debt charge. This was driven by retail bad debts while corporate impairments reflected the opposite trend.

Within the lending operations retail new business increased 29%, however corporate new business declined 20% which is to be expected given the cycle. Improved interest margins were experienced across the retail, corporate and personal loans portfolios.

WesBank's non lending operations contributed R208 million compared with R52 million in the prior year and the UK operation, Carlyle, produced profits of R120 million compared with a loss of R31 million in the prior year.

Momentum	Year ended 30 June		
R million	**2010**	2009	% change
Normalised earnings (unaudited)	**1 810**	1 649	10
Embedded value	**17 683**	16 086	10
Return on EV (%)	**15**	3	
ROE (%)	**22**	23	

Momentum produced a strong operational performance despite a more challenging second half of the year, with normalised earnings increasing and the ROE remained ahead of the Group's targeted return. Capitalisation levels strengthened to 2.1 times the Capital Adequacy Requirement ("CAR").

The employee benefits and healthcare businesses showed an improved performance as the benefits of the systems integration and rationalisation in these businesses started to emerge. The African operations generated a turnaround to a breakeven position in the current year. The growth in FNB Life's operating profit is due to the continued success of the embedded credit life and funeral products.

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

	Year ended 30 June				
R million	2010	% contribution	2009	% contribution	% change
Retail banking					
FNB Retail	2 253		1 182		
FNB Africa	524		514		
WesBank	853		51		
	3 630	36	1 747	24	>100
Corporate banking					
FNB Corporate	474		531		
FNB Commercial	1 576		2 043		
WesBank	100		273		
	2 150	22	2 847	40	(24)
Investment banking					
RMB	3 261	33	1 536	21	>100
Insurance					
Momentum	1 810	18	1 649	23	10
Other					
FirstRand and dividend paid on non cumulative non redeemable preference shares	(382)		(554)		
Corporate Centre	1 267		1 196		
Consolidation and IFRS adjustments	(1 773)		(1 270)		
	(888)	(9)	(628)	(8)	41
Normalised earnings* (unaudited)	9 963	100	7 151	100	39

** The definition of normalised earnings is provided on page 149.*

STRATEGIC ISSUES

Progress on Group strategy

FirstRand's stated strategic intent is to be the African financial services group of choice, creating long term franchise value and delivering superior and sustainable economic returns to shareholders within acceptable levels of volatility.

This is driven through two clear growth strategies:

- Become a predominant South African player focusing on both existing markets and those markets where the Group is currently underrepresented.
- Further grow the existing African franchises, targeting those markets that are expected to produce above average domestic growth and are strongly positioned to benefit from the trade and investment flows between Africa and Asia, particularly China and India.

FirstRand continued to make significant progress on these growth plans, which are executed through the operating franchises. Within its domestic markets FNB continued to invest in its footprint, particularly electronic channels and cellphone banking. This has been particularly successful in the Mass segment where FNB has built a strong franchise and a platform for future growth. FNB has historically been underrepresented in the "lending space" in the Mass segment and this is being addressed through new strategies such as the roll out of the Easy Plan branches and products.

In line with the Group's objective to rebalance its portfolio through a greater weighting in the corporate sector, FirstRand significantly enhanced client interface through the coordination of its corporate and investment banking ("CIB") activities. CIB represents greater alignment between RMB's and FNB's corporate banking businesses, whilst preserving the respective strong brand equity and specialist skills within each. A key part of this new approach has been the formation of an integrated Client Coverage team, which is mandated to coordinate and enhance RMB and FNB Corporate's combination of products and services to clients. In addition the Group adjusted certain prudential limits in investment grade and defensive counters.

WesBank is developing strategies for growth in areas such as fleet management and full maintenance rental opportunities as well as with larger corporate asset finance customers.

The Group's international expansion strategy is gaining traction, with the business plans in Nigeria, Zambia, Angola and Tanzania on track. The China/India-Africa corridor strategy, resulted in a number of transactions completed with a very healthy deal pipeline.

RMB India is focusing equally on investment and trade flows as part of its strategy to build a robust client franchise and during the year formed a strategic partnership with an established Indian advisory player.

Merger of Metropolitan and Momentum and unbundling of merged entity by FirstRand

In March 2010 FirstRand, Momentum and Metropolitan announced that an agreement was reached to merge Momentum and Metropolitan to create the third largest listed insurer in South Africa with an embedded value of around R30 billion. To facilitate the transaction and unlock shareholder value, FirstRand will unbundle the new entity. Following implementation of the merger, FirstRand shareholders will hold 59.3% and current Metropolitan shareholders 40.7% of the share capital of the merged entity. Based on this ratio, when FirstRand's stake in the merged entity is unbundled, FirstRand shareholders can expect to receive 16.9 shares in the merged entity for every 100 ordinary shares held in FirstRand. The merger ratio was determined based on the consistently calculated embedded values of the two entities as at 31 December 2009.

The new group will be renamed MMI Holdings but this will only apply to the listed entity. The brands of Momentum and Metropolitan will continue to be used in the client-facing businesses, where both have established strong and trusted legacies.

FirstRand believes this is a very positive transaction for shareholders as it brings together two businesses that have created very successful franchises in different but complementary markets. It also facilitates a significant expansion of the growth prospects for Momentum and Metropolitan.

The Group carefully evaluated the consequences of retaining ownership of the new entity within the FirstRand Group, however, it reached the conclusion that shareholders would benefit most from a complete unbundling.

Not only will any potential value trapped within FirstRand be unlocked but it will also ensure that the new entity has sufficient free float on the JSE and the necessary flexibility to realise its strategic objectives.

Following the unbundling, FirstRand remains committed to pursuing the synergistic benefits that exist between banking, insurance and asset management activities with the merged entity, particularly given the success of FNB Life and the significant growth opportunities for the new entity. This will be structured through a preferred strategic relationship based on commercial terms.

Capital levels

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 and regulatory changes.

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 (%)	15.6	12.0 – 13.5	9.50*
Tier 1 ratio	13.5	10.00	7.00
	FRB		
Capital adequacy ratio (%)	14.0	11.5 – 13.0	9.50*
Tier 1 ratio	11.7	9.5	7.00
	Momentum		
Capital adequacy cover ratio	2.1	1.4 – 1.6	

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

Basel III proposals

The recent global financial crisis has resulted in increased political and regulatory pressure on banking systems worldwide. Some of these pressures are likely to materialise in South Africa, particularly given its G20 membership. For example, the SARB is expected to implement the Basel Committee on Banking Supervision ("BCBS") proposals on capital and liquidity (the so-called Basel III proposals).

The revisions to the proposals outlined in July 2010 have gone some way in addressing banks' concerns. The most significant change affecting the South African banking sector relates to the implementation of new liquidity requirements. The impact of the proposed new requirements is expected to be significant from a cost of liquidity perspective.

The Liquidity Coverage Ratio ("LCR") will be revised by September 2010 specifically to cater for jurisdictions such as South Africa, where there are not sufficient liquid assets to meet the standard. The implementation of the Net Stable Funding Ratio ("NSFR") has been postponed to 2018. Combined with changed assumptions for runoff rates on deposits, funding for residential mortgages and the treatment of interbank funding, these amendments are viewed positively, as the potential for market disruptions inherent in the original proposals is reduced.

Given the structural funding challenges in South Africa, banks will not be able to comply with the net stable funding and liquidity coverage ratios as set out in the current proposals. Government and industry set up a joint task team to analyse the specific characteristics of the funding profile of South Africa and its banking system. It is too early to quantify the potential impact of the proposals on the South African economy and the industry.

FirstRand participated in the Quantitative Impact Study ("QIS") that the BCBS conducted to assess the impact of the Basel III proposals on banks' capital levels. Preliminary calculations carried out as part of this exercise show that there would be a reduction in both the Tier 1 and total capital adequacy ratios, however, FRB and FRBH will remain above the current regulatory minimum levels. Although the new regulatory minimum has not been finalised, FirstRand believes it will be adequately capitalised to meet the new requirements.

PROSPECTS

The South African external economic environment looks to have stabilised and whilst revenue growth in the medium term will remain challenging, the retail credit environment is expected to continue to improve. Bad debts will further unwind, which will provide support to the current earnings recovery in the Group's retail franchises, however growth in retail advances will remain extremely low as levels of consumer indebtedness are still at historic highs.

Corporate balance sheets remain strong and have weathered the cycle well, however in the current environment investment opportunities are limited and therefore growth in corporate advances will remain subdued.

The Group continues to invest in its infrastructure in South Africa, particularly where significant growth opportunities have been identified, and is growing its footprint and client franchise in other selected African markets. Notwithstanding these investment strategies, given the anticipated pressures on topline growth, the Group's operating franchises continue to concentrate on cost efficiency.

The combination of the current growth strategy and the quality of its underlying client franchises will allow the Group to take full advantage of any major improvements in the cycle.

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

The Group believes 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 149.

A table reflecting the reclassifications of the prior year and reasons therefore can be found on page 156.

EVENTS SUBSEQUENT TO REPORTING DATE

Merger of Metropolitan and Momentum and unbundling of merged entity by FirstRand

The merger of Metropolitan and Momentum and the subsequent unbundling of the merged entity by FirstRand is expected to be completed by the end of October 2010. A shareholders meeting to consider the transaction is to be held on 28 September 2010.

As a result of this transaction, the Group's investment in Momentum Group Limited has been reclassified as a discontinued operation for the 2010 financial results, as required by IFRS 5 Non current assets held for sale and discontinued operations.

Barnard Jacobs Mellet scheme of arrangement

On 21 June 2010 FirstRand announced its intention to purchase the issued share capital of Barnard Jacobs Mellet Holdings Limited ("BJM") by way of a scheme of arrangement in terms of section 311 of the Companies Act 61 of 1973, as amended. On 23 August 2010 the scheme meeting held by BJM approved the scheme of arrangement.

In terms of the scheme of arrangement FirstRand Investment Holdings (Proprietary) Limited, a wholly owned subsidiary of FirstRand Limited will acquire all issued BJM shares for a cash consideration of R4.50 per share. Once the sale has been finalised BJM shares will be delisted.

Legal restructure of FirstRand Group

Effective 1 July 2010, FirstRand Limited became a bank controlling company in terms of the Banks Act. This change was approved by the SARB and shareholders and has resulted in a streamlined operational and governance structure. See page 158 for the new Group structure.

BOARD CHANGES

The late Dr F van Zyl Slabbert retired as an independent non executive director effective 25 November 2009.

Following the Group restructure and the designation of FirstRand as a bank controlling company, effective 1 July 2010,

- Mr DJA Craig;
- Mrs G Moloi; and
- Mr KC Schubane.

resigned from the board but have agreed to serve on and have been appointed to FirstRand divisional boards.

The following independent non executive directors who have all served on the FirstRand Bank board for a number of years were also appointed to the FirstRand board, effective 1 July 2010:

- Mr JJH Bester;
- Mr WR Jardine; and
- Mrs EG Matenge-Sebesho.

The board membership of certain FirstRand directors, who had not previously served on the FirstRand Bank board, is subject to the approval of the Registrar of Banks, in view of FirstRand's status now, as a bank controlling company. These directors, included in the list of directors on page 160 are:

- Dr NN Gwagwa;
- Mr AP Nkuna;
- Mrs AT Nzimande;
- Mr D Premnarayen; and
- Mr KB Schoeman.

Mr BW Unser was appointed as company secretary effective 1 June 2010.

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.

CASH DIVIDEND DECLARATION

Ordinary shares

The following ordinary cash dividend was declared in respect of the 2010 and 2009 financial years:

	Year ended 30 June	
Cents per share	**2010**	2009
Interim (declared 8 March 2010)	**34.00**	34.00
Final (declared 13 September 2010*)	**43.00**	22.00
	77.00	56.00

* *The last day to trade in FirstRand shares on a cum-dividend basis in respect of the final dividend will be Friday 8 October 2010. The first day to trade ex-dividend will be Monday 11 October 2010. The record date will be Friday 15 October 2010 and the payment date Monday 18 October 2010. No dematerialisation or rematerialisation of shares may be done during the period Monday 11 October 2010 and Friday 15 October 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 FNB. The "B1" preference shares were incorporated in the "B" preference shares effective 4 January 2010. The following dividends have been declared and paid:

	Year ended 30 June		
Cents per share	**2010**	2009	
	"B"	"B"	"B1"
Period 26 August 2008 – 23 February 2009		518.9	518.9
Period 24 February 2009 – 31 August 2009		423.1	423.1
Period 1 September 2009 – 22 February 2010	**342.3**		
Period 23 February 2010 – 30 August 2010	**355.0**		
	697.3	942.0	942.0

BW Unser
Company secretary

13 September 2010

Consolidated income statement
for the year ended 30 June

R million	2010	Restated 2009	% change
Continuing operations			
Interest and similar income	**38 817**	51 735	(25)
Interest expense and similar charges	**(22 467)**	(34 446)	(35)
Net interest income before impairment of advances	**16 350**	17 289	(5)
Impairment of advances	**(5 686)**	(8 024)	(29)
Net interest income after impairment of advances	**10 664**	9 265	15
Non interest income	**26 761**	20 339	32
Decrease/(increase) in value of policyholder liabilities	**193**	(284)	>100
Income from operations	**37 618**	29 320	28
Operating expenses	**(25 311)**	(23 028)	10
Net income from operations	**12 307**	6 292	96
Share of profit from associates and joint ventures	**700**	1 577	(56)
Profit before tax	**13 007**	7 869	65
Tax	**(3 527)**	(1 411)	>100
Profit from continuing operations	**9 480**	6 458	47
Discontinued operations			
Profit attributable to discontinued operations	**1 194**	1 380	(13)
Profit for the year	**10 674**	7 838	36
Attributable to:			
Ordinary equity holders	**9 444**	6 501	45
Non cumulative non redeemable preference shares	**344**	464	(26)
Equity holders of the Group	**9 788**	6 965	41
Non controlling interest	**886**	873	1
Profit for the year	**10 674**	7 838	36
Earnings per share (cents)			
– Basic	**179.9**	124.9	44
– Diluted	**178.1**	124.7	43

Consolidated statement of comprehensive income
for the year ended 30 June

R million	2010	2009
Profit for the year	**10 674**	7 838
Other comprehensive income		
Cash flow hedges	**(226)**	(1 228)
Available-for-sale financial assets	**(69)**	75
Exchange differences on translating foreign operations	**(74)**	(641)
Share of other comprehensive income of associates after tax and non controlling interest	**39**	73
Other comprehensive income for the year before tax	**(330)**	(1 721)
Income tax relating to components of other comprehensive income	**(17)**	263
Other comprehensive income for the year	**(347)**	(1 458)
Total comprehensive income for the year	**10 327**	6 380
Total comprehensive income attributable to:		
Ordinary equity holders	**9 097**	5 064
Non cumulative non redeemable preference shares	**344**	464
Equity holders of the Group	**9 441**	5 528
Non controlling interest	**886**	852
Total comprehensive income for the year	**10 327**	6 380

Consolidated statement of financial position
as at 30 June

R million	2010	Restated 2009	Restated 2008
ASSETS			
Cash and short term funds	**27 067**	57 266	53 555
Derivative financial instruments	**39 764**	68 608	57 106
Advances	**434 793**	416 488	446 286
Investment securities and other investments	**117 171**	209 249	220 105
Commodities	**2 365**	1 323	1 916
Accounts receivable	**5 743**	11 068	7 417
Investments in associates and joint ventures	**6 901**	15 294	13 303
Property and equipment	**10 018**	10 220	8 859
Deferred tax asset	**443**	2 034	1 456
Intangible assets and deferred acquisition costs	**2 104**	5 698	4 497
Investment properties	**138**	2 156	3 808
Policy loans on insurance contracts	**27**	626	772
Reinsurance assets	**524**	8 430	939
Tax asset	**935**	883	833
Non current assets held for sale	**197 247**	508	3 092
Total assets	**845 240**	809 851	823 944
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**512 469**	478 083	488 423
Short trading positions	**16 735**	25 002	33 450
Derivative financial instruments	**36 035**	55 556	46 595
Creditors and accruals	**12 115**	18 217	16 836
Provisions	**3 359**	2 961	3 275
Tax liability	**157**	331	666
Post retirement liabilities	**2 162**	2 089	1 980
Deferred tax liability	**2 132**	3 977	5 372
Long term liabilities	**9 183**	12 928	13 941
Policyholder liabilities under insurance contracts	**1 868**	40 725	43 417
Policyholder liabilities under investment contracts	**101**	109 196	111 344
Liabilities arising to third parties	**–**	8 114	7 283
Deferred revenue liability	**–**	322	296
Liabilities directly associated with non current assets classified as held for sale	**189 961**	253	–
Total liabilities	**786 277**	757 754	772 878
Equity			
Capital and reserves attributable to equity holders			
Ordinary shares	**52**	52	52
Share premium	**1 491**	1 300	1 036
Reserves	**49 889**	44 133	43 082
Capital and reserves attributable to ordinary equity holders	**51 432**	45 485	44 170
Non cumulative non redeemable preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equity holders	**55 951**	50 004	48 689
Non controlling interest	**3 012**	2 093	2 377
Total equity	**58 963**	52 097	51 066
Total equity and liabilities	**845 240**	809 851	823 944

Consolidated statement of cash flows
for the year ended 30 June

R million	2010	2009
Cash flows from operating activities from continuing operations		
Cash receipts from customers	60 073	66 955
Cash paid to customers, suppliers and employees	(44 153)	(52 391)
Dividends received	3 148	4 214
Dividends paid	(3 299)	(3 700)
Dividends paid to non controlling interest	(420)	(804)
Net cash flows from operating activities continuing operations	15 349	14 274
(Increase)/decrease in income earning assets	(34 194)	7 507
Increase/(decrease) in deposits and other liabilities	31 194	(21 321)
Net cash flows from operating funds	(3 000)	(13 814)
Tax paid	(2 697)	(2 245)
Net cash inflow/(outflow) from operating activities from continuing operations	9 652	(1 785)
Net cash (outflow)/inflow from operating activities from discontinued operations	(9 709)	11 546
Cash flows from investment activities from continuing operations		
Acquisition of property and equipment	(2 197)	(2 963)
Proceeds from the disposal of property and equipment	389	278
Acquisition of investment properties	(138)	–
Proceeds on the disposal of investments	594	552
Acquisition of subsidiaries	(982)	(18)
Proceeds on disposal of subsidiary	537	–
Acquisition of associates and joint ventures	(204)	(1 542)
Proceeds on the disposal of associates and joint ventures	2 027	508
Proceeds on sale of advances books	22	1 768
Acquisition of intangible assets	114	(1 474)
Net cash inflow/(outflow) from investing activities from continuing operations	162	(2 891)
Net cash inflow/(outflow) from investing activities from discontinued operations	33	(2 223)
Cash flows from financing activities from continuing operations		
(Repayment of)/proceeds from long term borrowings	1 085	(1 397)
Net cash inflow/(outflow) from financing activities from continuing operations	1 085	(1 397)
Net cash inflow from financing activities from discontinued operations	2 117	491
Net increase in cash and cash equivalents from continuing and discontinued operations	3 340	3 741
Cash and cash equivalents at the beginning of the year	57 266	53 555
Cash and cash equivalents at the end of the year	60 606	57 296
Cash and cash equivalents acquired*	–	35
Cash and cash equivalents disposed of*	(36)	–
Effect of exchange rate changes on cash and cash equivalents	(95)	(65)
Transfer to non current assets held for sale	(33 408)	–
Cash and cash equivalents at the end of the year	27 067	57 266

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

Mandatory reserve balances included above	11 370	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.

FirstRand Group

Consolidated statement of changes in equity
for the year 30 June

R million	Ordinary share capital and ordinary equity holder's funds					
	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 2009	**52**	**1 036**	**1 088**	**8**	**602**	**2 248**
Issue of share capital	–	–	–	–	–	–
Movement in other reserves	–	–	–	1	–	58
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	–	–
Consolidation of treasury shares	–	264	264	–	–	–
Total comprehensive income for the year	–	–	–	–	(894)	–
Balance as at 30 June 2009	**52**	**1 300**	**1 352**	**9**	**(292)**	**2 306**
Issue of share capital	–	–	–	–	–	–
Movement in other reserves	–	–	–	–	–	181
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer to/(from) reserves	–	–	–	3	–	–
Changes in ownership interest in subsidiaries	–	–	–	–	2	–
Consolidation of treasury shares	–	191	191	–	–	–
Total comprehensive income for the year	–	–	–	–	(176)	–
Balance as at 30 June 2010	**52**	**1 491**	**1 543**	**12**	**(466)**	**2 487**

Ordinary share capital and ordinary equity holder's funds							
Available-for-sale reserve	Currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity holders**	**Non cumulative non redeemable preference shares**	**Non controlling interest**	**Total equity**
1 107	**1 365**	**(185)**	**37 937**	**43 082**	**4 519**	**2 377**	**51 066**
–	–	–	–	–	–	13	13
–	–	(51)	–	8	–	(138)	(130)
–	–	–	(3 764)	(3 764)	–	(804)	(4 568)
–	–	–	–	–	(464)	–	(464)
–	–	(34)	–	(34)	–	(207)	(241)
–	–	–	(223)	(223)	–	–	41
–	(615)	72	6 501	5 064	464	852	6 380
1 107	**750**	**(198)**	**40 451**	**44 133**	**4 519**	**2 093**	**52 097**
–	–	–	–	–	–	7	7
–	–	(440)	150	(109)	–	(62)	(171)
–	–	–	(2 955)	(2 955)	–	(420)	(3 375)
–	–	–	–	–	(344)	–	(344)
–	–	–	(3)	–	–	–	–
–	–	2	(27)	(23)	–	508	485
–	–	–	(254)	(254)	–	–	(63)
(138)	(52)	19	9 444	9 097	344	886	10 327
969	**698**	**(617)**	**46 806**	**49 889**	**4 519**	**3 012**	**58 963**

Segmental reporting
for the year 30 June 2010

R million	FNB	FNB Africa	RMB	WesBank
Continuing operations				
Net interest income before impairment of advances	9 512	1 590	116	4 144
Impairment of advances	(3 421)	(68)	(195)	(2 048)
Net interest income after impairment of advances	6 091	1 522	(79)	2 096
Non interest income	14 518	1 516	8 770	2 868
Increase in value of policyholder liabilities	–	–	–	–
Net income from operations	20 609	3 038	8 691	4 964
Operating expenses	(14 884)	(1 795)	(4 085)	(3 874)
Share of profit from associates and joint ventures	108	8	17	210
Profit before tax	5 833	1 251	4 623	1 300
Tax	(1 545)	(379)	(1 225)	(339)
Profit for the year from continuing operations	4 288	872	3 398	961
Discontinued operations				
Profit attributable to discontinued operations	–	–	–	–
Profit for the year	4 288	872	3 398	961
Attributable to:				
Ordinary equity holders	4 288	509	3 398	897
Non cumulative non redeemable preference shares	–	–	–	–
Non controlling interest	–	363	–	64
Profit for the year	4 288	872	3 398	961
Attributable earnings to ordinary equity holders	4 288	509	3 398	897
Headline and normalised earnings adjustments	15	15	(137)	56
Normalised earnings (unaudited)	4 303	524	3 261	953
Assets under management or administration	251 269	35 063	268 819	97 357
Income statement includes:				
Depreciation	(891)	(62)	(173)	(184)
Amortisation	(52)	(37)	(71)	(30)
Impairment charges	(7)	–	(73)	(67)
Other non cash provisions	(710)	(110)	(1 191)	(113)
Statement of financial position includes:				
Investment in associates and joint ventures	264	26	4 440	1 151
Total assets	204 309	33 593	268 819	97 357
Total liabilities	199 115	29 544	263 135	95 452

** Consolidation and IFRS adjustments Banking Group includes divisions disclosed elsewhere.*
*** Other includes FirstRand company, consolidation of treasury shares and consolidation entries.*

	Corporate Centre	Consolidation and IFRS adjustments Banking Group*	Banking Group	Momentum	Other**	Total
	1 406	(170)	16 598	–	(248)	16 350
	43	3	(5 686)	–	–	(5 686)
	1 449	(167)	10 912	–	(248)	10 664
	1 711	(3 243)	26 140	578	43	26 761
	–	–	–	–	193	193
	3 160	(3 410)	37 052	578	(12)	37 618
	(2 104)	1 514	(25 228)	–	(83)	(25 311)
	407	(50)	700	–	–	700
	1 463	(1 946)	12 524	578	(95)	13 007
	(387)	503	(3 372)	(162)	7	(3 527)
	1 076	(1 443)	9 152	416	(88)	9 480
	–	–	–	1 304	(110)	1 194
	1 076	(1 443)	9 152	1 720	(198)	10 674
	1 075	(2 133)	8 034	1 683	(273)	9 444
	–	230	230	38	76	344
	1	460	888	(1)	(1)	886
	1 076	(1 443)	9 152	1 720	(198)	10 674
	1 075	(1 903)	8 264	1 721	(541)	9 444
	192	130	271	89	159	519
	1 267	(1 773)	8 535	1 810	(382)	9 963
	103 454	(55 497)	700 465	312 791	(6 781)	1 006 475
	(91)	(29)	(1 430)	–	–	(1 430)
	–	1	(189)	–	–	(189)
	–	(69)	(216)	–	29	(187)
	(192)	(11)	(2 327)	–	(63)	(2 390)
	943	77	6 901	–	(1 158)	5 743
	103 454	(54 377)	653 155	198 866	(6 781)	845 240
	67 440	(56 785)	597 901	190 142	(1 766)	786 277

FirstRand Group

Segmental reporting *continued*
for the year 30 June 2009

R million	FNB	FNB Africa	RMB	WesBank	
Continuing operations					
Net interest income before impairment of advances	10 359	1 564	362	3 717	
Impairment of advances	(4 920)	(96)	(523)	(2 745)	
Net interest income after impairment of advances	5 439	1 468	(161)	972	
Non interest income	13 664	1 241	4 765	2 588	
Decrease in value of policyholder liabilities	–	–	–	–	
Net income from operations	19 103	2 709	4 604	3 560	
Operating expenses	(14 095)	(1 490)	(3 543)	(3 581)	
Share of profit from associates and joint ventures	52	3	994	151	
Profit before tax	5 060	1 222	2 055	130	
Tax	(1 341)	(396)	(545)	(35)	
Profit for the year from continuing operations	3 719	826	1 510	95	
Discontinued operations					
Profit attributable to discontinued operations	–	–	–	–	
Profit for the year	3 719	826	1 510	95	
Attributable to:					
Ordinary equity holders	3 719	516	1 510	45	
Non cumulative non redeemable preference shares	–	–	–	–	
Non controlling interest	–	310	–	50	
Profit for the year	3 719	826	1 510	95	
Attributable earnings to ordinary equity holders	3 719	516	1 510	45	
Headline and normalised earnings adjustments	37	(2)	26	279	
Normalised earnings (unaudited)	3 756	514	1 536	324	
Assets under management or administration	248 726	32 920	275 097	94 472	
Income statement includes:					
Depreciation	(855)	(43)	(157)	(178)	
Amortisation	(50)	(12)	(33)	(27)	
Impairment charges	(14)	–	(26)	(79)	
Other non cash provisions	(652)	(91)	(715)	(104)	
Statement of financial position includes:					
Investment in associates and joint ventures	134	23	5 279	968	
Total assets	206 799	31 640	275 097	94 472	
Total liabilities	197 230	28 180	272 646	94 363	

** Consolidation and IFRS adjustments Banking Group includes divisions disclosed elsewhere.*
*** Other includes FirstRand company, consolidation of treasury shares and consolidation entries.*

Corporate Centre	Consolidation and IFRS adjustments Banking Group*	Banking Group	Momentum	Other**	Total
1 857	(225)	17 634	–	(345)	17 289
(50)	310	(8 024)	–	–	(8 024)
1 807	85	9 610	–	(345)	9 265
1 161	(3 659)	19 760	464	115	20 339
–	–	–	–	(284)	(284)
2 968	(3 574)	29 370	464	(514)	29 320
(1 723)	1 377	(23 055)	–	27	(23 028)
393	(16)	1 577	–	–	1 577
1 638	(2 213)	7 892	464	(487)	7 869
(434)	1 451	(1 300)	(130)	19	(1 411)
1 204	(762)	6 592	334	(468)	6 458
–	–	–	1 255	125	1 380
1 204	(762)	6 592	1 589	(343)	7 838
1 204	(1 601)	5 393	1 542	(434)	6 501
–	309	309	52	103	464
–	530	890	(5)	(12)	873
1 204	(762)	6 592	1 589	(343)	7 838
1 204	(1 292)	5 702	1 594	(795)	6 501
(8)	22	354	55	241	650
1 196	(1 270)	6 056	1 649	(554)	7 151
90 709	(47 780)	694 144	301 362	(30 022)	965 484
(71)	(6)	(1 310)	–	–	(1 310)
–	(2)	(124)	–	(42)	(166)
–	2	(117)	–	37	(80)
(260)	(119)	(1 941)	–	(186)	(2 127)
797	138	7 339	6 941	(3 212)	11 068
90 709	(51 884)	646 833	187 656	(24 638)	809 851
53 920	(48 934)	597 405	179 870	(19 521)	757 754

Sources of normalised earnings from continuing and discontinued operations
for the year 30 June

R million	**2010**	**% composition**	2009	% composition	% change
FNB	**4 303**	**43**	3 756	53	14
FNB Life	**416**	**4**	334	5	25
RMB	**3 261**	**33**	1 536	21	>100
WesBank	**953**	**10**	324	4	>100
FNB Africa	**524**	**5**	514	7	2
Corporate Centre	**(506)**	**(6)**	(74)	(1)	>100
FirstRand Limited (company)	**(38)**	**–**	(90)	(1)	(58)
Dividend payment to non cumulative non redeemable preference shareholders	**(344)**	**(3)**	(464)	(6)	(26)
Normalised earnings from continuing operations (unaudited)	**8 569**	**86**	5 836	82	47
Momentum	**1 394**	**14**	1 315	18	6
Normalised earnings from continuing and discontinued operations (unaudited)[1]	**9 963**	**100**	7 151	100	39

1 *The definition of normalised earnings is provided on page 149.*

Banking Group

FIRSTRAND
Banking Group

INTRODUCTION

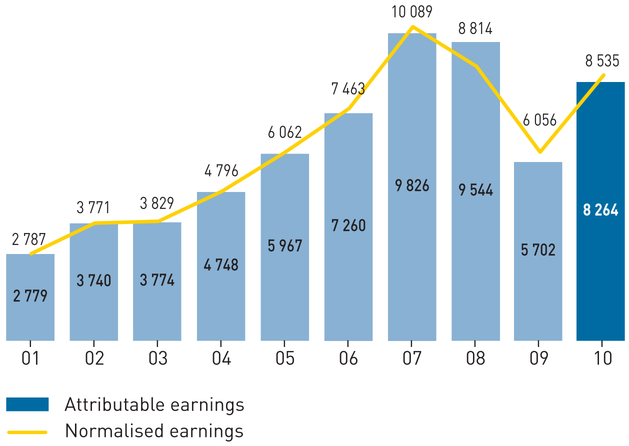
This report covers the operational and financial results of the Banking Group ("FRBG") which represents the banking activities of FirstRand and includes FNB, FNB Africa, RMB, WesBank and FirstRand Short Term Insurance ("FRSTI").

Financial highlights

R million	Year ended 30 June 2010	2009	% change
Attributable earnings to shareholders	**8 264**	5 702	45
Headline earnings	**8 234**	6 076	36
Normalised (before preference dividends) (unaudited)			
Earnings	**8 535**	6 056	41
Return on equity %	**17**	13	
Normalised (after preference dividends) (unaudited)			
Earnings	**8 305**	5 747	45
Return on equity (%)	**18**	13	

Earnings performance

(R million)



Abbreviated financial statements

Consolidated income statement

	Year ended 30 June		
R million	2010	2009	% change
Interest and similar income	39 070	52 098	(25)
Interest expenses and similar charges	(22 472)	(34 464)	(35)
Net interest income before impairment of advances	16 598	17 634	(6)
Impairment losses on loans and advances	(5 686)	(8 024)	(29)
Net interest income after impairment of advances	10 912	9 610	14
Non interest revenue	26 140	19 760	32
Income from operations	37 052	29 370	26
Operating expenses	(24 785)	(22 659)	9
Net income from operations	12 267	6 711	83
Share of profit from associates and joint ventures	700	1 577	(56)
Income before tax	12 967	8 288	56
Indirect tax	(443)	(396)	12
Profit before tax	12 524	7 892	59
Direct tax	(3 372)	(1 300)	>100
Profit for the year	9 152	6 592	39
Attributable to:			
Ordinary shareholders	8 034	5 393	49
Non cumulative non redeemable preference shares	230	309	(26)
Equity holders	8 264	5 702	45
Non controlling interest	888	890	(0)
Profit for the year	9 152	6 592	39

Banking Group

Reconciliation of normalised earnings (unaudited)

	Year ended 30 June		
R million	2010	2009	% change
Attributable earnings	**8 264**	5 702	45
Adjusted for:			
– (Profit)/loss on sale of subsidiary	**(115)**	27	(>100)
– (Profit) on sale of associate	**(203)**	–	(>100)
– Loss on sale of MotorOne Advances book	**–**	203	(>100)
– Loss on sale of Private Label book	**18**	39	(54)
– Impairment losses[1]	**257**	117	>100
– Transfer (from)/to available-for-sale assets	**(31)**	(2)	>100
– Other	**(12)**	14	(>100)
– Non controlling interest	**3**	(13)	>100
– Tax effect of the adjustments	**53**	(11)	>100
Headline earnings	**8 234**	6 076	36
Adjusted for:			
– IFRS 2 share based payment expense	**301**	(20)	>100
Normalised earnings	**8 535**	6 056	41
Preference dividends paid	**(230)**	(309)	(26)
Normalised earnings attributable to ordinary shareholders	**8 305**	5 747	45

1 *Primarily goodwill and other assets.*

Abridged consolidated statement of financial position
as at 30 June

R million	2010	2009	% change	2008
ASSETS				
Derivative financial instruments	**39 764**	60 229	(34)	49 104
Advances	**434 778**	420 224	3	449 156
Investment securities and other investments	**117 155**	105 745	11	96 995
Other assets	**61 458**	60 635	1	62 839
Total assets	**653 155**	646 833	1	658 094
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**513 984**	489 746	5	496 074
Short trading positions and derivative financial instruments	**52 770**	77 870	(32)	79 341
Other liabilities	**31 147**	29 789	5	33 150
Total liabilities	**597 901**	597 405	–	608 565
Total equity	**55 254**	49 428	12	49 529
Total equity and liabilities	**653 155**	646 833	1	658 094

Review of results

INTRODUCTION

The global economy staged a strong recovery in the first half of the 2010 financial year. This recovery was, however, brought about by the abnormal fiscal and monetary policy response, both in terms of magnitude and in terms of coordination, to the global recession. Many economies, including the US and China, also benefited from the positive impact of a resurgence in global trade thanks to a rebuild of inventories following large scale cutbacks in early 2009. The V-shaped recovery resulted in world output growing above trend in early 2010.

The positive sentiment associated with the strong recovery was tempered towards the latter part of the financial year as it became increasingly evident that global activity will face severe headwinds over the next few years.

The developed world faces rising government debt from already elevated levels and still over-indebted consumers. The risk these debt burdens pose to global economic activity was highlighted when the IMF and EU were forced to announce bailout and support packages to prevent a sovereign debt default in Greece. These developments forced a number of developed economies to recognise the need for fiscal consolidation to reduce budget deficits and stabilise government debt to GDP ratios. It also resulted in recognition that developed market economic growth will slow towards the latter part of 2010.

While emerging market economies were not isolated from the impact of events in the developed world, balance sheets in these economies are generally healthier and seem to be in a better position to sustain growth at or above their long term growth trends.

Lagging the global economic recovery somewhat, the South African economy emerged from recession during the third quarter of 2009. As was the case for the rest of the world, growth was supported by significant policy stimulus and external trade. Economic conditions were nevertheless quite challenging during the first part of the financial year. Real disposable income remained under pressure as job losses continued to mount. Labour market woes and uncertainty over the sustainability of the recovery also weighed on credit growth.

Falling inflation allowed the South African Reserve Bank to cut interest rates by a further 100 bps during the financial year to 30 year lows. While this eased the pressure on real disposable income in the second half of the financial year, the economy continued to shed jobs which depressed credit demand. The lower interest rate environment and recovery in economic activity did, however, support a meaningful recovery in the housing market.

While the materially lower average interest rates weighed on the Banking Group's endowment income, the cumulative benefit of the interest rate cuts, the recovery in house prices during the latter half of the financial year and higher equity prices eased pressure on consumers. This impacted positively on retail bad debt levels. In contrast there was an increase in commercial and corporate impairment levels in certain areas of the advances book.

The Banking Group's asset base experienced marginal growth, affected by the subdued economic activity and reduced customer demand during the year, although a positive trend was experienced in most asset generators during the second half of the financial year.

OVERVIEW OF RESULTS

The Banking Group produced results for the year which reflect a significant recovery in profitability from the 2009 financial year.

Attributable earnings of R8 264 million (+45%), headline earnings of R8 234 million (+36%) and normalised earnings of R8 535 million (+41%) were achieved.

These results are characterised by the following themes:

- continued pressure on net interest income resulting in a 6% reduction, adversely affected by a reduction in accrual 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 29% in impairment of advances, primarily in the retail franchises (HomeLoans, Card and WesBank), reflecting the impact and benefits of the lower interest rate environment and the resultant gradual deleveraging of consumers, recorded in spite of the negative impact of significant job losses over the last 18 months within the South African economy;
- a significant increase of 32% in non interest revenue, reflective of:
  - fee and commission income growth of 7%;
  - a rebound in fair value income with growth in excess of 100% off a low base, benefiting from a significant turnaround in the performance of the Equity Trading business reflecting the benefits of the continued derisking of the international portfolios and strong fair value income from the local trading businesses;
  - an increase of more than 100% in profits from investment activities, assisted by a large private equity realisation during the latter half of the financial year and by the significant turnaround in profits earned on assets held against long term employee obligations; and

- an increase of 9% in operating expenses, primarily driven by variable costs associated with higher income levels.

DISCLOSURE OF ADVANCES AND DEPOSITS

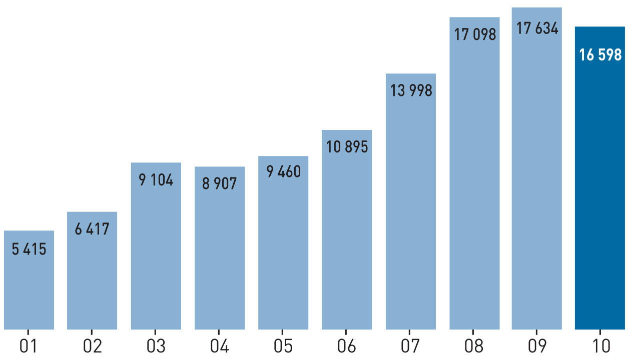
During both the previous and current financial years, the Banking Group progressively improved business processes in its corporate lending and deposit books. As a direct consequence of these changes, certain corporate advances and deposits qualified for setoff for accounting purposes ("LROS setoff").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

DETAILED FINANCIAL REVIEW

Net interest income ("NII") (before impairment of advances) – down 6%

Net interest income before impairments

(R million)



The South African Reserve Bank reduced interest rates by a further 100bps during the financial year following a 450bps decrease during the comparative year.

As a consequence of the high interest rate environment experienced during the first half of the 2009 financial year and the rapid subsequent reduction in rates, the average prime overdraft rate was 10.43% during the current financial year compared to 14.32% in the comparative period.

Overall, margins on advances improved compared to the year ended 30 June 2009, 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 and the negative endowment effect related to the lower rate environment.

More detailed margin information for the Banking Group is set out on page 106.

Net interest income and interest margins were positively influenced by:

- the volume effect from the higher capital base;
- the repricing 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;
- the endowment effect; and
- flat core balance sheet growth year on year.

Advances – up 3%

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.

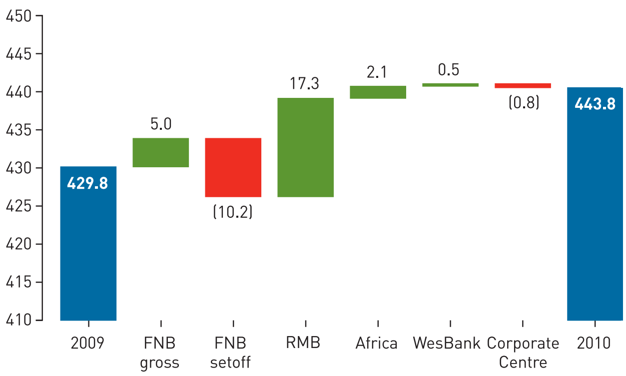
An analysis of the Banking Group's net advances is set out below:

Advances

R million	2010	2009	% change
Gross advances before contractual interest suspended	445 815	431 711	3
Less: Contractual interest suspended	(2 065)	(1 896)	9
Gross advances	443 750	429 815	3
Less: Balance sheet impairments	(8 972)	(9 591)	(6)
Net advances	434 778	420 224	3
Accrual advances	317 391	321 311	(1)
Fair value advances	117 387	98 913	19
Net advances	434 778	420 224	3

Gross advances

(R billion)



The Banking Group's core accrual advances book contracted marginally during the year.

FNB's gross reported advances decreased 3% (a marginal increase of 2% excluding LROS setoff), reflective of a challenging operating environment with low levels of credit appetite in the retail franchises and negative corporate advances growth.

On a segmental basis, the decrease in reported advances was driven by:

- a 3% decrease in the Consumer segment, affected by a reduction across all lending categories, the biggest impact being a 2% decline in HomeLoans. The decline in HomeLoans reflects continued subdued market conditions, although new business market share improved from 15% to 20% during the financial year;
- a decrease of 9% in Card Issuing due to continued client deleveraging and stricter lending criteria being applied; and
- a decrease of 80% in Corporate (41% decrease excluding the impact of LROS setoff), the underlying operational decrease in advances driven by lower working capital facility utilisation by clients;

offset to some extent by:

- strong growth of 23% in the Mass segment, primarily driven by strong growth in the affordable housing market with the SmartBond product, where sales increased 88%;
- 15% growth in the Wealth segment, assisted by client growth and reflective of more resilience in the higher end of the market; and
- growth of 5% in the Commercial segment, positively affected by higher activity in commercial property finance and agricultural advances areas.

WesBank's advances a marginal increase year-on-year, with the runoff of the older in-force advances book setting off the increase in new business production.

Total new business increased 15% over the prior year, benefiting from a 29% increase in retail new business production, reflective of the turnaround in new vehicles sales of 24%. This was offset, to some extent, by Corporate advances growth which remained under pressure, with a 20% decline in new corporate business.

The African subsidiaries reflected satisfactory advances growth of 12%, affected by:

- growth of 18% in FNB Botswana (although absolute growth was constrained by the strengthening of the Rand against the Pula), benefiting from a concerted effort in the retail and commercial property finance areas;
- strong growth of 39% in Swaziland, reflecting an increase in overall market share from 17% to 21%, driven primarily by higher levels of asset finance advances as well as higher levels of corporate business written; and
- growth of 9% in Moçambique, albeit off a low base, benefiting from the expanding footprint of the business.

Fair value advances within RMB increased 19% during the year, assisted by:

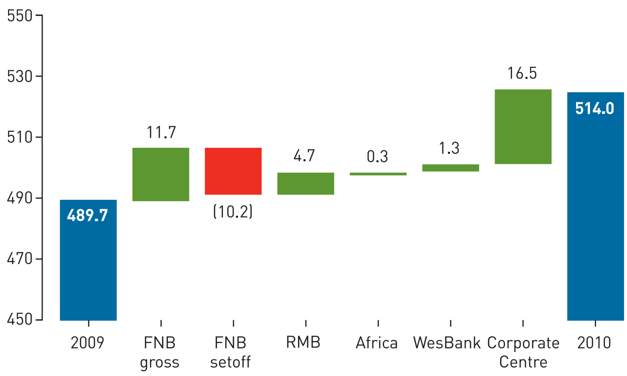
- strong demand within the Prime Broking area of the Fixed Income, Currency and Commodities division ("FICC"); and
- solid growth in the lending activities with moderate growth in loans and advances within the Investment Banking division ("IBD"). This growth is attributable to a steady increase in the property and preference share portfolios throughout the year and growth in the infrastructure portfolio. In addition, an uptick in activity in the debt capital market conduits was noted. Despite a sharp rolloff of advances during the year, IBD managed to replace the in-force book across the portfolio and the new business pipeline remains strong.

Deposits – up 5%

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

Deposits

(R billion)



R million	2010	2009	% change
Deposits as reported	513 984	489 746	5
Add: Balances subject to setoff agreements	17 653	7 400	>100
Deposits before setoff	531 637	497 146	7
Less: Deposits subject to LROS setoff	(17 653)	(15 901)	11
Adjusted deposits	513 984	481 245	7

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 reflected muted deposit growth of 1%. Absolute growth was constrained through ongoing deleveraging by clients. The Consumer segment reflected growth of 6%, primarily from current and notice deposits which grew 14% and 10% respectively. However, the lower interest rate environment made longer term products less attractive than in the comparative period, constraining absolute growth.

The Commercial segment achieved growth of 5%, reflective of limited investing in working capital and capacity by clients.

Corporate and Public Sector deposits decreased 6% and 13% respectively, due primarily to the application of LROS setoff during the year. Excluding the accounting impact of LROS setoff, underlying Corporate deposits increased 11% and Public Sector deposits 6%.

The African subsidiaries reflected growth of 5% in deposits year-on-year. Moçambique experienced robust growth of 58% off a low base, benefiting from its expanding branch footprint, while Swaziland achieved growth of 22%, benefiting from increased corporate activity levels. FNB Botswana achieved deposit growth (excluding Bank of Botswana Certificates ("BoBCs") of 12% year-on-year due to renewed focus on relationship building and sales. Including the disinvestment from BoBCs, deposit growth reflected a decrease of 9%.

Impairment losses on loans and advances – down 29%

Although the economic recovery was tepid during the year under review, it had some positive impacts on the credit portfolios. The interest rate reductions from 2008 to 2010 resulted in a reduced level of new NPLs and credit impairments in most retail credit portfolios. Although the recent economic crisis impacted corporate activity and profitability levels, the Corporate/Wholesale credit portfolio remained fairly resilient. The Commercial market NPLs and impairments increased since June 2009 with the losses concentrated in particular portfolios.

The Banking Group sets its risk appetite with reference to the economic and business cycle of the markets within which it operates. The interrelationship between the risk appetite and credit criteria is carefully managed on an ongoing basis, with the focus on adequate return for risk throughout the economic cycle. After carefully tightening the credit criteria up to June 2009, the Banking Group began to ease some criteria in line with the recovery in the economic environment. However, concerns remained around the overall recovery of consumers and a cautious approach to retail lending was maintained.

Advances increased 3% during the year under review. The combination of limited credit demand and the focus on appropriate risk return from a risk appetite perspective resulted in low advances growth during the year under review.

The NPL % decreased from 5.6% at 30 June 2009 to 5.0% at 30 June 2010. NPL levels are still impacted by the debt counselling process which results in the lengthening of the work out process, especially for secured portfolios. The credit impairment charge for the year ended 30 June 2010 was 1.30%, comparing favourably to the impairment charge at 30 June 2009 of 1.81%.

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

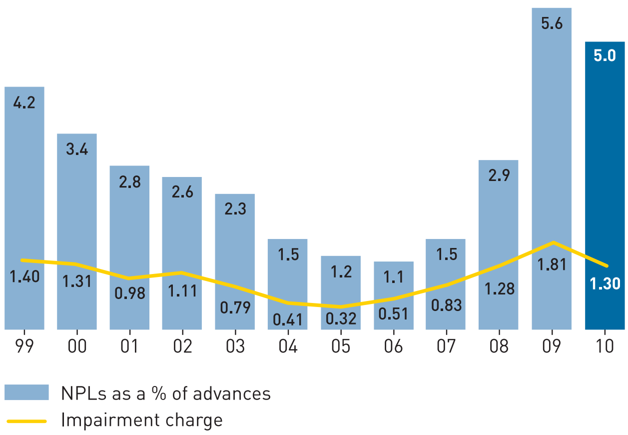
Credit highlights

R million/%	2010	2009	% change
Total gross advances	**443 750**	429 815	3
NPLs	**22 205**	24 227	(8)
NPL as % of gross advances	**5.00**	5.64	(11)
Impairment charge	**5 686**	8 024	(29)
Impairment charge as % of average advances	**1.30**	1.81	(28)
Total impairments[a]	**10 731**	10 984	(2)
– Portfolio impairments[a]	**3 566**	3 500	2
– Specific impairments[a]	**7 165**	7 484	(4)
Implied loss given default (coverage)[b]	**32.3**	30.9	4
Total impairments coverage ratio[c]	**48.3**	45.3	7

a) Includes cumulative credit fair value adjustments.
b) Specific impairments and non performing book cumulative credit fair value adjustments as a percentage of NPLs.
c) Total impairments and total cumulative credit fair value adjustments as a percentage of NPLs.

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

NPLs and impairment history



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

Segmental credit highlights

	Gross advances		NPLs as a % of advances		Impairment charge as a % of average advances	
R million/%	2010	2009	2010	2009	2010	2009
Retail	**281 388**	275 886	**6.82**	7.65	**1.79**	2.66
Residential mortgages	**152 300**	147 937	**8.24**	9.21	**0.94**	1.62
Credit card	**10 705**	11 726	**6.28**	12.31	**6.92**	11.18
Vehicle and asset finance	**88 761**	88 536	**5.38**	4.92	**1.94**	2.41
FNB Africa	**19 645**	17 519	**2.07**	2.45	**0.37**	0.58
Other retail	**9 977**	10 168	**7.71**	12.17	**10.00**	13.32
Corporate/Wholesale	**160 599**	148 578	**1.90**	1.94	**0.44**	0.62
FNB Corporate	**1 697**	8 373	**0.06**	1.00	**0.68**	0.59
FNB Commercial	**28 590**	27 216	**6.74**	5.96	**1.60**	1.52
Investment banking	**130 312**	112 989	**0.86**	1.04	**0.16**	0.43
Corporate Centre and other	**1 763**	5 351	**(1.59)**	4.69	**0.62**	(5.20)
Total	**443 750**	429 815	**5.00**	5.64	**1.30**	1.81

Expectations

The Banking Group's credit strategy maintains its alignment with its macroeconomic view. The macroeconomic outlook remains cognisant of a slow economic recovery and potential volatility introduced from the global economic environment.

The macro environment for retail portfolios in particular has improved. Interest rates continued their downward trend over the last year, income growth again turned positive, wages are increasing but job losses continued (albeit at a slower rate). The positive impact of the interest rate reductions were reflected in the reduced levels of new NPLs and credit impairments in most retail credit portfolios. Although debt servicing costs reduced substantially after the interest rate reductions, consumers remain highly indebted and, as such, exposed to interest rate and other macroeconomic volatility.

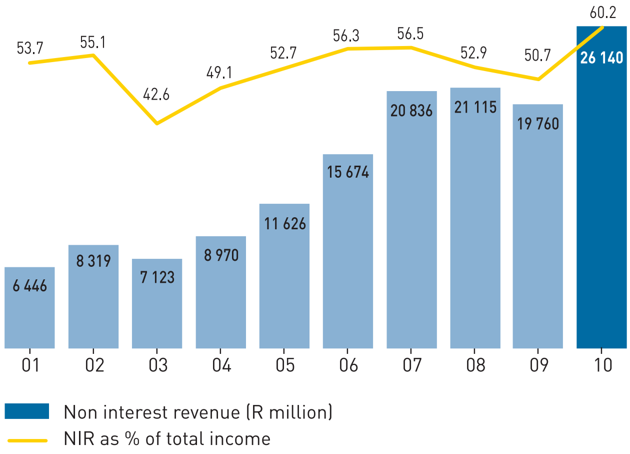
Despite the improvement in affordability measures and underlying asset recovery (for example, house price growth), credit appetite has not increased significantly. The cautious approach was driven by concerns around the debt levels in the economy. Consumers are still vulnerable to volatility in the external economic environment and concerns remain with regards to uncertainty on unemployment prospects. High levels of debt remain a constraint on consumer demand.

The commercial market continues to remain fragile. Improvement is expected to follow the consumer spending growth recovery. The large corporate market is still exposed for the same reason, but the expectation is that this market will follow the recovery in the global corporate space.

Securitisations

During the year 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.

Non interest revenue – up 32%



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 financial year, in spite of the challenging economic conditions.

FNB benefited from a 4% increase in client numbers as well as an absolute increase in both transaction volumes and value. Overall growth was, however, negatively impacted through customers migrating to cheaper electronic channels.

On a segmental basis:

- the Mass segment achieved 6% growth, benefiting from strong growth in transaction volumes, primarily as result of a 8% increase in revenue generating transactions, with a 10% growth in debit card transactions, 71% growth in prepaid airtime turnover and growth in FNB Life revenue;
- the Consumer segment reflected 8% growth, assisted by a 5% increase in the active transactional account base as well as higher levels of interchange fees earned, although absolute growth was hampered by the adverse economic conditions during the year;
- the Commercial segment achieved growth of 3%, with a 13% increase in income from Card acquiring (SpeedPoint), whilst transactional banking was negatively impacted by the economic conditions with a 17% decline in income from international banking operations;
- Wealth increased marginally by 1%, benefiting from a strong increase in transactional volumes, although the results were negatively impacted by adverse exchange rate fluctuations; and

- growth of 1% from the Corporate segment, benefiting from strong growth in electronic channels, offset to some extent by pressure in the traditional transactional channels and continuous pricing pressures.

WesBank achieved non interest revenue growth of 3% (11%, including the loss of R203 million on the disposal of MotorOne during the comparative period). The local lending business benefited from strong annuity insurance revenue earned as well as increased administration fees introduced through the National Credit Act on new business written. This was offset to some extent by lower non interest revenue in WesBank's international operations, primarily due to the disposal of the Australian finance operation (MotorOne) in the comparative period.

Knowledge based fee income remained robust in spite of the challenging economic conditions during the year, reflecting an increase of 5% year-on-year. RMB continued to benefit from good deal flow due to BEE and M&A activity, completing several large transactions during the year.

Income from fair value assets – up >100%

Overview

RMB's trading businesses reflected robust growth during the current financial year after a very difficult 2009 financial year.

In addition, the interest rate reductions in the comparative reporting period resulted in significant hedging losses being incurred and reflected against fair value income, which were not repeated in the year under review due to the more benign rate environment.

As a result, the Banking Group reflected robust growth in fair value income during the year, albeit from a lower base of R1 427 million to R4 217 million.

RMB

RMB's trading businesses experienced a significant turn around in performance from the comparative period.

The Equity Trading business reported profits of R381 million during the current year, a significant recovery from the loss of R782 million reported in the comparative period. The current period results reflect the benefits achieved from the substantial derisking of the international portfolios as well as a strong performance from the local agency and trading businesses, assisted by higher volumes of securities traded on the JSE and a general strengthening of equity markets during the year. In addition, the comparative period was negatively affected by mark to market losses of R116 million incurred on the collapse of Dealstream, a futures clearing client.

FICC reported profits up 25% in comparison to the prior year, continuing the improved performance achieved during the first half of the financial year. The fee based and client flow businesses were affected by a decline in client flows and tighter margins in the fixed income businesses. Proprietary trading opportunities remained constrained, although improving from the first half of the financial year.

In comparison to losses incurred in the comparative period of R775 million, RMB incurred mark to market losses of R130 million 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 financial year. As indicated previously, the remaining portfolios are illiquid. However, progress has been made in reducing these positions further. The remaining positions total $146 million at 30 June 2010 (June 2009: $224 million).

Other

As indicated in the results for the year ended 30 June 2009, the Banking Group extensively uses fair value instruments to economically hedge or reduce exposures to interest rate risk. Some of these instruments do not qualify for hedge accounting in terms of IFRS. As a result, accounting mismatches occur.

During the 2010 financial year, the Banking Group incurred fair value losses of R17 million (2009: R513 million loss) on these economic hedges. The income on the underlying hedged positions of R31 million (2009: R423 million) is reflected in Interest income.

Investment income – up >100%

Private equity – up 64%

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

The Private Equity division performed well during the year, assisted by a significant realisation during the latter half of the financial year. Private equity markets remained constrained although offering some opportunities for new investments.

In part due to new investment opportunities and in spite of a significant realisation during the year, the unrealised profits in the private equity portfolio increased from R1.2 billion at 30 June 2009 to R1.4 billion at 30 June 2010. 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 Banking 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 investment income – up >100%

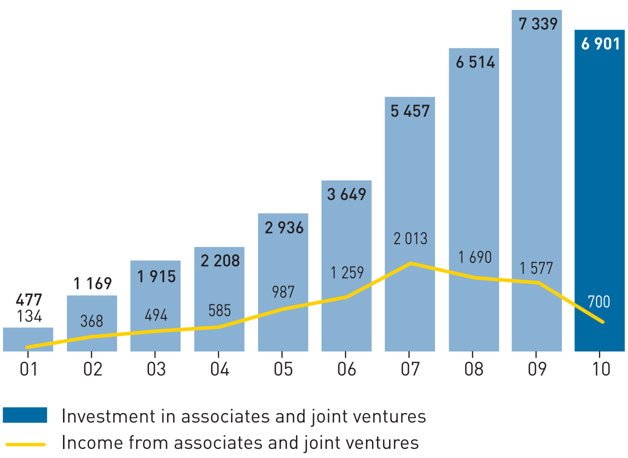
The Banking Group recorded other investment income of R151 million on assets held on balance sheet to cover long term employee benefits. These assets are invested in long term equity and inflation linked portfolios, which recorded significant mark to market profits during the period assisted by the recovery of local and international markets during the year. These portfolios incurred a loss of R364 million during the comparative year.

In addition, the Banking Group 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. The Banking Group benefited from disposals of selected properties as well as mark to market gains and realisations on other investment portfolios.

Equity accounted income – down 56%

Analysis of income from associates and joint ventures

(R million)



Equity accounted income reduced significantly during the current financial year.

The results were impacted by:

- a year-on-year decrease of 78% 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 loss due to significant impairment losses of R577 million, primarily against investments acquired as part of the Dealstream portfolio during 2008;

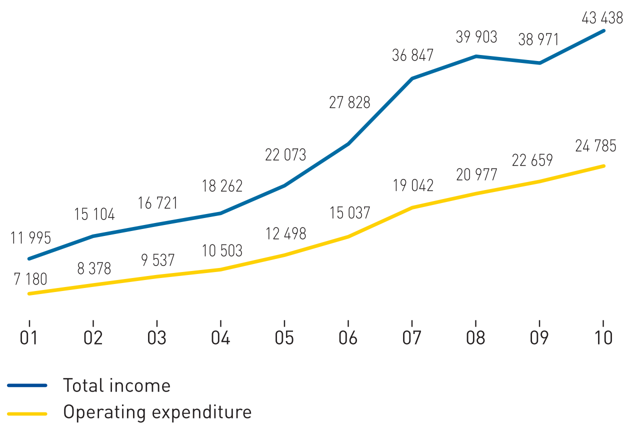
offset to some extent by:

- an increase of 4% from FRSTI with profitability growth negatively affected by ongoing startup costs associated with Youi, the direct insurance operation in Australia. The South African operations produced excellent results during the year, increasing profits 20%, benefiting from satisfactory premium income growth of 14% from OUTsurance, growth in market share in both the personal and commercial segments and an improved claims ratio. Overall profitability was, however, negatively affected by lower investment income, primarily due to the lower interest rate environment; and
- a strong performance from WesBank's associates affiliated to its lending activities, reflecting an improvement in the retail environment in which these entities operate.

Operating expenses – up 9%

Operating "jaws"

(R million)



The following significant factors contributed to the absolute increase in operating expenses:

- an increase of 16% in staff expenses, due to:
  - direct staff remuneration (salaries and wages) increasing 8%, affected by annual salary increases in excess of 8%, although offset to some extent by a reduction of approximately 3% in staff numbers;
  - other staff related costs increasing 36%, in part due to:
    - a significant swing in IFRS 2 share based payment expenses where the prior period reflected income due to the then lower FirstRand share price; and

- an increase in variable staff related remuneration directly linked to the increased profitability of the Banking Group;

- a 9% increase in depreciation, reflecting the increased investment in infrastructure during this and the immediate preceding year;
- an increase of 49% in costs associated with cooperation agreements and joint venture profit shares; and
- an increase of more than 100% in impairments of assets, primarily on goodwill;
- an increase of 60% in costs associated with expansion activities.

A detailed analysis of operating expenditure is set out on page 112.

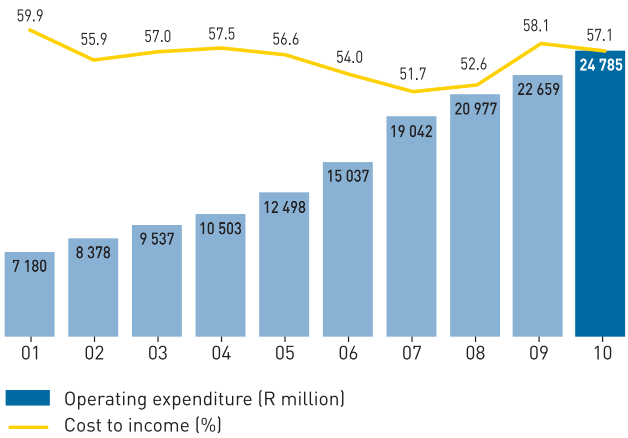
Cost to income ratio

The cost to income ratio improved from 58.1% at 30 June 2009 to 57.1%.

This improvement was due to the Banking Group achieving positive "jaws" of 2.1% in the current year, benefiting from increased topline revenue growth during the financial year.

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

Operating efficiency



Direct taxation – up >100%

The direct tax charge as a percentage of income before direct tax increased from 16.5% to 26.9%. 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 lower levels of income subject to CGT. In addition, the current year charge was negatively affected by the write down of deferred tax assets relating to the Banking Group's international operations, the impairment of associates and the high level of IFRS 2 costs.

CHANGE IN DISCLOSURE

During the financial period the following statement of financial position reclassifications were made:

R million	Amount as previously reported	Amount as restated	Difference	Explanation
30 June 2009 Statement of financial position Assets				
Accounts receivable	5 542	5 255	(287)	Reinsurance assets arising in the Banking Group's Namibian operations have been 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 ensure consistent treatment with the Group's other insurance operations.
Reinsurance assets	–	287	287	Refer accounts receivable.

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

SIGNIFICANT DISPOSALS DURING THE YEAR

The Banking Group disposed of its private equity associate, Life Healthcare, through an initial public offering on the JSE Limited on 10 June 2010. The Banking Group realised a profit of R1.25 billion before tax on realisation. The profit on disposal forms part of headline earnings.

The Banking Group further disposed of its subsidiary in WorldMark Australia for a cash consideration of R525 million effective 30 June 2010. The Banking Group realised a profit of R155 million before tax on the disposal. The profit on disposal has been excluded from headline earnings.

The Banking Group realised a profit of R203 million before tax on the delisting of its associate, Makalani Holdings, during the year. This profit has been excluded from headline earnings as Makalani Holdings was considered a strategic investment and did not form part of the Banking Group's private equity portfolio.

OPERATIONAL RESULTS BY BUSINESS UNITS

	Year ended 30 June		
R million	2010	2009	% change
FNB	5 833	5 060	15
Mass	1 161	1 214	(4)
Consumer segment	1 722	(176)	>100
– HomeLoans	(318)	(1 753)	(82)
– Card Issuing	468	(109)	>100
– Other Consumer	1 572	1 686	(7)
Wealth segment	305	276	11
Commercial segment	2 144	2 777	(23)
Corporate segment	625	679	(8)
FNB Other and Support	(124)	290	(>100)
FNB Africa	1 251	1 222	2
RMB	4 623	2 055	>100
WesBank	1 300	130	>100
Corporate Centre[1]	1 463	1 638	(11)
Consolidation and IFRS adjustments	(1 322)	(1 779)	(26)
Less: Divisions disclosed elsewhere	(624)	(434)	44
Income before direct tax	12 524	7 892	59

1 *Including FirstRand Short Term Insurance.*

FNB OPERATIONAL REVIEW – SOUTH AFRICA AND AFRICA

Market dynamics

During the year to June 2010 FNB's operating environment remained challenging. Within South Africa, despite lower interest rates providing some relief to households, the consumer remains highly leveraged and this has resulted in muted retail credit appetite. Corporate demand for credit was also slow, as corporates have strong balance sheets and investment activity remains limited.

The global crisis, particularly the impact of falling commodity prices, continued to have a residual effect on some of the African territories in which FNB operates. Whilst some economic recovery, particularly in Botswana, is evident, this is at a very early stage and foreign currency flows and trade activity have not yet returned to previous levels.

Despite these macro pressures the FNB businesses continued to produce robust profitability, through the proactive management of credit and related impairments, increasing transactional volumes and the containment of operating expenses.

Progress on strategy

FNB's strategy is fully aligned with the overall FirstRand strategy to grow its domestic franchise in market segments where it is currently underrepresented. It enters these markets focusing on innovative products and delivery channels, especially favouring electronic platforms.

FNB has identified certain growth opportunities within the Mass, Wealth and Corporate segments and executed a number of operational initiatives during the year under review.

Over the past five years FNB was very successful in growing its franchise in the Mass market and now has over 3 million customers in this segment. It achieved this through a strong focus on delivering innovative and low cost transactional banking services, however, it remains relatively underweight in lending activities to these customers. To address this "gap" it has now commenced the rollout of its Easy Plan strategy which represents a low cost banking offering to Mass segment customers. The Easy Plan branches are well positioned in mass market activity hubs, are open longer than the traditional branches and are supported by low cost channels for lending, insurance, savings and transactional products and services.

The Wealth segment also offers growth opportunities and during the year FNB made an offer to acquire 100% of BJM's highly regarded private client and stockbroking business. FNB will incorporate the businesses and skills of BJM into its Wealth segment which will enable FNB to offer its customers a holistic wealth offering.

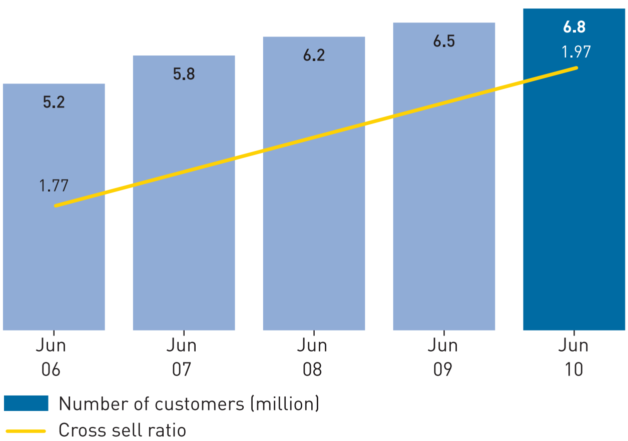
FNB already has a successful online share trading offering to its lower, middle and upper income segments via FNB Share Investing. The acquisition will enable bond and equity trades for the its wealthier customers and will result in access to the wealth of experience embedded in BJM. FNB's substantially larger client base in this segment will also see existing BJM customers benefiting from the greater economies of scale and wider delivery platforms across FNB's business units.

In terms of its strategy in Africa, FNB continues to expand its operating platform in Zambia and Moçambique, recently established a representative office in Angola, and is awaiting regulatory approval to establish full banking operations in Tanzania. In line with FirstRand's strategy, FNB is focusing on countries with strong domestic growth potential which are also well positioned to capture flows from Asia, particularly China and India.

Key performance indicators

- Growth in customers and cross sell for FNB South Africa

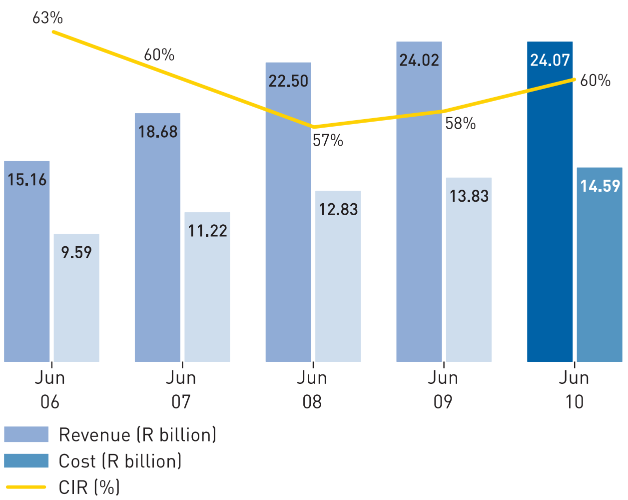
Growth in customers and cross sell for FNB South Africa



FNB's strategy to focus on customer relationships, supported by appropriate product and channel innovation, continues to produce positive results, as evidenced in the on-going growth in customer numbers. The success of this strategy is also reflected in the strong improvement in cross sell.

- Revenue and cost to income

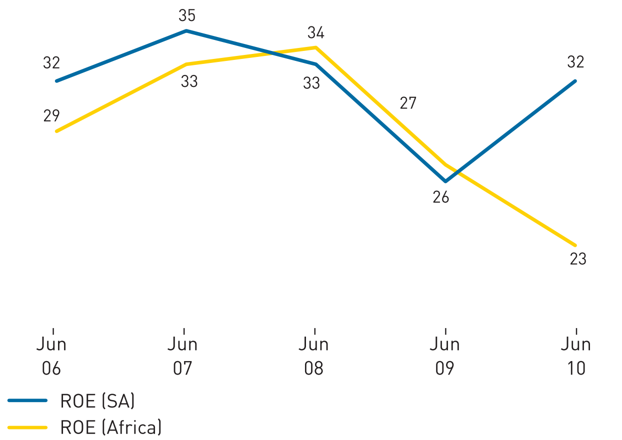
FNB continues to benefit from the execution of certain specific strategies in response to the current macro environment which include a strong focus on efficiencies and sustainable containment of cost growth. FNB has maintained cost growth to well below inflation for two years running and the absolute increase in costs in the year under review is the lowest in recent history. Whilst the cost to income ratio has deteriorated year-on-year, this reflects pressure on revenues and FNB believes that the current cost initiatives it is implementing will support profitability in the medium term as topline growth will remain challenging.



- ROE – South Africa and Africa

ROE

(%)



ROE is a key performance management ratio for the Group and FNB's ROE remains well above FirstRand's hurdle rate. The turnaround in the South African ROE in the year to June 2010 is largely driven by improved profitability together with efficient capital management.

The deterioration of the Africa ROE results from the additional operating expenses incurred as part of FNB's expansion of its operating footprint.

Financial highlights

	FNB – South Africa			FNB – Africa		
R million	2010	2009	% change	2010	2009	% change
Net interest income	**9 512**	10 359	(8)	**1 590**	1 564	2
Non interest revenue	**14 518**	13 664	6	**1 516**	1 241	22
Operating expenses	**(14 583)**	(13 838)	5	**(1 763)**	(1 460)	21
Income before indirect tax	**6 134**	5 317	15	**1 283**	1 252	2
Indirect tax	**(301)**	(257)	17	**(32)**	(30)	7
Income before direct tax	**5 833**	**5 060**	**15**	**1 251**	**1 222**	**2**
Normalised earnings (unaudited)	**4 303**	3 756	17	**524**	514	2
Gross advances	**199 113**	204 370	(3)	**19 645**	17 519	12
Total deposits	**194 014**	192 550	1	**26 626**	25 326	5
Assets under management	**45 837**	41 927	9	**1 473**	1 280	15
Cost to income (%)	**60.4**	57.5		**56.6**	52.0	
NPLs (%)	**7.8**	8.7		**2.1**	2.5	
ROE based on normalised earnings (%) (unaudited)	**32**	**26**		**23**	**27**	

Operational highlights

- Cellphone banking's registered customer base reached two million in May 2010 and prepaid sales grew 77%.
- Following the launch of FNB's Easy Plan in August 2009, 15 branches were opened by June 2010.
- Affordable housing advances grew 37% as a result of increased market share and residential development projects initiated by FNB Commercial.
- Send Money (banking without the need for a bank account, only a cellphone number) was launched in November 2009 and transactions through this channel have exceeded R100 million.
- FNB's collaboration with Pay Pal, a global online payment facilitator went live in March 2010, a first in the South African market.

Performance commentary – South Africa

FNB produced a strong performance for the year under review with both profit and ROE increasing. These results were driven mainly by a 30% decrease in bad debts and 6% growth in non interest revenue. These positives were, however, partly offset by contracting deposit margins due to the endowment impact, and lower net interest income resulting from lower balance sheet growth.

The decrease in bad debts is in line with expectations and resulted from a strong recovery in FNB HomeLoans and Card. The overall charge and ratio for residential mortgages is detailed below.

R million	Gross advances	Impairment	Impairment to average advances (%)
Affordable Housing	6 260	25	0.46
HomeLoans	108 558	1 181	1.08
Wealth	37 482	210	0.60
Total residential mortgages – June 2010	**152 300**	**1 416**	**0.94**
Residential mortgages – December 2009 (6 months)	149 484	869	1.17
Residential mortgages – June 2009	147 937	2 375	1.62

The increase in non interest revenue reflects good growth in customers as well as higher transactional volumes across all segments. However, revenue continued to be impacted by customers switching to less expensive electronic channels. This was a deliberate FNB strategy to incentivise and educate customers.

Operating expenses growth at below inflation was assisted by the 2.3% decrease in total head count which contained staff cost growth to 6%. However, this benefit was partly offset by higher variable costs associated with increased transactional volumes, property, cash conveyance and collections related expenses, together with the impact of infrastructure and process investments.

Advances were down year-on-year reflecting low levels of retail credit appetite in the Consumer segment as customers continue to deleverage, however, good advances growth was achieved in the Wealth and Mass segments. Corporate advances showed negative growth as corporates are currently cash flush and investment activity remains limited.

Deposit growth was muted due to the allowed setoff of balances in Corporate and Public Sector Banking. Excluding this impact, the deposits increased R3 billion (5%) as a result of growth in current and money market accounts, while the term investment book remained flat.

Segment performance

	FNB		
Income before direct tax R million	**June 2010**	June 2009	% change
Mass segment	**1 161**	1 214	(4)
Consumer segment	**1 722**	(176)	>100
– HomeLoans	**(318)**	(1 753)	(82)
– Card Issuing	**468**	(109)	>100
– Other Consumer	**1 572**	1 686	(7)
Wealth segment	**305**	276	11
Commercial segment	**2 144**	2 777	(23)
Corporate segment	**625**	679	(8)
FNB Other and Support	**(124)**	290	(>100)
FNB – South Africa	**5 833**	**5 060**	**15**
FNB Africa	**1 251**	1 222	2
Total FNB	**7 084**	**6 282**	**13**

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 cutoff between Consumer and Wealth and the transfer of business units.

Mass (Smart Solutions)

Financial highlights R million	**June 2010**	June 2009	% change
Net interest income	**1 071**	1 241	(14)
Non interest revenue	**3 620**	3 260	11
Operating expenses	**(2 991)**	(2 858)	5
Income before direct tax	**1 161**	**1 214**	**(4)**
Bad debts as % of advances	**6.03**	5.90	
NPLs (%)	**6.5**	10.2	
Gross advances	**9 232**	7 496	23
Deposits	**8 592**	8 075	6

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.

The Mass segment's performance was mainly impacted by the reduction in interest income due to margin squeeze on the endowment products. Despite increasing competition both advances and non interest revenue growth was robust reflecting the strong franchise FNB has developed in this market. The increase in advances was driven mainly by growth in affordable housing where sales increased 88%. Excellent ongoing growth in prepaid airtime turnover and revenue from bancassurance strategies also contributed positively. FNB Life continued to show good growth, despite increased policy lapse rates, with in-force policies increasing 30% to 3.9 million, driven mainly by funeral policies.

The increase in the bad debt charge is in line with management expectations and the final charge is still within tolerance levels. The decrease in NPLs is largely due to the acceleration of the writeoff policy.

A portion of the increase in operating costs resulted from investment in future growth strategies such as Cellphone Banking and Easy Plan.

Consumer

Financial highlights R million	**June 2010**	June 2009	% change
Net interest income	**4 217**	4 459	(5)
Non interest revenue	**4 578**	4 213	9
Operating expenses	**(4 877)**	(4 704)	4
Income before direct tax	**1 722**	**(176)**	**>100**
HomeLoans profit before direct tax	**(318)**	(1 753)	(82)
Card Issuing profit before direct tax	**468**	(109)	>100
Bad debts as % of advances	**1.74**	3.20	
NPLs (%)	**8.6**	10.5	
Gross advances	**122 305**	125 865	(3)
Deposits	**58 715**	55 633	6

Cheque and Transmission products (including overdrafts)
Investments and Equity products
Personal loans (including Student loans)
FNB Insurance Brokers (previously First Link)
eBucks
HomeLoans (including One Account)
Card Issuing
Electronic banking (FNB Online)

This segment focuses on providing banking and insurance solutions to customers with incomes ranging from R100 000 to R1 100 000 per annum as well as certain subsegments (youth and teens, students, graduates and seniors).

The single largest contributor to the Consumer segment's improved performance was the significant decrease in bad debts of over R1.9 billion, due to decreasing NPLs.

NII decreased as a result of low balance sheet growth which reflects the high levels of indebtedness that still prevails in this segment and customers are focusing on deleveraging.

NIR growth reflects good levels of transactional banking activity, driven mainly by growth in customer accounts and increased interchange revenue.

The increase in deposits resulted from solid growth in Current Accounts (+14%) and Notice Deposits (+10%).

HomeLoans

HomeLoans performance resulted from the significant reduction in NPLs to 9.0% and the bad debts charge reducing R1.1 billion.

Advances contracted as a result of market conditions remaining fairly subdued. Although second half sales were slightly up from that of the first half, new business is expected to remain under some pressure in the medium term.

HomeLoans new business market share steadily improved through 2009 from around 15% to 20%, however the current origination strategy is resulting in better quality credit. Re-pricing of new business resulted in improved margins.

Operating expenses declined 13% due to the active focus on cost management as well as restructure benefits which included headcount reductions.

Card Issuing

Card's performance was also largely driven by the reduction in NPLs and bad debts. Non interest revenue growth was excellent given that the active card holder base reduced, and the focus on efficiencies and cost containment resulted in lower operating expenses.

Wealth

Financial highlights R million	**June 2010**	June 2009	% change
Net interest income	**867**	693	25
Non interest revenue	**725**	713	2
Operating expenses	**(1 067)**	(1 054)	1
Income before direct tax	**305**	**276**	**11**
Bad debts as % of advances	**0.60**	0.21	
NPLs (%)	**6.7**	6.4	
Gross advances	**37 482**	32 732	15
Deposits	**15 772**	16 365	(4)
Assets under management	**45 837**	41 927	9

RMB Private Bank
FNB Private Clients
FNB Trust Services
Ashburton and FirstRand Trustees

This segment focuses on providing banking and investment solutions to customers with incomes above R1 100 000 per annum as well as certain trust, fiduciary and offshore investment services to all retail customers.

Whilst this segment produced a resilient performance it was impacted by higher bad debts.

Advances increased due to successful new client acquisition and conversions, and this, combined with improved margins due to repricing strategies, resulted in healthy net interest income growth.

Non interest revenue increased only marginally, mainly due to exchange rate fluctuations and subdued growth on value of estates administered, although these were partly offset by robust growth in transactional volumes.

Deposit growth was negatively impacted by higher yields in alternative investments in the current low interest environment and customers focusing on repaying debts.

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

Assets under management continue to grow due to good investment selection, despite the negative impact of exchange rate fluctuation.

Commercial segment

Financial highlights R million	**June 2010**	June 2009	% change
Net interest income	**2 913**	3 590	(19)
Non interest revenue	**3 395**	3 344	2
Operating expenses	**(3 693)**	(3 749)	(1)
Income before direct tax	**2 144**	**2 777**	**(23)**
Bad debts as % of advances	**1.60**	1.52	
NPLs (%)	**6.7**	6.0	
Gross advances	**28 590**	27 216	5
Deposits	**63 680**	60 928	5

Small Business, Business and Medium Corporate transactional and overdraft products
Investment products
SMMEs
Commercial property finance
Debtor finance
FNB Leveraged finance, BEE funding, Franchises, Tourism, Agric, Start-ups
SpeedPoint

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

The Commercial segment's performance was negatively impacted by the endowment impact on deposit margins and lower balance sheet growth, contributing to the decline in interest income.

The increase in non interest revenue reflects continued growth in transactional banking and SpeedPoint, although this was offset by lower volumes and a decline in dealing margins in International banking.

Deposit growth was partly driven by increased spend during the 2010 Soccer World Cup™ period, as well as higher deposit balances due to customers limiting investments in working capital or capacity.

Corporate

Financial highlights R million	**June 2010**	June 2009	% change
Net interest income	**549**	577	(5)
Non interest revenue	**1 292**	1 263	2
Operating expenses	**(1 175)**	(1 077)	9
Income before direct tax	**625**	**679**	**(8)**
Bad debts as % of advances	**0.68**	0.59	
NPLs (%)	**0.1**	1.0	
Gross advances	**1 697**	8 373	(80)
Deposits	**33 067**	35 275	(6)

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

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 cash flow optimisation and working capital solutions.

The Corporate segment's performance was affected by low import/export activity due to subdued economic activity.

Interest income decreased due to pressure on margins, as well as a reduction in the average advance balances offset by an effective increase in deposit balances (excluding the impact of LROS setoff).

Non interest revenue growth was achieved despite pricing pressures. However, whilst transactional volume growth was strong in the electronic channels, it remains under pressure in traditional channels.

Deposits (excluding the impact of LROS setoff) increased mainly as a result of lower utilisation of facilities by customers.

To enhance interface with large corporate clients the Corporate segment has been more closely aligned with RMB through the formation of the new Corporate & Investment Banking ("CIB") unit. This unit now has an integrated Client Coverage team, which is mandated to coordinate RMB's and FNB Corporate's combination of products and services to clients.

FNB Other and Support

Included in FNB Other and Support is Public Sector Banking, Branch Banking, Brand (marketing and communication) and Support.

Public Sector Banking

This segment offers transactional banking services and products to National, Provincial 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, excluding the impact of setoff, due mainly to resilient cash flows in National and Provincial Government, and a specific focus on customised client offerings.

Branch Banking

Branch Banking represents the infrastructure through which FNB services most of its 6.8 million customers. Representation points such as branches reduced slightly during the year given the strategy to ensure optimisation of the overall locations, whilst the ATM footprint growth reflects FNB's strategy to migrate customers to low cost, electronic channels.

	FNB – South Africa			FNB – Africa		
Number	2010	2009	% change	2010	2009	% change
Representation points (branches, agencies, Easy Plan)	**657**	687	(4)	**95**	91	4
ATMs	**5 557**	5 311	5	**511**	479	7

Performance Commentary – FNB Africa

The consolidated results of FNB Africa comprise the subsidiaries FNB Botswana, FNB Namibia, FNB Swaziland, FNB Moçambique, FNB Lesotho and FNB Zambia as well as the support centre in Johannesburg and a representative office in Angola.

Overall the African subsidiaries performed well growing profits 2% despite significant investment activity across the portfolio.

As part of its strategy to grow the existing franchise and operating footprint further, FNB invested significantly in Zambia and Moçambique in the year under review. This investment phase is expected to continue in the medium term with a parallel focus on service and electronic delivery channels to increase the customer base and drive up volumes and resultant non interest revenue.

FNB Botswana

There are early signs of a recovery in the diamond industry and this, together with continued infrastructure spending, means that the Botswana economy is slowly re-entering a growth phase. FNB Botswana focused on growing its share of the retail market where margins are higher and in the property market where risks are lower.

Net profit before tax in Pula remained flat at P537 million as a result of balance sheet growth and increased transactional volumes offsetting the effect of reduced margins due to declining interest rates. The strengthening of the Rand had a negative impact, with Rand profits declining 8% to R599 million.

Advances increased 18% (25% in Pula), particularly in the retail and property segments, and deposits decreased 9% (4% in Pula) as the bank consciously reduced its Bank of Botswana Certificate exposure to establish a more representative market share.

Impairments increased at a slower rate than that of lending as credit quality remains a priority.

FNB Namibia

Increased activity in the mining and quarrying sectors and a continued strong performance in the construction sector are largely driving a moderate economic recovery in Namibia. Against this improving background FNB Namibia's group profits increased 21% to R667 million.

In the banking activities margin pressure was experienced as a result of the declining interest rate cycle and profitability was negatively affected by costs relating to the completion of the core IT system implementation.

Gross advances increased 7% resulting from growth in home loans and personal loans. Surplus liquidity in the market is reducing appetite for lending as well as contributing to the increase in deposits of 14%.

The insurance business benefited from a recovery of world equity markets as this had a positive impact on Momentum's capital portfolio. A lower actual loss ratio resulted in improved growth in the OUTsurance business.

FNB Swaziland

FNB Swaziland performed well in a low growth economic environment. Net profit before tax increased 10% to R104 million as a result of good margins, a healthy credit book with low impairments and good transactional volumes.

Gross advances increased 39% as FNB Swaziland gained market share. Deposits increased 22% as a result of continued good market liquidity.

FNB Moçambique

Significant investment in FNB Moçambique's operating infrastructure continued in the year under review and the network increased from eight to twelve branches with a corresponding increase in staff. This investment is expected to continue in the medium term which will place some pressure on profit growth, but position the business on a strong platform for future growth.

The increased network has resulted in growth in volumes and forex commissions which positively impacted non interest income.

FNB Lesotho

A large portion of FNB Lesotho deposits are from financial institutions. The customer base is showing significant growth which results in strong NIR and net profit before tax.

FNB Zambia

Increased production and significant increases in copper prices, which is also having a positive effect on other sectors, is driving strong economic growth in Zambia. Against this positive backdrop growing its operating infrastructure is a priority for FNB Zambia and currently four branches are in operation.

The deposit base has increased in line with the branch expansion and this is supporting sustainable growth in advances.

Looking forward

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 is not expected to result in significant growth in advances, as levels of consumer indebtedness are still at historic highs, FNB does expect this increased economic activity to benefit its banking franchises. Corporate credit appetite may increase marginally on the back of modest investment in capacity, however, business volumes overall will remain subdued. FNB will continue to pursue growth in those segments where it is underweight or underrepresented. However, achieving topline growth will be a challenge and, therefore, cost management remains a key focus for management.

In Africa, FNB will continue to expand its operating footprint supported by its South African platform; FNB Moçambique and FNB Zambia will continue to focus on consolidating newly opened branches and the expansion of new branches, products and services. Opportunities for expansion into East and West Africa as well as the trade corridors to India and China are being investigated.

RMB OPERATIONAL REVIEW

Market dynamics

Market conditions remained challenging during the year for a number of RMB's divisions. Investment banking opportunities contracted due to lower levels of corporate activity and increased competition for new transactions. The trading businesses experienced reduced volatility and client flows and overall market volumes were down.

Despite these market pressures RMB delivered a very strong performance. All of its divisions exceeded prior year results resulting in overall profitability increasing significantly and ROE moving back to above hurdle rates.

Progress on strategy

As part of its strategy to rebalance its business and improve the quality of its earnings RMB continued to strengthen its domestic client driven activities and scale its trading activities in line with its risk appetite framework. The key objectives of the new risk appetite framework are to manage the tradeoffs between earnings volatility, profitability and sustainable growth. This gives rise to an initial long term targeted business mix of 60% client income, 25% investing income and 15% trading income (see key performance indicators).

In line with the Group's strategy to rebalance its portfolio through a greater weighting in the corporate sector, FirstRand has significantly enhanced client interface across corporate and investment banking through the closer alignment of corporate and investment banking ("CIB") activities. CIB represents greater coordination across RMB and FNB's corporate banking business, whilst preserving the respective strong brand equity and specialist skills within each. A key part of this new approach has been the formation of an integrated Client Coverage team, which is mandated to coordinate and enhance RMB's and FNB Corporate's combination of products and services to clients.

RMB is increasing its exposure to wholesale credit. The existing in-force book has historically performed well but is running off, so capacity now exists to write more high quality credit. To support this initiative RMB adjusted certain prudential limits in investment grade and defensive counters. RMB continues to augment its principal risk trading activities to ensure that it keeps pace with growth in the client business.

RMB also significantly increased its focus on capturing trade and investment flows from the Africa/India/China corridors. The CCB relationship continues to yield promising opportunities with a number of notable transactions completed during the year under review.

India is also beginning to gain traction, and is yielding opportunities for cross border investment banking transactions and fixed income, currency and commodities activity in general. In June 2010, RMB entered into a strategic cooperation agreement with JM Financial Limited, an Indian based boutique, to provide M&A advisory services to Indian clients seeking to make investments into entities or transactions in Africa, and South African and African clients seeking to make investments in entities or transactions in India.

RMB believes this partnership will unlock significant value for both parties by leveraging the individual expertise and sharing distinctive local market knowledge for the benefit of clients, and represents a significant step in furthering RMB's strategy to grow in the Africa/India corridor.

Key performance indicators

As outlined above, RMB's targeted long term business mix is 60% client, 25% investing and 15% trading. The performance targets are a growth rate of nominal GDP plus 4%, appropriate earnings volatility and a target ROE well in excess of cost of capital. The graph below shows the current profile*.

RMB gross revenue mix

** Mix excludes the legacy portfolios.*

Financial highlights

R million	2010	2009	% change
Income before indirect tax	**4 687**	2 134	>100
Indirect tax	**(64)**	(79)	(19)
Income before direct tax	**4 623**	2 055	>100
Total assets	**268 819**	275 097	(2)
Cost to income ratio (%)	**45.2**	56.6	

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

R million	2010	2009	% change
Investment Banking	**2 522**	2 207	14
FICC[1]	**1 006**	804	25
Private Equity	**1 498**	1 028	46
Equity Trading	**381**	(782)	>100
Other	**(784)**	(1 202)	35
	4 623	2 055	>100

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

Operational highlights

RMB continued to maintain a market leading position across many areas. Highlights were the listing of Life Healthcare, the largest IPO in SA history and Anglo Platinum, the largest rights issue in SA history. RMB also dominated the Equity Capital Markets ("ECM") space recording the largest market share of ECM transactions over the year. Further, in the recent Mergermarket survey RMB led the market in M&A activity in the first six months of 2010 both in terms of value of deals and number of deals concluded.

At the 2009 BESA Spire awards RMB won the Best Bond Repo Team, Best Inflation-Linked Debt House, Best Interest Rate Derivatives Sales & Structuring Team and Best General Fixed-Income Analyst.

A number of new innovations were brought to market this year such as the first Exchangeable Bond and the first offshore referenced Credit Linked Note traded locally. The refinancing of the FirstRand Empowerment Trust also saw the largest Chinese participation (CCB) in a BEE transaction.

Performance commentary

Investment Banking

Despite the high base created in the previous year, the Investment Banking Division (IBD) delivered another strong performance with good contributions from its advisory, debt financing and principal investing activities. The debt financing businesses achieved steady growth in the credit book and related earnings. Impairments of the portfolio remained stable, with some key workouts and restructures being concluded during the financial year. The debt capital markets business remained steady in market conditions that reflected limited SA corporate borrowing opportunities coupled with reducing credit spreads. The corporate finance advisory business continued to perform extremely well in tough market conditions with a particularly strong contribution from the equity capital markets team. IBD makes strategic principal investments aligned to its business focus and these activities produced strong results through a combination of realisations and revaluations of the portfolio.

The increased focus on the Africa/China business resulted in several significant deals being concluded. These include a R400 million property transaction with a large Chinese transport company and RMB and CCB arranged $40 million funding for the export of copper and cobalt from DRC to China. In addition RMB arranged CCB's participation in the US dollar funding of AngloGold Ashanti.

FICC

FICC experienced a tough first half in an environment characterised by lower proprietary trading profits, uncertainty in the markets, a decline in client flows, tighter margins and a strong Rand. However, the second half showed a much improved performance on the back of better client flows, the conclusion of some large structured transactions and improved proprietary trading profits. In addition, gold related activities benefitted from the Euro crisis.

Private Equity

Private Equity performed well on the back of a significant realisation, Life Healthcare, in the second half of the year. This realisation contributed R1.25 billion of profit. Equity accounted earnings remained under pressure, however positives included an increase in unrealised profits to R1.4 billion (2009: R1.2 billion) and investments of R837 million being made in the past financial year.

Equity Trading

The Equity Trading division performance reflects a complete turnaround from 2009. This performance was driven mainly by the proprietary trading business, strong client business results and the derisking of the international legacy portfolios.

Other

This includes further significant impairments on the remaining legacy portfolios, particularly in respect of the Dealstream acquired assets.

Looking forward/prospects

Looking forward RMB will continue to execute on its strategy to grow its client franchises and revenues whilst maintaining an appropriate balance with its investment and trading activities. In the coming year it expects to leverage on the early positive signs resulting from closely aligning corporate and investment banking activities.

Leveraging off FNB's operating platforms, RMB will mine further opportunities in Africa, mainly in FICC and investment banking activities. The relationship with CCB is expected to positively contribute to the investment banking deal pipeline and RMB will continue to broaden its product set in India.

WESBANK OPERATIONAL REVIEW

Market dynamics

During the year the retail vehicle market showed significant signs of recovery. New vehicle sales tracked up 24% compared to the prior year, with passenger vehicle sales growing 28%. Retail demand for credit increased significantly, although credit worthiness is mixed particularly with regards to affordability.

As expected, corporate demand remains subdued and in those sectors deemed "stressed", WesBank continued to exercise caution, both from an origination and ongoing risk management perspective. These sectors include the construction sector, some agricultural sectors and the logistics and transportation sectors.

Progress of strategy

WesBank's core strategy of partnering with key industry players and representation at the point of sale strengthened through the cycle. Additional alliances were signed with major motor industry partners across the motor, corporate and fleet business divisions, including:

- Volvo (Cars & Trucks);
- Renault;
- Jaguar/Land Rover;
- Hitachi;
- Babcock (Volvo Industrial Equipment);
- Nissan Diesel; and
- Imperial Fleet Services.

In line with the Group strategy to target those domestic segments where its operating franchises may be under represented, WesBank has been developing strategies to grow in fleet management and full maintenance rental opportunities as well as with larger corporate asset finance customers. Additional market share growth in the retail vehicle space is being pursued through new alliances.

WesBank's UK operation, Carlyle, performed well during the year and contributed profit before tax of R120 million. Given the opportunities to unlock significant medium term value from this operation, WesBank took the decision to retain Carlyle as part of its investment portfolio, which consists of other investments primarily of a private equity nature.

WesBank continued to support the asset finance offering in those African jurisdictions where FNB has created or is in the process of creating a presence and will consider other opportunities within FirstRand's targeted strategic international locations.

Two local non performing businesses, namely WorldMark South Africa and Norman Bissett & Associates were successfully exited during the year. These two investments contributed non recurring losses in the current year in excess of R100 million. WesBank also exited from its investment in WorldMark Australia, which was considered to be non core.

Key performance indicators

WesBank considers key performance indicators to be ROE (both on an actual and bad debt normalised basis), cost to income ratio, market share and the expertise indicator (service levels index).

ROE %	2010	2009	2008	2007
Actual results	15	7	12	18

Given the highly cyclical nature of its business, WesBank targets a "through the cycle" ROE of 20 – 25% and, therefore, continues to focus on reducing cyclical volatility through better risk profile management and revenue diversification.

%	2010	2009	2008	2007
Overall cost to income	51.9	53.8	53.5	54.4
Lending cost to income	45.7	41.9	41.8	45.1

The cost to income ratio is a key performance for WesBank's core finance business. Whilst in the current year the lending business cost to income has worsened, this has been caused mainly by specific cyclical issues and the decreasing trend is likely to return in the future.

	2010	2009	2008
Net promoter score	59.7	52.1	51.5

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

Financial highlights

R million	2010	2009	% change
Income before indirect tax	1 426	438	>100
Loss on sale of MotorOne Advances book	–	(203)	(100)
Income before indirect tax	1 426	235	>100
Indirect tax	(126)	(105)	20
Income before tax	1 300	130	>100
Advances	92 724	92 274	–
Cost to income ratio (%)	51.9	53.8	–
NPLs (%)	5.5	5.0	(12)

Profits increased significantly over the prior year to R1.3 billion. This performance was due to the commencement of the retail credit unwind, the non recurrence of the loss on sale of the Australian advances book, good cost management, improving interest margins and a strong performance from Carlyle in the UK.

The table below represents the relative contributions from the local and international operations for the current and comparative years.

R million	2010	2009	% change
SA operations	1 095	368	198
International operations	205	(238)	>100

Operational highlights

- 'Perfecting the platform' resulted in increased automation of front end acquisition processes, improving service delivery and decision making. Almost 80% of new business is now originated through electronic channels.
- Cost management initiatives which will benefit the business going forward. Headcount in the core lending business declined 22% over the past 24 months. This was achieved without compromising on capacity to manage new business volumes as they increase.
- Better risk portfolio management and improved customer pricing across all portfolios.
- The effective management of accounts under debt review means that trends are reflecting a decline in inflows of new accounts under review and an improvement in payment arrangements and repayment behaviour.

Performance commentary

WesBank's overall profitability was impacted positively by an improving retail credit environment. This was countered to an extent by the increased level of defaults in the corporate business. However, there was still a significant improvement in the bad debt charge.

Bad debts in the local lending business decreased 25% from R2.567 billion to R1.953 billion, and from 2.8% to 2.2% of advances. Retail bad debts showed a good improvement, while corporate impairments reflected the opposite trend. The year ahead is expected to show continued reduction in retail provisions and the commencement of an improving trend in corporate bad debts.

NPLs remained high and increased from 5.0% to 5.5%. This was entirely due to the longer period that accounts under debt counselling are remaining as non performing. 31% of total NPLs are now comprised of accounts under debt counselling and adequately provided against.

Within the lending operations new business increased 14% over the comparative year. This comprised a 29% increase in retail new business and a 20% decline in corporate new business. Interest margins showed an improving trend as a result of the focus on written rates as well as the improvement in mix of fixed rate business. Improved interest margins were experienced across the retail, corporate and personal loans portfolios.

Non interest revenue grew 5% in the local lending operations as a result of annuity insurance revenues as well as growth in monthly administration fees, which were only introduced in 2007 through the introduction of the National Credit Act. These were offset by the drop in revenues in the discontinued operations. Overall expenses increased 8%, and expenses in the lending business increased 14%, however, 6% of this related to increased profit share payments to alliance partners. There were numerous cost management initiatives across the businesses which resulted in sustainable cost benefits.

The non lending operations contributed R208 million compared with R52 million in the prior year. This was largely due to the improvement in the performance of Direct Axis, the origination business which receives a profit share from the personal loans advances book. The sale of the two non performing investments will result in the non recurrence of losses totalling R100 million in the year ahead.

Carlyle produced profits of R120 million compared with a loss in the prior year of R31 million. This was brought about through an improvement in bad debts, significant repricing in the business, good new business growth and excellent cost management.

Prospects

The current year is expected to see a further unwind of retail bad debt impairments which will continue to impact positively on earnings. As the cycle progresses an improving lending landscape is anticipated across both corporate and retail portfolios. Profitability will also be positively impacted by the non recurrence of losses from the exited under-performing businesses and an ongoing improved performance from Carlyle.

Specific areas of organic growth include mining intra group synergies whilst cost management and efficiencies remain priorities.

FIRSTRAND SHORT TERM INSURANCE HOLDINGS ("FRSTIH")

R million	2010	2009	% change
Normalised earnings (unaudited)	580	654	(11)
Return on equity based on normalised earnings (%) (unaudited)	29	43	
Gross premiums written	5 057	4 242	19
Operating income (including investment returns)	984	975	1
Headline earnings attributable to ordinary shareholders	580	654	(11)
Expense/cost to income ratio (%)	23.7	19.7	
Claims and OUTbonus ratio (%)	58.2	60.5	
Effective percentage holding of FirstRand (%)	47	47	

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

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

Performance

FRSTIH Group

FRSTIH's South African operations produced excellent results for the year under review growing attributable and headline earnings 20.2% and 16.7% respectively. Momentum STI maintained its profitability and produced strong bottom line growth.

After taking into account Youi's startup loss of R290 million for the year of the Group's attributable and headline earnings is reduced 8.1% and 11.3% respectively.

Youi was launched as a startup direct short term insurer in August 2008. To date the venture has performed in line with expectations.

OUTsurance

Notwithstanding the tough economic conditions, OUTsurance has grown net earned premium income 13.5%. The personal and commercial lines businesses continued to grow market share during the year under review as premium increases were contained below industry inflation.

Expenses, as a percentage of net earned premium income, decreased from 16.1% to 16.0% on the back of contained marketing expenditure.

The claims ratio (including OUTbonus costs) decreased from 60.5% to 58.2% for the year under review. A significant improvement in the claims ratio on the homeowners book contributed strongly to the lower claims ratio. Since the launch of OUTsurance in 1998, the company has rewarded customers with OUTbonuses in excess of R700 million.

Due to most of OUTsurance's investable assets being invested in cash and cash equivalents, the company was exposed to the lower interest rate environment resulting in an 11% decrease in investment income.

OUTsurance Namibia, which was launched in 2007, reached profitability during the year under review.

The recently launched credit life insurance business continues to grow strongly. The underwritten life business, which offers fully fledged life insurance products direct to the public, was launched on 1 August 2010.

Focus for the year ahead

- Continue to manage the Youi startup in line with business plan targets to achieve profitability within 5 years from launch;
- Successfully introduce the underwritten life product to the market;
- Broaden the reach of Business OUTsurance; and
- Continued focus on organic growth and operational efficiencies throughout all business units.

NOTES

momentum

INTRODUCTION

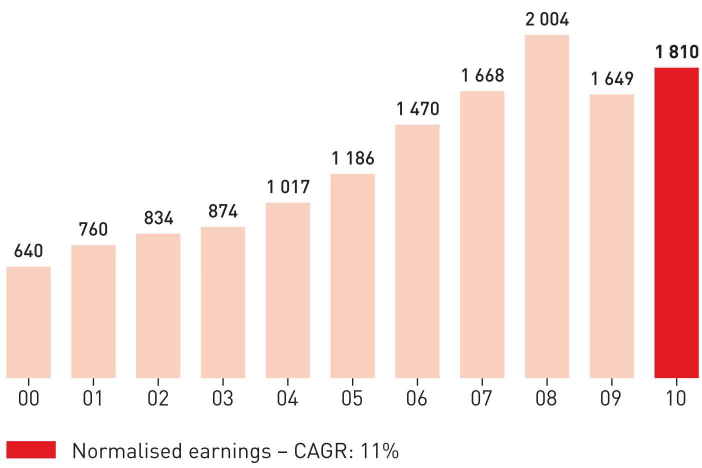
The Momentum Group comprises the operations of Momentum Group Limited, its subsidiaries and associates, including Momentum Medical Scheme Administrators ("MMSA"), RMB Asset Management ("RMBAM"), RMB Unit Trusts ("RMBUT"), FirstRand Alternative Investment Management ("FRAIM"), RMB Asset Management International ("RMBAMI)", 85% of Advantage Asset Managers (Advantage), AdviceAtWork, 50% of Momentum Short Term Insurance ("MSTI") and 49% of Momentum Life Assurance Namibia.

Financial highlights (unaudited)

	Year ended 30 June		
R million	2010	2009	% change
Normalised earnings	**1 810**	1 649	10
Value of new business	**549**	544	1
Return on equity based on normalised earnings (%)	**21.9**	22.6	
Return on embedded value (%)	**14.9**	3.3	

Normalised earnings (unaudited)

(R million)



Review of results

SALIENT FEATURES

Momentum's results for the year ended 30 June 2010 were characterised by the following:

- the positive impact of a recovery in equity markets, especially in the first half of the financial year;
- sound expense management resulting in only a marginal increase in administration expenses;
- excellent performance from FNB Life;
- strong growth in retail lump sum inflows;
- lower institutional inflows;
- marginal increase in the value of new business in a challenging environment;
- a pleasing return on embedded value supported by a solid operational performance and improved equity markets;
- ROE ahead of the Group target; and
- a solid capital position.

Summarised results (unaudited)

	Year ended 30 June		
R million	2010	2009	% change
Normalised earnings[1]	1 810	1 649	10
– Operating profit	1 530	1 328	15
– Investment income on shareholders' assets	280	321	(13)
Headline earnings (audited)	1 804	1 658	9
New business volumes	56 774	60 470	(6)
– Retail	34 547	28 163	23
– Employee benefits	2 546	2 591	(2)
– Asset management	19 681	29 716	(34)
Value of new business	549	544	1
Embedded value	17 683	16 086	10
New business margin[2] (%)	1.8	2.0	
ROE (%)	21.9	22.6	
Return on embedded value[3] (%)	14.9	3.3	
CAR cover (times) (audited)	2.1	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 reconciliation of earnings table.*
2 *Calculated as the value of new business as % of present value of future premiums.*
3 *Represents the embedded value profit as % of opening embedded value.*

BUSINESS UNIT PERFORMANCE

Momentum's normalised earnings increased 10% to R1 810 million for the year ended 30 June 2010. The ROE of 21.9% remained well ahead of the targeted return, whilst the capitalisation level strengthened from 1.8 times the CAR at 30 June 2009, to 2.1 times at 30 June 2010.

The operating profit growth of 15% reflects the positive impact of the recovery in equity markets and expense efficiencies arising from the rationalisation and integration of systems in the employee benefits and health businesses.

The reduction of 6% in new business inflows is mainly due to lower institutional asset management inflows. The increase of 25% in retail lump sum new business inflows was particularly pleasing considering the challenging operating environment.

The new business margin declined from 2.0% to 1.8%, mainly as a result of more conservative actuarial assumptions, and a change in the new business mix.

Momentum's embedded value amounted to R17.7 billion at 30 June 2010. The return on embedded value of 14.9% was impacted positively by both a strong operational performance and improved equity market returns.

Momentum's CAR cover of 2.1 times (2.0 times after payment of the final dividend) at 30 June 2010 exceeds the targeted range of 1.4 to 1.6 times CAR. The Momentum board however remains of the opinion that maintaining a buffer above the targeted range is appropriate in the current economic environment.

DETAILED COMMENTARY ON RESULTS

The following table reflects the main components of Group earnings:

Reconciliation of earnings

	Year ended 30 June		
R million	2010	2009	% change
Earnings attributable to equity holders	1 721	1 594	8
Adjusted for:			
Impairment of intangible assets and goodwill[1]	83	64	30
Headline earnings	**1 804**	1 658	9
Adjusted for:			
IFRS 2 share based payment charge/(release)	6	(9)	>100
Normalised earnings (unaudited)	**1 810**	1 649	10

1 *The impairment losses are mainly attributable to the reduction in the directors' valuation of Advantage.*

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

Normalised earnings (unaudited)

	Year ended 30 June		
R million	2010	2009	% change
Operating profit	1 530	1 328	15
Momentum	1 114	994	12
FNB Insurance[1]	416	334	25
Investment income on shareholders' assets	280	321	(13)
Normalised earnings	**1 810**	1 649	10

1 *Represents 90% of the after tax earnings of FNB Life. The remaining 10% is included in the Momentum operating profit.*

Operating profit

Operating profit increased 15% to R1 530 million. The recovery in equity markets during the first half of the financial year resulted in increased asset based fees and a reduction in the liability held for minimum maturity guarantees. The impact of the equity market recovery was dampened somewhat by the fact that only around half of the assets recognised on the statement of financial position are invested in equities, with the remainder invested mainly in money market and bond portfolios, which experienced more subdued performance.

The employee benefits and healthcare businesses showed an improved performance as the benefits of the systems integration and rationalisation in these businesses started to emerge. The African operations generated a turnaround to a breakeven position in the current year. The growth in the FNB Insurance operating profit is due to the continued success of the embedded credit life and funeral products.

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

New business (unaudited)

	Year ended 30 June		
R million	2010	2009	% change
Recurring premiums	2 015	2 257	(11)
– Retail	1 071	1 239	(14)
– New markets	69	29	>100
– Employee benefits	388	517	(25)
– FNB Life	487	472	3
Lump sums	54 759	58 213	(6)
– Retail[1]	32 920	26 423	25
– Employee benefits	2 158	2 074	4
– Asset management[1]	19 681	29 716	(34)
Total new business inflows	**56 774**	60 470	(6)
Annualised new business inflows[2]	**7 491**	8 078	(7)

1 *The institutional new business generated by RMBUT of R3 143 million (2009: R5 330 million), which was previously disclosed as part of retail lump sum new business, is now included in asset management inflows.*
2 *Represents new recurring premium inflows plus 10% of lump sum inflows.*

New recurring premium volumes declined 11% as a result of lower volumes in both retail and employee benefits business. Whilst sales of individual recurring risk products increased marginally to R590 million, sales of individual recurring savings and retirement annuity products declined 25% and 28% respectively. The decline is mainly due to the continued pressure on consumer savings resulting from the delayed economic recovery. The active management of the quality of new business resulted in improved lapse rates from the peaks experienced in the prior year.

The employee benefits new business was characterised by lower umbrella fund and group risk sales, also as a result of the impact of economic conditions on employer groups. The pace of the increase in new business volumes at FNB Life slowed with growth of 3% being recorded during the year ended 30 June 2010.

Lump sum inflows declined 6%, mainly as a result of lower institutional asset management inflows. Retail lump sum sales showed an excellent increase of 25%, with all product lines generating strong growth. Sales of retail unit trust and local linked products increased 21% and 30% respectively, whilst offshore linked product sales increased 59% despite the stronger Rand.

Momentum's healthcare funding business administered a total of 491 000 lives at 30 June 2010. The finalisation of the administration system integration onto a single platform resulted in overall expense levels decreasing 1%, with a corresponding positive impact on earnings.

Momentum's growth into Africa has shown good progress, with the total lives under administration increasing 32% during the year to over 125 000 at 30 June 2010. Momentum increased its stake in Momentum Life Assurance Namibia from 35% to 49% during the year.

Investment income on shareholders' assets

The investment income earned on shareholders' assets decreased 13% to R280 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 3% to R3.5 billion for the year ended 30 June 2010. The rationalisation and systems integration in both the employee benefits and health administration businesses resulted in improved efficiencies. In addition, tighter expense control generally in the Group assisted in limiting the overall level of expenses.

CAPITAL MANAGEMENT

Momentum's CAR decreased from R3 843 million at 30 June 2009 to R3 830 million at 30 June 2010. The small decrease arises mainly from a slight reduction in investment risk resulting from the equity market recovery. The statutory surplus increased from R7 108 million at 30 June 2009 to R8 072 million at 30 June 2010, resulting in a CAR cover of 2.1 times at 30 June 2010, compared with a CAR cover of 1.8 times at 30 June 2009. Although the current CAR cover remains well above the targeted cover range of 1.4 to 1.6 times, the board is comfortable to retain this buffer in the current economic conditions. The board decided to recommend the payment of a final dividend of R345 million to FirstRand, which will result in a post dividend CAR cover of 2.0 times.

RESULTS OF THE EMBEDDED VALUE CALCULATION

The embedded value of Momentum increased from R16.1 billion at 30 June 2009 to R17.7 billion at 30 June 2010. 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 (unaudited)

	Year ended 30 June	
R million	2010	2009
Ordinary shareholders' net worth	**9 225**	8 564
Net value of in-force insurance business	**8 458**	7 522
– Present value of future profits	**10 234**	9 243
– Cost of capital at risk	**(1 776)**	(1 721)
Embedded value attributable to ordinary shareholders	**17 683**	16 086

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

Embedded value movement (unaudited)

	Year ended 30 June
R million	2010
Embedded value at 1 July 2009	**16 086**
Embedded value profit	**2 399**
– Factors related to operational performance[1]	**1 665**
– Factors related to market conditions[2]	**734**
Dividends paid	**(802)**
Embedded value at 30 June 2010	**17 683**

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

The annualised return on embedded value amounts to 14.9% 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. Further details regarding the embedded value are set out in the embedded value report included in the supplementary information to this results announcement.

The value of new business of R549 million written for the current year represents a 1% increase relative to the prior year. The new business margin declined from 2.0% to 1.8%, mainly as a result of more conservative actuarial assumptions and a change in the new business mix.

If the proposed merger with Metropolitan is approved and the agreement under which 90% of FNB Life's profits accrues to FNB is taken into consideration, the pro forma embedded value amounts to R17.1 billion, with a return on embedded value of 11.6%. Under the same scenario, the new business margin amounts to 1.0%.

ASSETS UNDER MANAGEMENT OR ADMINISTRATION

The Momentum Group managed or administered total assets of R312.9 billion at 30 June 2010 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 (unaudited)

	30 June		
R billion	2010	2009	% change
Assets recognised on the statement of financial position	**198.9**	187.7	6
Segregated third party funds	**64.2**	73.0	(12)
Collective investment scheme assets managed	**26.6**	21.4	24
Assets under management	**289.7**	282.1	3
Linked product assets under administration[1]	**23.2**	19.3	20
Total assets under management or administration	**312.9**	301.4	4

1 *Excludes business written by Momentum Group's Linked Investment Service Provider on the life company's statement of financial position, as these assets are reflected under assets recognised on the statement of financial position above. Total linked product assets under administration amounted to R59 billion (June 2009: R50 billion).*

Net flow of funds

The net flow of funds is set out in the following table:

Net flow of funds (unaudited)

	Net flow of funds		
R million	2010	2009	% change
Retail	**10 458**	5 095	>100
Employee benefits	**1 670**	1 846	(10)
Asset management	**(30 257)**	(40 971)	26
Total	**(18 129)**	(34 030)	47

Retail net inflows more than doubled from R5.1 billion for the year ended 30 June 2009 to R10.5 billion for the current year, mainly as a result of the strong increase in retail lump sum inflows. Although there was a small decline in employee benefit net inflows, the net inflow remained comfortably positive at R1.7 billion for the year. The asset management business experienced net outflows of R22.7 billion (excluding the transfer of Futuregrowth assets referred to below). The most significant outflows in the asset management business include the following:

- a withdrawal of R5.9 billion by a client of the multi-manager business; and
- net member withdrawals from existing pension fund clients totalling R12 billion, due to the prevailing economic conditions.

In addition to the above, an amount of R7.6 billion in assets was 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.

PROSPECTS

Whilst equity markets have recovered from their lows, there remains uncertainty in these markets as is evidenced by a more recent increase in volatility. The lack of job growth to support the economic recovery remains a concern, as this could have a direct impact on both new business volumes and persistency. Momentum however remains confident that consistent product and service focus, proven distribution partnerships, dynamic brand and dedicated people have positioned it well for the future.

Significant value is expected to be realised for shareholders as a result of the proposed merger with Metropolitan, which, if approved, will create the third largest insurer in South Africa by bringing together strategically complementary businesses. The parties are currently awaiting regulatory and shareholder approval.

NOTES

FIRSTRAND

CAPITAL MANAGEMENT

Capital management

The Group seeks to establish and manage a portfolio of businesses and associated risks that will deliver sustainable returns to its shareholders, by targeting a particular earnings profile that will allow it to generate sustainable 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. Capitalisation ratios appropriate to safeguarding its operations and the interests of its stakeholders are therefore maintained. In this respect, the overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the solvency and quality of capital in the Banking Group during calm and turbulent periods in the economy and the financial markets.

The optimal level and composition of capital is determined after taking into account business units' organic growth plans – provided financial targets are met – 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, rating agencies considerations and proposed regulatory changes.

The effectiveness of the capital allocation decisions and the efficiency of its capital structure are important determinants of the ability to generate returns for shareholders. The Banking Group seeks to hold limited excesses above the capital required to support its medium term growth plans (including appropriate buffers for stresses and volatility) and future regulatory changes. FRBH operated above its targeted capitalisation range with a total capital adequacy of 15.6% and solid Tier 1 ratio of 13.5%. Similarly FirstRand Bank Limited ("FRB"), excluding subsidiaries and branches, comfortably operated above its target with a total capital adequacy of 14.0% and Tier 1 ratio of 11.7%.

Momentum's targeted capitalisation range of 1.4 – 1.6 times CAR 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. Its CAR cover of 2.1 times improved mainly as a result of positive earnings generation and recovery in equity markets.

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.

BANKING GROUP

Organisational structure and governance

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

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

Capital is freely transferable within the Banking Group, subject to the approval of exchange control authorities for entities outside the common monetary area.

The board approved capital plan is reviewed as part of the Banking Group's ICAAP, with the stress testing framework being an extension to the process. These processes are under continuous review and refinement and are used to determine the targeted buffer.

CAPITAL ADEQUACY AND PLANNING

The year under review

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

With increased focus on Tier 1 during the year, FRBH achieved a very strong Tier 1 ratio of 13.5%. Stronger internal capital generation through earnings, offset to an extent by an increase in credit and operational risk weighted assets, led to an overall increase in the Tier 1 and total capital adequacy ratios for FRBH. In the prevailing uncertain environment the Group would prefer to maintain capital ratios at the upper end of its targeted band.

Supply of capital – Tier 1

The Banking Group aims to back all economic risks with Tier 1 capital as it offers the greatest capacity to absorb losses. Consequently, required Tier 1 capitalisation levels are used as the primary driver of performance measurement across the various businesses. Tier 1 capitalisation ratios benefited from higher levels of profitability during the year.

Supply of capital – Tier 2

The current pricing of subordinated bond instruments, the inability of these instruments to absorb losses and the Banking Group's reduced risk appetite make the issuance of these instruments unattractive at present. Accordingly, no new Tier 2 instruments were issued during the year. It is the Banking Group's intention to redeem all instruments on call date. On 16 August 2010, SARB approval was received to call the FRB01 and FRB02 subordinated bonds on 31 August 2010.

The table below provides more detail on the Banking Group's capital instruments.

Characteristics of capital instruments

Capital type	Instrument	Nominal (million)	Rate type	Coupon rate	Maturity date
Other Tier 1	Non cumulative non redeemable preference share capital**	3 000	Floating	68% of prime	Perpetual
Upper Tier 2	FRBC21	628	Fixed	12%	21 Dec 2018
	FRBC22	440	Floating	3 month JIBAR + 300bps	22 Dec 2018
Lower Tier 2 (Subordinated bonds)	FRB01*	700	Fixed	13%	31 Aug 2010
	FRB02*	300	Floating	3 month JIBAR + 71.5bps	31 Aug 2010
	FRB03	1 740	Fixed	9%	15 Sept 2014
	FRB05	2 110	Fixed	9%	21 Dec 2018
	FRB06	1 000	Floating	3 month JIBAR + 65bps	5 Nov 2012
	FRB07	300	Floating	3 month JIBAR + 65bps	6 Dec 2012
	FRB08	100	Floating	3 month JIBAR + 70bps	10 Jun 2016
	FRB09	100	Floating	3 month JIBAR + 70bps	10 Jun 2017
	FNBB001	108	Fixed	11%	1 Dec 2016
	FNB17	260	Fixed	9%	29 Mar 2012

* *Approval received from the SARB to call the FRB01 and FRB02 on 31 August 2010.*
** *Audited.*

Demand for capital

With the introduction of Basel II, capital requirements expressed as a percentage of risk weighted assets ("RWA") have become more risk sensitive and more cyclical than under the previous regime. This cyclicality is to a large extent driven by external factors that affect risk measures across various portfolios and therefore, drive capital requirements.

The overall increase in RWA for both FRBH and FRB was driven predominantly by the following factors:

- credit risk – increased due to volume growth and recalibrations;
- operational risk – increased risk profile for FRB and gross income for other businesses under the Standardised approach; and
- market risk – derisked financial positions at FRB.

Regulatory developments

The BCBS proposals published during 2009 and 2010 in response to the global financial crisis, which would impact banks' capital, focused on:

- strengthening the resilience of the banking sector;
- enhancing the current Basel II framework; and
- revising the market risk framework.

The BCBS conducted a QIS to assess the impact of these proposals on participating banks. The results of this study aim to produce a fully calibrated set of requirements for implementation in 2012. The BCBS announced during July 2010 that it had reached broad agreement on some of the capital and liquidity proposals released during 2009. The full details of the proposals as well as the outcome of the QIS are expected by the end of 2010. A further 'Countercyclical capital buffer proposal' was issued in July 2010 with the consultation period closing in September 2010.

FRBH participated in the QIS process and preliminary calculations show a reduction in the Tier 1 and total capital adequacy ratios of the Banking Group, however, both FRB and FRBH remain above the current regulatory minimum.

The current proposals form part of the ongoing capital planning of the Banking Group. Targeted capital ratios may be revisited as more information becomes available.

The SARB has issued a draft set of regulations, due to be implemented at the start of 2012 that currently cover the revised market risk and securitisation frameworks.

Regulatory capital

The targeted capital levels as well as the current ratios at 30 June 2010 are summarised in the table below.

Capital adequacy position (unaudited)

	FRBH		FRB*		
	Actual	Target	Actual	Target	Regulatory minimum
Capital adequacy ratio (%)	15.6	12 – 13.5	14.0	11.5 – 13.0	9.5#
Tier 1 ratio (%)	13.5	10.0	11.7	9.5	7.0

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

The following table shows the composition of regulatory capital (financial resources) for FRBH at 30 June 2010, while the subsequent tables provide a breakdown of RWA and capital requirement.

Composition of qualifying capital and capital ratios of FRBH (unaudited unless otherwise indicated)

	FRBH			
R million	June 2010	%	June 2009	%
Ordinary shareholders equity as per IFRS*	44 448		41 045	
Less: non qualifying reserves	(1 174)		(2 747)	
Cash flow reserve	466		285	
Available-for-sale reserve	(310)		(393)	
Share based payment reserve	(447)		(502)	
Foreign currency translation reserve	(674)		(712)	
Other reserves	(205)		(567)	
Unappropriated profits	(4)		(858)	
Ordinary shareholders equity qualifying as capital	43 274		38 298	
Ordinary share capital and share premium*	6 064		5 672	
Reserves	37 210		32 626	
Non controlling interest*	1 831		1 517	
Non cumulative non redeemable preference shares*	3 100		3 100	
Less: total impairments	(2 089)		(2 303)	
Excess of expected loss over eligible provisions (50%)	(379)		(325)	
First loss credit enhancements in respect of securitisation structures (50%)	(207)		(260)	
Goodwill and other impairments	(1 503)		(1 718)	
Total Tier 1 capital	**46 116**	**13.5**	40 612	12.3
Upper Tier 2 instruments	1 068		1 068	
Tier 2 subordinated debt instruments	6 666		6 642	
Other reserves	196		193	
Less: total impairments	(586)		(493)	
Excess of expected loss over eligible provisions (50%)	(379)		(325)	
First loss credit enhancements in respect of securitisation structures (50%)	(207)		(260)	
Other impairments	–		92	
Total Tier 2 capital	**7 344**	**2.1**	7 410	2.2
Total qualifying capital and reserves	**53 460**	**15.6**	48 022	14.6

** Audited.*

RWA by risk type of FRBH (unaudited)

	FRBH			
	June 2010		June 2009	
R million	RWA	Capital requirement#	RWA	Capital requirement#
Credit risk	246 875	23 453	241 447	22 937
Operational risk	51 058	4 851	47 125	4 477
Market risk	10 853	1 031	13 246	1 258
Equity investment risk	17 729	1 684	13 649	1 297
Other risk	15 093	1 434	14 037	1 334
Total RWA	341 608	32 453	329 504	31 303

 # Capital requirement calculated at 9.5% of RWA.

RWA calculation approach for each risk type of the Banking Group

The following table provides a list of the Basel II approaches applied to each risk type for FRB and the other regulated entities of FRBH.

RWA calculation approach for each risk type (unaudited)

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

The following table provides the RWA numbers per Basel II approach for each risk type of FRBH (unaudited).

R million	June 2010
Credit risk	246 875
AIRB	210 328
Corporate, banks and sovereigns	86 446
SME	37 860
Residential mortgages	39 266
Qualifying revolving retail	9 639
Other retail	32 191
Securitisation exposure	4 926
Standardised approach	36 547

R million	June 2010
Equity investment risk	17 729
Standardised approach	894
Simple risk weighted method	16 835
Operational risk	51 058
Standardised approach	6 845
AMA	44 213
Market risk*	10 853

** Includes banking and trading book.*

The following table shows the composition of regulatory capital (financial resources) for FRB at 30 June 2010, while the subsequent tables provide a breakdown of RWA and capital requirement.

Composition of qualifying capital and capital ratios of FRB (unaudited unless otherwise indicated)

	FRB*			
R million	June 2010	%	June 2009	%
Ordinary shareholders equity as per IFRS*	33 085		29 681	
Less: non qualifying reserves	(477)		(1 178)	
Cash flow reserve	466		337	
Available-for-sale reserve	(532)		(279)	
Share based payment reserve	(411)		(532)	
Unappropriated profits	–		(704)	
Ordinary shareholders equity qualifying as capital	32 608		28 503	
Ordinary share capital and share premium**	10 969		10 821	
Reserves	21 639		17 682	
Non cumulative non redeemable preference shares**	3 000		3 000	
Less: total impairments	(2 323)		(1 782)	
Excess of expected loss over eligible provisions (50%)	(379)		(325)	
First loss credit enhancements in respect of securitisation structures (50%)	(45)		–	
Qualifying capital in branches	(1 732)		(1 297)	
Goodwill and other impairments	(167)		(160)	
Total Tier 1 capital	**33 285**	**11.7**	29 721	10.7
Upper Tier 2 instruments	1 068		1 068	
Tier 2 subordinated debt instruments	5 914		5 872	
Less: total impairments	(424)		(234)	
Excess of expected loss over eligible provisions (50%)	(379)		(325)	
First loss credit enhancements in respect of securitisation structures (50%)	(45)		–	
Other impairments	–		91	
Total Tier 2 capital	**6 558**	**2.3**	6 706	2.4
Total qualifying capital and reserves	**39 843**	**14.0**	36 427	13.1

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

RWA by risk type of FRB (unaudited)

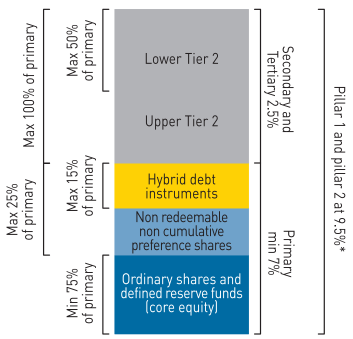
	FRB*			
	June 2010		June 2009	
R million	**RWA**	**Capital requirement#**	RWA	Capital requirement#
Credit risk	**210 328**	**19 981**	205 472	19 520
Operational risk	**38 223**	**3 631**	35 000	3 325
Market risk	**4 669**	**444**	7 809	742
Equity investment risk	**16 835**	**1 599**	17 469	1 660
Other risk	**13 690**	**1 301**	12 071	1 147
Total RWA	**283 745**	**26 956**	277 821	26 394

* *Reflects solo supervision, i.e. FRB excluding branches, subsidiaries and associates.*
 # Capital requirement calculated at 9.5% of RWA.

Capital adequacy position

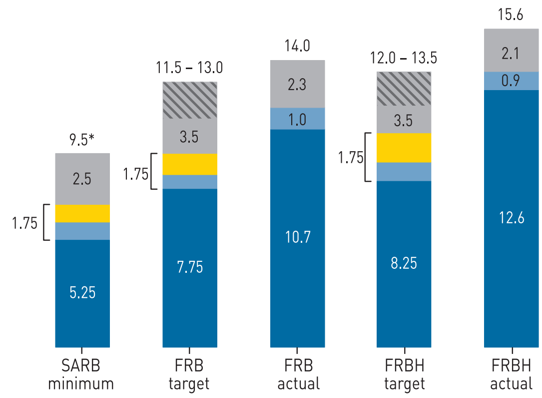
The graph below depicts the current capital adequacy position for FRBH and FRB.

Minimum capital adequacy



Capital adequacy (unaudited)

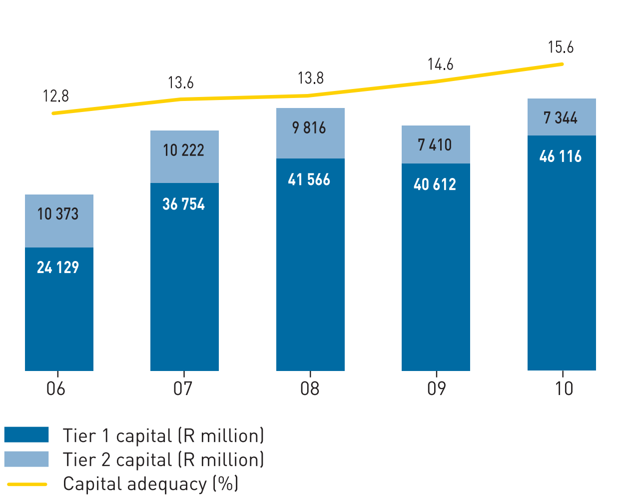
(%)



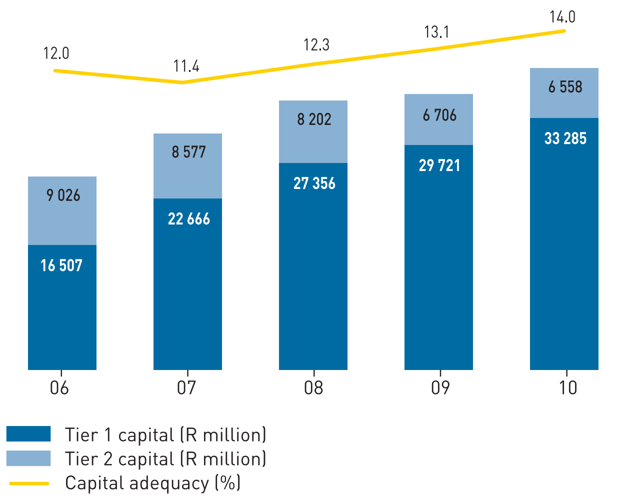
** Excludes the bank specific (Pillar 2b) add on and capital floor.*

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

FRBH regulatory capital position (unaudited)



FRB regulatory capital position (unaudited)



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

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

RWA and capital adequacy position for FRBH and its subsidiaries at 30 June (unaudited)

R million	2010 RWA	2010 Total capital adequacy %	2009 RWA	2009 Total capital adequacy %
Basel II				
FirstRand Bank Holdings Limited*	**341 608**	**15.6**	329 504	14.6
FirstRand Bank Limited (South Africa)	**283 745**	**14.0**	277 821	13.1
FirstRand Bank UK (London Branch)	**5 210**	**12.8**	3 144	21.4
FirstRand India	**241**	**247.5**	126	157.2
FirstRand (Ireland) PLC	**5 042**	**31.0**	8 355	18.2
RMB Australia Holdings Limited	**4 887**	**21.5**	4 611	19.5
FNB (Namibia) Limited	**9 910**	**20.1**	–	–
Basel I**				
FNB (Botswana) Limited	**6 834**	**17.4**	6 031	19.1
FNB (Lesotho) Limited	**228**	**17.9**	214	19.1
FNB (Moçambique) S.A.	**699**	**12.9**	466	17.4
FNB (Namibia) Limited	**–**	**–**	8 789	20.3
FNB (Swaziland) Limited	**1 467**	**20.9**	1 026	24.7
FNB (Zambia) Limited	**173**	**64.5**	48	168.0

* *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). FNB Africa subsidiaries (excluding FNB (Namibia) Limited), currently report under Basel I – these entities are subject to a 10% minimum capital requirement in terms of local rules, except FNB (Botswana) Limited, where the minimum capital requirement is 15%. These entities also report under Basel II and are included on this basis for the consolidated position of FRBH. FNB (Namibia) Limited implemented Basel II on 1 January 2010.*

Economic capital

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

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

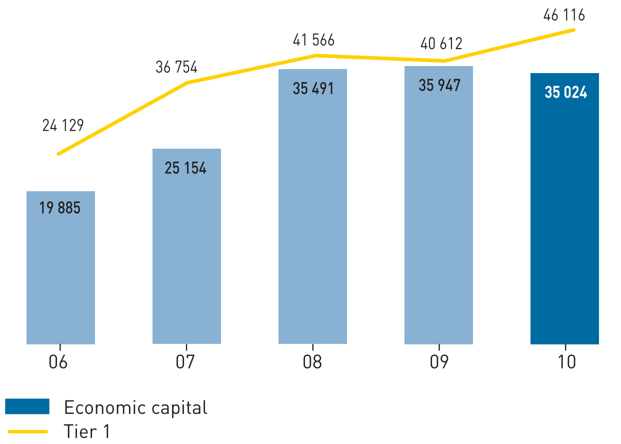
ICAAP assists in the attribution of capital in proportion to the risks inherent in the respective business units with reference to both normal economic circumstances and times of potential stress, which may lead to the realisation of risks not previously considered. This process is also supported by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

The 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. These are reviewed periodically and any changes will have a direct impact on business unit level measures such as economic profit or NIACC. The economic capital framework incorporates aspects of the portfolio's composition in its calibration and reflects the effects of risk concentrations and diversification benefits.

The graph below provides an overview of the evolution of economic capital requirements and Tier 1 capital (available financial resources) for FRBH:

Economic capital (unaudited)

(R million)

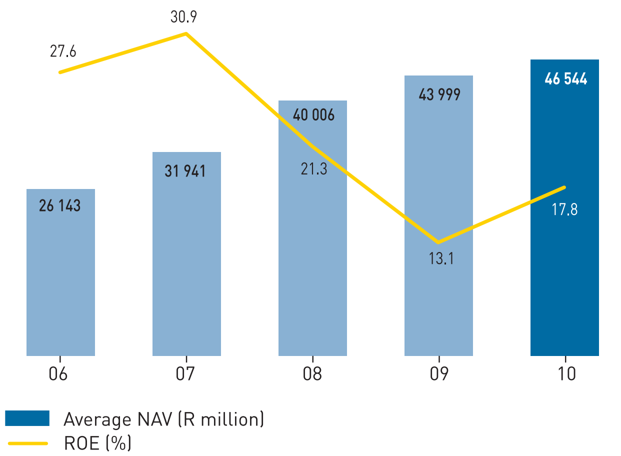


Normalised return on equity (unaudited)

The Banking Group achieved a normalised ROE of 18% compared to 13% for the prior year.

The Banking Group's total shareholders' equity and reserves (excluding non controlling interests) totalled R52 077 million as at 30 June 2010 (2009: R47 213 million). The average ordinary shareholders' equity and reserves for the period amounted to R46 544 million (2009: R43 999 million). Ordinary shareholders' equity comprises share capital and premium, distributable and non distributable reserves.

Normalised return on equity (unaudited)



Segmental ROE

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

Ordinary shareholders' equity has been attributed to segments based on actual ordinary shareholders' equity utilised (by the risk undertaken) by divisions and separate legal entities.

The allocation of the legal entities' ordinary shareholders' equity 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.

	2010		2009	
R million	Normalised earnings*	ROE %	Normalised earnings*	ROE %
FNB	4 225	32	3 737	26
FNB Africa	524	23	514	27
RMB	3 177	24	1 514	12
WesBank	915	15	315	7
Corporate Centre	(536)	–	(333)	–
Total	8 305	18	5 747	13

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

Economic profit

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

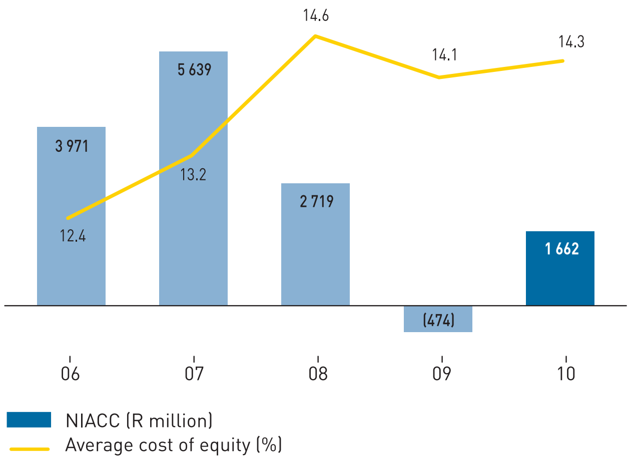
The use of economic profit or NIACC is embedded across the businesses and management culture. As a function of normalised earnings and capital utilised in the businesses, economic profit provides a clear indication of the economic value added by a transaction or business unit. Positive internal capital generation through earnings at a marginally higher cost of equity produced economic value for shareholders during the year under review. The following table and chart provide an overview of the relevant calculation and the creation of economic profit over time.

Economic profit and normalised ROE (unaudited)

R million	2010	2009
Normalised earnings	8 535	6 056
Preference dividends	(230)	(309)
Normalised earnings attributable to ordinary shareholders	8 305	5 747
Charge for capital*	(6 643)	(6 221)
Net economic profit/ (loss)**	1 662	(474)
Average ordinary shareholders' equity	46 544	43 999
Return on average ordinary shareholders' equity (%)	17.8	13.1
Average cost of equity	14.3	14.1

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

Evolution of economic profit and cost equity (unaudited)



MOMENTUM

Key objectives

Momentum's capital management objective is to maintain the optimal level of capital in the most cost efficient way, within risk profile and risk appetite. The optimal capital level is achieved through balancing the needs of regulators, rating agencies, policyholders and shareholders. The intention is to hold a capital buffer to give confidence to debt holders, policyholders, regulators and rating agencies. Capital management strives to achieve the highest possible credit rating in South Africa.

Targeted capital level

Momentum targets an economic capitalisation range of 1.4 – 1.6 times CAR, which is deemed sufficient to satisfy its risk appetite which is board approved. Momentum applies stochastic modelling techniques in arriving at the targeted economic capital level. Risk appetite is defined as the level of capital that will ensure, with a 95% confidence level, that Momentum will at all times cover the minimum CAR at least 1.0 times over the following five years. The stochastic model includes an allowance for capital required in respect of future new business.

Capital developments

The FSB is in the process of formulating a new solvency regime for the South African long term and short term insurance industries in line with international standards. The FSB launched its Solvency Assessment and Management ("SAM") project during 2010 to achieve this aim. The basis of the SAM regime will be the principles of the Solvency II Directive, as adopted by the European Parliament, but adapted to South African specific circumstances where necessary. Momentum participates actively in the development and formulation of the new South African solvency standards and is also reviewing its internal economic capital models in the light of local and international developments.

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

At 30 June 2010, Momentum's CAR was covered 2.1 times by the excess of assets over liabilities (on the statutory valuation basis), above its targeted range of 1.4 – 1.6 times CAR.

	At 30 June	At 30 June	
	2010	2009	
R million		Post final dividend	Published
Statutory excess over liabilities	**8 072**	6 749	7 108
CAR	**3 830**	3 843	3 843
CAR cover (times)	**2.11**	1.76	1.85

The capital position improved mainly as a result of the positive contribution from Momentum's operating profits and the impact of the recovery in equity markets over this period. These beneficial developments were partly offset by the dividends paid to FirstRand during the year. Total dividends paid amounted to R840 million. These dividend payments comprised:

Final dividend for F2009, paid in October 2009	R338 million
Interim dividend for F2010, paid in March 2010	R364 million
Preference share dividends, paid in Aug 2009 and Feb 2010	R38 million
Special dividend, paid in April 2010	R100 million
Total dividends paid during F2010	R840 million

The slight decrease in CAR reflects the net effect of the growth in the size of the book of business over the year, offset by a reduction in investment risk.

The actual capital level at 30 June 2010 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 at this time, given the uncertainty regarding the sustainability of the recent recovery in equity markets.

In terms of the merger agreement between Momentum and Metropolitan, Momentum is entitled to pay a final ordinary dividend in September 2010 to FirstRand Limited. The quantum of this dividend will depend on the Metropolitan interim ordinary dividend, payable in September 2010. The ratio between the abovementioned Momentum and Metropolitan ordinary dividends will be the same as the ratio between the embedded values of the two companies, as agreed for the proposed transaction.

Composition of regulatory capital

Given that the Long Term Insurance Act does not allow borrowing, the 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%.

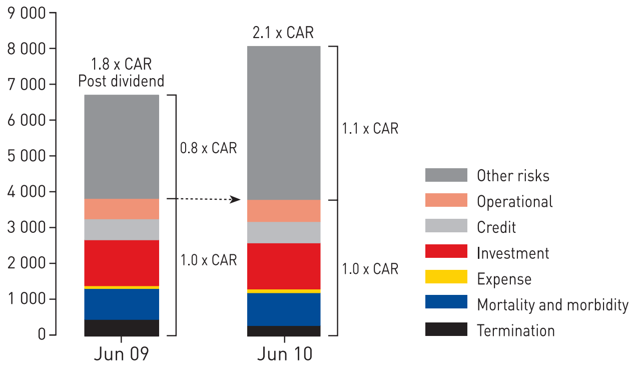
The table below analyses the sources of total qualifying regulatory capital utilised by Momentum at 30 June 2010.

Regulatory capital R million	At 30 June 2010	%	At 30 June Published 2009	%
Tier 1	**7 101**	**88**	6 102	86
– Core Tier 1 (i.e. equity capital)	**6 626**	**82**	5 642	79
– Non redeemable preference shares	**475**	**6**	460	7
Subordinated qualifying bond[1]	**971**	**12**	1 006	14
Qualifying statutory capital	**8 072**	**100**	7 108	100

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

Composition of the available capital

The bar chart below sets out the main risks covered by Momentum's total available economic capital:



Momentum's capital position improved over the past 12 months, mainly as a result of the recovery in equity markets. The graph also shows that the absolute level of Momentum's CAR decreased marginally, due to the net effect of the growth in the size of the book of business over the year, which was offset by a reduction in investment risk.

ROE

The active management of Momentum's capital plays an important role in achieving the targeted ROE set by FirstRand. Momentum achieved a normalised ROE of 21.9% compared to 22.6% for the prior year. The slight decrease in ROE is due mainly to the increase in the retained capital, which Momentum deems prudent given the uncertain market outlook.

Corporate activity

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

Momentum also increased its stake in Momentum Short Term Insurance from 45% to 50% over the past 12 months.

CREDIT RATINGS AS AT 13 SEPTEMBER

FRB

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

Credit ratings assigned by Standard & Poor's

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

Summary of rating actions:

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

Credit ratings assigned by Moody's Investors Service

	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	C-	
Outlook	Stable	

Summary of rating actions:

- There were no changes to the ratings assigned to FRB by Moody's Investors Service during the year under review.

Credit ratings assigned by Fitch Ratings

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

Summary of rating actions:

- On 16 July 2010, Fitch Ratings revised the Outlook on FRB to Stable from Negative and affirmed its ratings. The agency stated that the Outlook revision reflected its view that earnings had stabilised after weaker performances in FY08 and FY09, supported by a slower rate of deterioration in asset quality and improved financial performance in the first half of FY10.

Withdrawal of ratings on FRBH following the Group's restructuring

As of 1 July 2010, FirstRand Limited became the registered bank controlling company instead of FRBH, as part of the restructuring which was approved by shareholders at the company's annual general meeting on 25 November 2009.

The Group therefore requested that the major rating agencies that had previously rated both the bank and the bank holding company, withdraw the ratings for FRBH, as it is no longer the controlling company for FRB. Under the new structure, FRBH has been renamed and will house the Group's African subsidiaries. There have been no significant changes to the business of FRB as a result of the restructuring. FRB continues to be rated by all three major international rating agencies.

Both Standard & Poor's and Fitch Ratings affirmed and withdrew the ratings on 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 and good capitalisation.

Credit ratings assigned by Fitch Ratings

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

Summary of rating actions:

- On 1 April 2010, Fitch Ratings placed Momentum on Rating Watch Negative ("RWN"), following the announcement of the proposed merger with Metropolitan. The rationale for placing Momentum's credit ratings on RWN is because Momentum will become part of a standalone entity, when the proposed transaction with Metropolitan is approved.

NOTES

FIRSTRAND Banking Group

CREDIT PORTFOLIO MANAGEMENT

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 trends in the wider economy.

Credit highlights at a glance

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

		Year ended 30 June		
R million/%	Note	2010	2009	% change
Total advances	1	**443 750**	429 815	3
NPLs	2	**22 205**	24 227	(8)
NPLs as % of advances (%)		**5.00**	5.64	(11)
Impairment charge	3	**5 686**	8 024	(29)
Impairment charge as % of average advances (%)		**1.30**	1.81	(28)
Total impairments[a]	4	**10 731**	10 984	(2)
– Portfolio impairments[a]		**3 566**	3 500	2
– Specific impairments[a]		**7 165**	7 484	(4)
Implied loss given default (coverage)[b] (%)	4	**32.3**	30.9	5
Total impairments coverage ratio[c] (%)		**48.3**	45.3	7

a) Includes cumulative credit fair value adjustments.
b) Specific impairments and non performing book cumulative credit fair value adjustments as a percentage of the NPLs.
c) Total impairments and total cumulative credit fair value adjustments as a percentage of the NPLs.

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

Retail credit portfolios

Interest rate reductions, which started in 2008 and continued into 2010, resulted in a reduction in NPL inflows and consequently in the credit impairment charges of most retail portfolios. The level of NPLs remained high, however, due to the debt counselling process. As a result of the improvement in credit quality, the Group's retail portfolios now fall within the Group's desired credit appetite ranges.

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

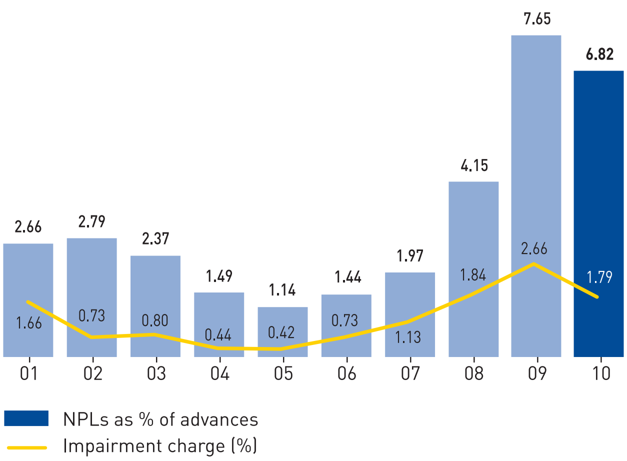
Corporate/wholesale credit portfolios

During the year under review the wholesale portfolios were resilient, however, lending appears likely to remain tepid as corporates maintain high levels of cash and investment spending remains subdued. Commercial NPLs and impairments have increased since June 2009 due to the lagged impact of the economic cycle on this sector.

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

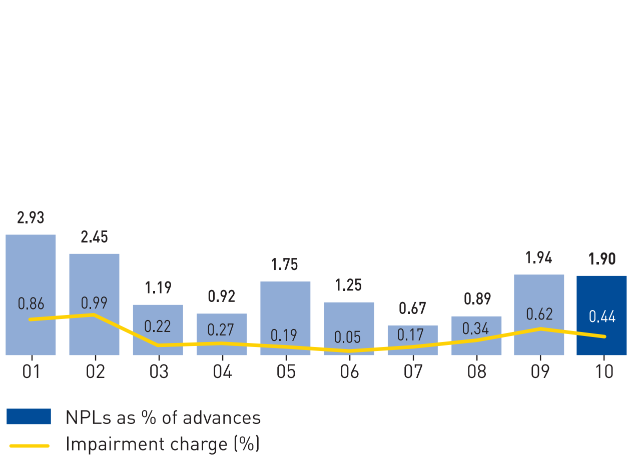
Retail credit portfolios

(%)



Corporate/wholesale credit portfolios

(%)



Expectations

Despite the reduction in debt servicing costs as a result of lower interest rates, the subsequent improvement in affordability and underlying asset recovery (e.g. house price growth), credit appetite has not increased considerably. Consumers remain leveraged and vulnerable to shifts in the external economic environment and concerns remain with regards to unemployment prospects and the timing and strength of the recovery.

The wholesale portfolio has remained resilient in the face of the market downturn in the year under review. The majority of negative credit migrations were experienced in specific sub-sectors, such as property development and transportation, while most of the exposures in other industries showed resilience against the downturn. The strategy of rebalancing the wholesale portfolio to more investment grade lending has also already started paying off.

In line with the Banking Group's objective to rebalance its portfolio, it is increasing its exposure to large corporate credit. The existing in-force book, which has been originated by the investment bank, has historically performed well, but due to the natural runoff profile of these exposures, capacity is available to write more high quality credit. To support this initiative, the Banking Group has created a corporate and investment banking unit, with an integrated client coverage team and has adjusted certain prudential limits in investment grade and defensive counters.

NOTE 1: ANALYSIS OF ADVANCES

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

	Year ended 30 June		
R million	2010	2009	% change
Retail	**281 388**	275 886	2
Residential mortgages	**152 300**	147 937	3
Credit card	**10 705**	11 726	(9)
Vehicle and asset finance	**88 761**	88 536	–
FNB Africa	**19 645**	17 519	12
Other retail	**9 977**	10 168	(2)
Corporate/Wholesale	**160 599**	148 578	8
FNB Corporate	**1 697**	8 373	(80)
FNB Commercial	**28 590**	27 216	5
Investment banking	**130 312**	112 989	15
Corporate Centre and other	**1 763**	5 351	(67)
Total	**443 750**	429 815	3
Of which:			
Accrual book	**326 063**	330 443	(1)
Fair value book*	**117 687**	99 372	18

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

Advances increased 3% during the year under review. The combination of limited credit demand and the focus on appropriate risk return from a risk appetite perspective resulted in low advances growth during this period. The application of setoff in the FNB Corporate portfolio resulted in a reduction in advances during the 2009 calendar year.

The table below provides a sectoral and geographical analysis of advances.

ADVANCES – Sectoral and geographical analysis

R million	Year ended 30 June 2010	2009	% change
Gross advances	**445 815**	431 711	3
Less: Interest in suspense	**(2 065)**	(1 896)	9
Advances net of interest in suspense	**443 750**	429 815	3
Sector analysis			
Agriculture	**12 563**	11 877	6
Banks and financial services	**60 615**	42 535	43
Building and property development	**19 406**	18 425	5
Government, Land Bank & Public Authorities	**14 035**	20 825	(33)
Individuals	**255 513**	248 806	3
Manufacturing and commerce	**32 940**	35 917	(8)
Mining	**9 358**	9 457	(1)
Transport and communication	**13 707**	13 096	5
Other services	**25 613**	28 877	(11)
Total	**443 750**	429 815	3
Geographic analysis			
South Africa	**410 264**	393 803	4
Other Africa	**22 741**	20 965	8
United Kingdom	**7 186**	10 381	(31)
Ireland	**68**	381	(82)
Europe	**660**	2 204	(70)
North America	**819**	320	>100
South America	**391**	445	(12)
Australasia	**1 365**	1 158	18
Other	**256**	158	62
Total	**443 750**	429 815	3

NOTE 2: ANALYSIS OF NPLs

The interest rate reductions resulted in lower new NPLs in most retail portfolios when compared to 30 June 2009. The NPLs as a percentage of advances decreased from 5.64% at 30 June 2009 to 5.00% at 30 June 2010. NPL levels are however impacted by the debt counselling process and the lengthening of the workout process, especially for secured portfolios.

	NPLs			NPLs as a % of advances	
	Year ended 30 June			Year ended 30 June	
R million	2010	2009	% change	2010	2009
Retail	**19 179**	21 092	(9)	**6.82**	7.65
Residential mortgages	**12 553**	13 626	(8)	**8.24**	9.21
Credit card	**672**	1 444	(53)	**6.28**	12.31
Vehicle and asset finance	**4 778**	4 355	10	**5.38**	4.92
FNB Africa	**407**	430	(5)	**2.07**	2.45
Other retail	**769**	1 237	(38)	**7.71**	12.17
Corporate/Wholesale	**3 054**	2 884	6	**1.90**	1.94
FNB Corporate	**1**	84	(99)	**0.06**	1.00
FNB Commercial	**1 927**	1 623	19	**6.74**	5.96
Investment banking	**1 126**	1 177	(4)	**0.86**	1.04
Corporate Centre and other	**(28)**	251	(>100)	**(1.59)**	4.69
Total	**22 205**	24 227	(8)	**5.00**	5.64
Of which:					
Accrual book	**21 435**	23 398	(8)	**6.57**	7.08
Fair value book	**770**	829	(7)	**0.65**	0.83

The table below provides a sectoral and geographical analysis of NPLs. Mortgages (to individuals) remain the majority of the NPLs.

NPLs – Sectoral and geographical analysis

	NPLs			NPLs as a % of advances	
	Year ended 30 June			Year ended 30 June	
R million	2010	2009	% change	2010	2009
Sector analysis					
Agriculture	**356**	413	(14)	**2.83**	3.48
Banks and financial services	**330**	406	(19)	**0.54**	0.95
Building and property development	**1 299**	1 034	26	**6.69**	5.61
Government, Land Bank & Public Authorities	**84**	75	12	**0.60**	0.36
Individuals	**16 954**	19 178	(12)	**6.64**	7.71
Manufacturing and commerce	**793**	1 063	(25)	**2.41**	2.96
Mining	**91**	133	(32)	**0.97**	1.41
Transport and communication	**335**	243	38	**2.44**	1.86
Other services	**1 963**	1 682	17	**7.66**	5.82
Total	**22 205**	24 227	(8)	**5.00**	5.64
Geographic analysis					
South Africa	**21 100**	22 934	(8)	**5.14**	5.82
Other Africa	**549**	513	7	**2.41**	2.45
United Kingdom	**26**	37	(30)	**0.36**	0.36
Europe	**–**	100	(100)	**–**	4.54
South America	**214**	300	(29)	**54.73**	67.42
Australasia	**316**	343	(8)	**23.15**	29.65
Total	**22 205**	24 227	(8)	**5.00**	5.64

Security and recoverable amounts

	For the year ended 30 June 2010			
R million	NPLs	Security and recoverable amounts	Residual risk	Specific impairment[1]
Retail	19 179	13 499	5 680	5 680
Residential mortgages	12 553	10 041	2 512	2 512
Credit card	672	194	478	478
Vehicle and asset finance	4 778	2 896	1 882	1 882
FNB Africa	407	208	199	199
Other retail	769	160	609	609
Corporate/Wholesale	3 054	1 706	1 348	1 348
FNB Corporate	1	–	1	1
FNB Commercial	1 927	1 148	779	779
Investment banking	1 126	558	568	568
Corporate Centre and other	(28)	(165)	137	137
Total	22 205	15 040	7 165	7 165

1 *Includes cumulative credit fair value adjustments.*

	For the year ended 30 June 2009			
	NPLs	Security and recoverable amounts	Residual risk	Specific impairment[1]
	21 092	14 893	6 199	6 199
	13 626	11 080	2 546	2 546
	1 444	403	1 041	1 041
	4 355	2 965	1 390	1 390
	430	238	192	192
	1 237	207	1 030	1 030
	2 884	1 801	1 083	1 083
	84	15	69	69
	1 623	1 095	528	528
	1 177	691	486	486
	251	49	202	202
	24 227	16 743	7 484	7 484

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The credit impairment charge for the year ended 30 June 2010 was 1.30%, comparing favourably to the impairment charge at 30 June 2009 of 1.81%. The table below provides an analysis of the income statement impairment charges:

Income statement impairments

	Total impairment charge			As a % of average advances	
	Year ended 30 June			Year ended 30 June	
R million	2010	2009	% change	2010	2009
Retail	**4 989**	7 386	(32)	**1.79**	2.66
Residential mortgages	**1 416**	2 375	(40)	**0.94**	1.62
Credit card	**776**	1 355	(43)	**6.92**	11.18
Vehicle and asset finance	**1 722**	2 222	(23)	**1.94**	2.41
FNB Africa	**68**	96	(29)	**0.37**	0.58
Other retail	**1 007**	1 338	(25)	**10.00**	13.32
Corporate/Wholesale	**675**	982	(31)	**0.44**	0.62
FNB Corporate	**34**	70	(51)	**0.68**	0.59
FNB Commercial	**446**	389	15	**1.60**	1.52
Investment banking	**195**	523	(63)	**0.16**	0.43
Corporate Centre and other	**22**	(344)	(>100)	**0.62**	(5.20)
Total	**5 686**	8 024	(29)	**1.30**	1.81
Of which:					
Portfolio impairment charge	**(52)**	(4)	>100	**(0.01)**	–
Specific impairment charge	**5 738**	8 028	(29)	**1.31**	1.81

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 % of NPLs	
	Year ended 30 June			Year ended 30 June	
R million	2010	2009	% change	2010	2009
Specific impairments[1]					
Retail	**5 680**	6 199	(8)	**29.62**	29.39
Residential mortgages	**2 512**	2 546	(1)	**20.01**	18.68
Credit card	**478**	1 041	(54)	**71.13**	72.09
Vehicle and asset finance	**1 882**	1 390	35	**39.39**	31.92
FNB Africa	**199**	192	4	**48.89**	44.65
Other retail	**609**	1 030	(41)	**79.19**	83.27
Corporate/wholesale	**1 348**	1 083	24	**44.14**	37.55
FNB Corporate	**1**	69	(99)	**100.00**	82.14
FNB Commercial	**779**	528	48	**40.43**	32.53
Investment banking	**568**	486	17	**50.44**	41.29
Corporate Centre and other	**137**	202	(32)	**(>100)**	80.48
Total specific impairments/ Implied LGD[2]	**7 165**	7 484	(4)	**32.27**	30.89
Portfolio impairments[3]	**3 566**	3 500	2		
Total impairments/Total impairment coverage ratio[4]	**10 731**	10 984	(2)	**48.33**	45.34

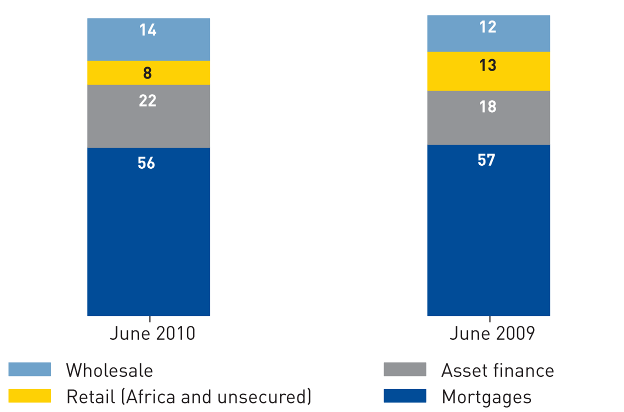
1 *Specific impairments including credit fair value adjustments relating to the non performing fair value advances.*
2 *NPL specific impairments and credit fair value adjustments as a % of NPLs.*
3 *Performing portfolio impairments and credit fair value adjustments.*
4 *Total impairments and credit fair value adjustments as a % of the NPLs.*

The Banking Group regularly reviews the coverage ratios taking into consideration market conditions as well as recent and expected recoveries on NPLs. The Banking Group believes the NPL coverage ratio of 32.27% (June 2009: 30.89%) to be adequate.

The graph below provides the NPL distribution across the product categories, showing a slight decrease in the proportion of residential mortgages NPLs since June 2009. The proportion of NPLs relating to asset finance and wholesale advances increased relative to June 2009. Both these categories have higher NPL coverage ratios (see table above) than mortgages which would have contributed to the increase in the overall coverage ratio.

NPL distribution

(%)



Reconciliation of impairment charges

	For the year ended 30 June 2010				
R million	Total	Retail	Corporate	Corporate Centre and other	Income statement charge
Specific impairment – opening balance	7 206	6 199	805	202	
Reclassifications and transfers	238	290	(64)	12	
Acquisitions	3	–	3	–	
Exchange rate difference	(3)	(7)	4	–	
Unwinding of discounted present value on NPLs	(258)	(244)	(18)	4	
Bad debts written off	(6 826)	(6 320)	(385)	(121)	
Net new impairments created	6 528	5 762	726	40	
Specific impairments	6 888	5 680	1 071	137	6 528
Portfolio impairments	2 084	1 536	596	(48)	(52)
Recoveries of bad debts					(790)
Total impairments	8 972	7 216	1 667	89	5 686

For the year ended 30 June 2009				
Total	Retail	Corporate	Corporate Centre and other	Income statement charge
4 918	4 186	582	150	
27	89	22	(84)	
–	–	–	–	
(45)	(26)	(19)	–	
(413)	(388)	(32)	7	
(5 839)	(5 112)	(634)	(93)	
8 558	7 450	886	222	
7 206	6 199	805	202	8 558
2 385	1 935	546	(96)	(4)
				(530)
9 591	8 134	1 351	106	8 024

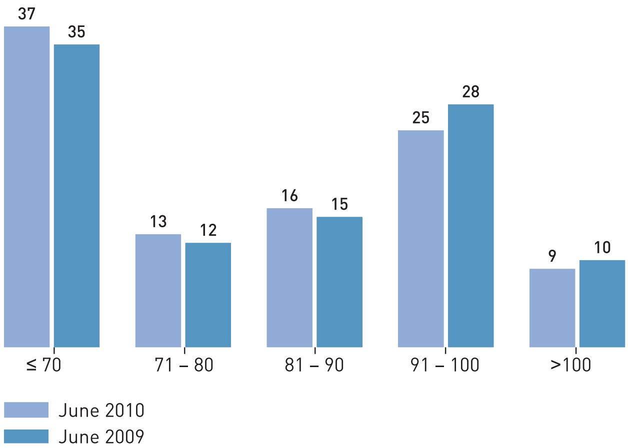
SELECTED RISK ANALYSES

This section provides further information on selected risk analyses of 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 distribution.

Residential mortgages balance to value – original value (unaudited)

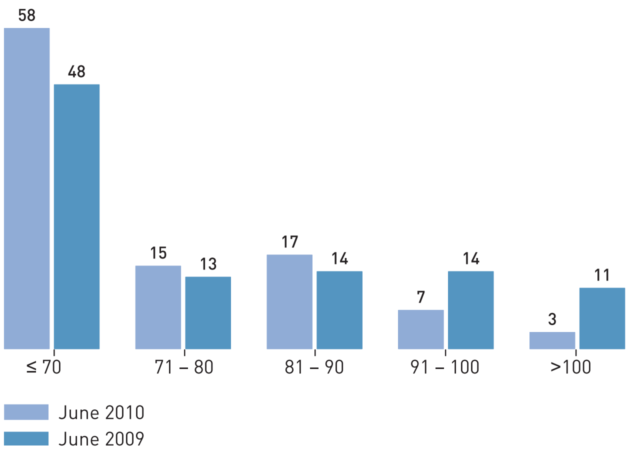
As % of total book (%)



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

Residential mortgages balance to value – market value (unaudited)

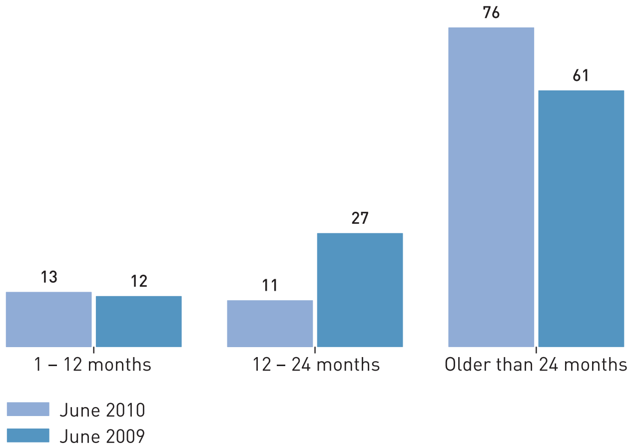
As % of total book (%)



The improvement in the residential mortgages age distribution is a direct result of the reduction in new loans written during the 2009/2010 year due to the credit and pricing policies followed and market demand.

Residential mortgages age distribution

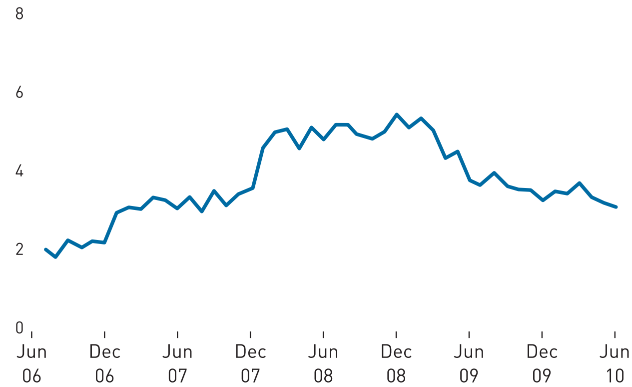
As % of total book (%)



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 (excluding NPLs):

FNB HomeLoans arrears

(%)

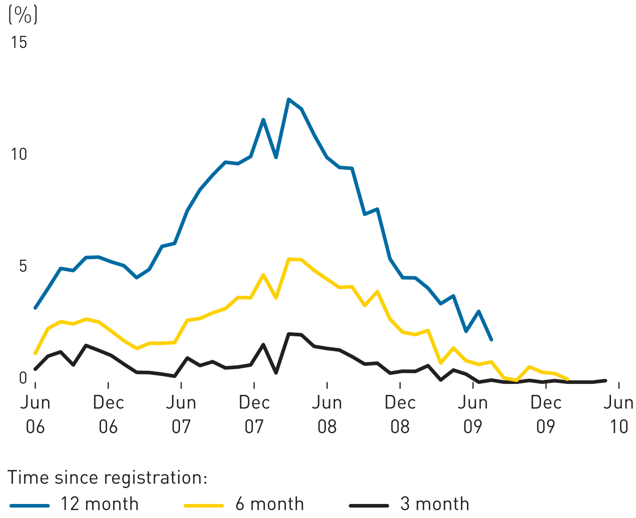


FNB HomeLoans arrears levels exhibited a decreasing trend in recent months. Similar trends are also observed in the WesBank and Credit Card portfolios.

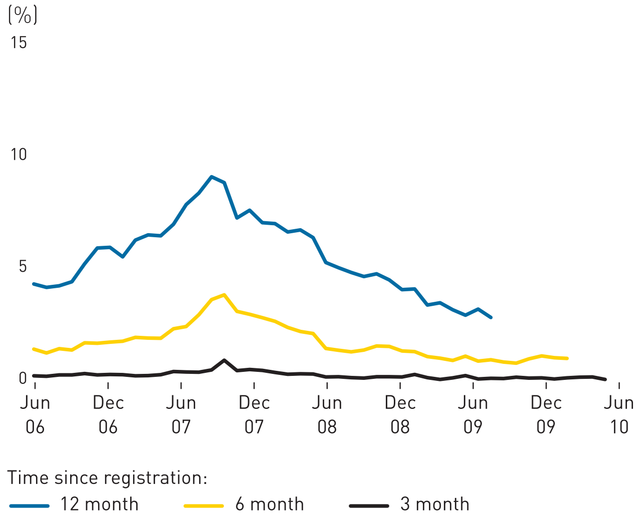
The following graphs provide vintage analyses for FNB HomeLoans and WesBank retail respectively. Vintage graphs provide the default experience three, six and twelve months after each origination date. It indicates the impact of origination strategies and the macro environment.

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

FNB HomeLoans vintage analysis



WesBank retail vintage analysis



The Banking Group's South African repossessed properties increased from R178 million (670 properties) at 30 June 2009 to R513 million (1 564 properties) at 30 June 2010.

The WesBank retail six and twelve month cumulative vintage analysis reflects the noticeable improvement in the quality of business written since mid 2007 and the more benign macro environment (i.e. lower rates).

In the asset finance business, repossession and stock holding levels continued to decline relative to the comparative period. The gradually reducing trend is likely to continue into the future as the economic environment improves.

SUPPLEMENTARY INFORMATION

Advances – product analysis

	For the year ended 30 June 2010			
R million	Total	Retail	Corporate	Corporate Centre and other
Overdrafts and managed accounts	25 976	5 297	20 560	119
Loans to banks and other financial institutions	6 769	–	6 124	645
Card loans	11 966	11 966	–	–
Instalment sales	65 640	65 733	–	(93)
Lease payments receivable	18 442	18 442	–	–
Property finance	172 579	160 761	12 148	(330)
Personal loans	11 289	11 288	–	1
Term loans	9 735	440	9 195	100
Preference share agreements	24 618	300	24 318	–
Investment banking corporate and structured products	46 901	–	46 901	–
Repayable in foreign currency	1 662	89	499	1 074
Other	10 065	7 072	2 746	247
Assets under agreement to resell	38 108	–	38 108	–
Total	443 750	281 388	160 599	1 763

For the year ended 30 June 2009			
Total	Retail	Corporate	Corporate Centre and other
36 093	5 390	27 576	3 127
4 317	–	4 317	–
12 901	12 856	45	–
62 411	62 504	–	(93)
21 958	21 958	–	–
165 598	155 038	10 955	(395)
10 466	10 466	–	–
8 703	472	8 347	(116)
22 276	90	20 905	1 281
47 314	–	47 314	–
3 312	192	3 120	–
8 467	6 920	–	1 547
25 999	–	25 999	–
429 815	275 886	148 578	5 351

Segmental advances, NPLs and impairment analysis

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

	For the year ended 30 June 2010				
R million	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
FNB	199 113	15 546	7.81	3 421	1.70
FNB Retail	169 019	13 674	8.09	2 873	1.71
Residential mortgages	152 300	12 553	8.24	1 416	0.94
– FNB HomeLoans (Consumer segment)	108 558	9 737	8.97	1 181	1.08
– Wealth	37 482	2 520	6.72	210	0.60
– Affordable Housing (Mass segment)	6 260	296	4.73	25	0.46
Credit card	10 705	672	6.28	776	6.92
Personal banking	3 042	148	4.87	202	6.18
Mass (secured and unsecured)	2 972	301	10.13	479	16.22
FNB Commercial	28 590	1 927	6.74	446	1.60
FNB Corporate Banking	1 697	1	0.06	34	0.68
FNB Other	(193)	(56)	29.02	68	5.45
WesBank	92 724	5 098	5.50	2 048	2.21
WesBank asset backed finance	88 761	4 778	5.38	1 722	1.94
– WesBank retail	53 391	2 882	5.40	929	1.77
– WesBank business and corporate	30 415	1 760	5.79	697	2.21
– WesBank International	4 955	136	2.74	96	2.09
WesBank loans	3 963	320	8.07	326	8.47
RMB	130 312	1 126	0.86	195	0.16
FNB Africa	19 645	407	2.07	68	0.37
Corporate Centre	1 956	28	1.43	(46)	(1.99)
Total	443 750	22 205	5.00	5 686	1.30

	For the year ended 30 June 2009				
	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
	204 370	17 769	8.69	4 920	2.39
	166 093	16 062	9.67	4 545	2.76
	147 937	13 626	9.21	2 375	1.62
	110 642	11 322	10.23	2 295	2.05
	32 732	2 087	6.38	64	0.21
	4 563	217	4.76	16	0.38
	11 726	1 444	12.31	1 355	11.18
	3 497	444	12.70	429	12.12
	2 933	548	18.68	386	14.85
	27 216	1 623	5.96	389	1.52
	8 373	84	1.00	70	0.59
	2 688	–	–	(84)	(2.11)
	92 274	4 600	4.99	2 745	2.86
	88 536	4 355	4.92	2 222	2.41
	51 601	2 906	5.63	1 539	2.77
	32 690	1 273	3.89	505	1.57
	4 245	176	4.15	178	4.00
	3 738	245	6.55	523	13.40
	112 989	1 177	1.04	523	0.43
	17 519	430	2.45	96	0.58
	2 663	251	9.43	(260)	(9.91)
	429 815	24 227	5.64	8 024	1.81

NOTES

FirstRand Banking Group

SECURITISATIONS AND CONDUITS

Securitisations and conduits

KEY DEVELOPMENTS AND FOCUS

In July 2009, Moody's downgraded all Aaa- and Aa1-rated notes of South African asset backed securities, residential mortgage asset backed securities, commercial mortgage asset 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 several of the Banking Group's transactions listed below.

In November 2009 Nitro International Securitisation Company 1 Plc ("Nitro 1 Plc") redeemed the total outstanding notes, which initiated the dissolution of Nitro 1 Plc. A detailed description of the transaction is provided on page 98.

In September 2009 and May 2010 respectively, the Banking Group brought to a successful close Nitro Securitisation 1 (Pty) Limited ("Nitro 1") and Nitro Securitisation 2 (Pty) Limited ("Nitro 2"), the first and second securitisations of instalment sale agreements originated by WesBank. The objective of the Banking Group to obtain matched term funding at a time when its retail asset book was growing rapidly was achieved. The structures proved resilient despite the recent difficulties experienced in the retail consumer environment.

Securitisation transactions

Transaction	Asset type	Year initiated	Expected close	Rating agency
R million				
Traditional securitisations				
Nitro 1	Retail: Auto loans	2006	2009	Moody's
Nitro 2	Retail: Auto loans	2006	2010	Moody's
Nitro 3	Retail: Auto loans	2007	2011	Moody's and Fitch
Ikhaya 1	Retail mortgages	2007	2011	Fitch
Ikhaya 2	Retail mortgages	2007	2012	Fitch
Synthetic securitisations				
Procul	Retail: Auto loans	2002	2010	Fitch
Fresco II	Corporate receivables	2007	2013	Fitch
Total				

Rating distribution of retained securitisation exposures

R million	AAA(zaf)	AA(zaf)	A+(zaf)	A(zaf)
Traditional				
At 30 June 2010	**15**	**8**	**–**	**4**
At 30 June 2009	56	1	–	–
Synthetic				
At 30 June 2010	**17 991**	**180**	**53**	**–**
At 30 June 2009	18 083	189	52	4

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

INTRODUCTION AND OBJECTIVES

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

- enhance the liquidity position through the diversification of funding sources;
- match the cash flow profile of assets and liabilities;
- reduce credit risk exposure;
- reduce capital requirements; or
- manage 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. The securitisation entities are subsequently consolidated into FRBH 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.

TRADITIONAL AND SYNTHETIC SECURITISATIONS

The following tables show the traditional and synthetic securitisations currently in place as well as the rating distribution of any exposures retained by the Banking Group. Whilst national scale ratings have been used in this table, global scale equivalent ratings are used for internal risk management purposes. All assets in these vehicles were originated by FRB and in each of these transactions FRB acted as originator, servicer and swap counterparty.

	Assets securitised	Assets outstanding		Notes outstanding		Retained exposure	
		2010	2009	**2010**	2009	**2010**	2009
	16 784	**3 907**	6 206	**4 276**	7 261	**254**	351
	2 000	**–**	181	**–**	245	**–**	5
	5 000	**–**	847	**–**	1 216	**–**	24
	5 000	**736**	1 688	**1 129**	2 095	**39**	73
	1 900	**1 317**	1 439	**1 321**	1 592	**87**	93
	2 884	**1 854**	2 051	**1 826**	2 113	**128**	156
	22 000	**22 000**	22 000	**22 000**	22 000	**19 138**	19 182
	2 000	**2 000**	2 000	**2 000**	2 000	**875**	1 009
	20 000	**20 000**	20 000	**20 000**	20 000	**18 263**	18 173
	38 784	**25 907**	28 206	**26 276**	29 261	**19 392**	19 533

	BBB+(zaf)	BBB(zaf)	BBB–(zaf)	BB+(zaf)	BB(zaf)	Not rated	Total
	15	**–**	**–**	**–**	**–**	**210**	**252**
	–	–	–	–	–	294	351
	–	**–**	**–**	**–**	**–**	**914**	**19 138**
	–	–	–	29	2	823	19 182

Downgrades of South African structured finance ratings by Moody's

The Moody's downgrade affected notes in the following FRB transactions:

- Nitro Securitisation 1 (Pty) Limited (Classes A14 and A15 downgraded to Aa2).
- Nitro International Securitisation 1 Plc (Classes A downgraded to Aa2).
- Nitro Securitisation 2 (Pty) Limited (Classes A12, A13, A14 and A15 downgraded to Aa2).
- Nitro International Securitisation 2 Plc (Classes A downgraded to Aa2).
- Nitro Securitisation 3 (Pty) Limited (Classes 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. The rating actions were as a result of Moody's downgrade of 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.

Dissolution of Nitro International Securitisation Company 1 Plc

Nitro 1 Plc was launched on 27 November 2006 and issued €212 million in Secured Amortising Floating Rate Notes, due in 2012. On the payment date of 16 November 2009, Nitro 1 Plc redeemed the total outstanding notes, which initiated the process of the dissolution of Nitro 1 Plc. The secured parties (other than the note holders, the trustee and the corporate services company) acknowledged and confirmed that the appointment as per the transaction documents had ended. The dissolution of Nitro 1 Plc is expected to be completed in the next financial year.

Exercise of clean up call option for Nitro 1 and 2

Nitro 1 was launched on 28 March 2006 with a size of R2 billion and a 7% subordination below the Aaa rated notes. The subordinated loan of R20 million and the Class D notes (from March 2008) were held by the originator (FRB). There was an excess spread of 2%. By 14 September 2009, notes to the value of R186.5 million were outstanding, representing less than 10% of the outstanding principal amount of the notes on issue 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. All the outstanding notes were redeemed in full on 14 September 2009, which was also the next interest payment date.

Nitro 2 was launched on 8 September 2006 with a size of R5 billion and an 8% subordination below the Aaa rated notes. FRB, the originator, held the subordinated loan of R95 million. There was an excess spread of 1.2%. By 12 May 2010, notes to the value of R440.9 million were outstanding, representing less than 10% of the original principal amount. On 12 May 2010, the next interest payment date, Nitro 2 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 and second securitisations of instalment sale agreements originated by WesBank. The objective of the Banking Group to obtain matched term funding at a time when its retail asset book was growing rapidly was achieved. The structures proved resilient despite the recent difficulties experienced in the retail consumer environment.

Investors in both securitisations were able to, without suffering any losses, realise investments earlier than the legal maturity. Given the recent turmoil in credit markets, credit spreads had widened significantly compared to levels at inception of the transactions. The clean up calls enabled investors to benefit from reinvestment opportunities at more attractive credit spreads for similarly rated instruments.

CONDUIT PROGRAMMES AND FIXED INCOME FUNDS

The Banking Group'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. It also provides 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 by the Banking Group.

The following tables show the programmes currently in place, the ratings distribution of the underlying assets and the role played by the Banking Group 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	
R million					2010	2009	2010	2009
Conduits								
iNdwa	Corporate and structured finance term loans	2003	Fitch	15 000	**7 373**	7 287	**–**	–
iVuzi	Corporate and structured finance term loans	2007	Fitch	15 000	**5 772**	5 017	**758**	679
Total					**13 145**	12 304	**758**	679
Fixed income fund								
iNkotha	Overnight corporate loans	2006	Fitch	10 000	**2 164**	3 623	**–**	–
Total					**2 164**	3 623	**–**	–

Rating distribution of conduits and fixed income funds

	F1+(zaf)	AAA(zaf)	AA+(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A(zaf)	A-(zaf)	Total
Conduits									
At 30 June 2010	–	1 436	633	1 487	4 683	1 480	2 592	835	13 146
At 30 June 2009	–	1 551	341	2 076	4 640	2 259	1 020	417	12 304
Fixed income fund									
At 30 June 2010	–	656	–	–	1 194	–	116	197	2 163
At 30 June 2009	–	1 209	–	–	1 107	–	1 002	305	3 623

FRB's role in the conduits and the fixed income fund

Transaction	Originator	Investor	Servicer	Liquidity provider	Credit enhancement provider	Swap counterparty
iNdwa			√	√		√
iNkotha			√			
iVuzi			√	√	√	√

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

Liquidity facilities

The table below provides an overview of the liquidity facilities issued by FRB.

Liquidity facilities as at 30 June

		Exposure	
		2010	2009
Transaction	Transaction type	R million	R million
Own transactions		10 442	9 540
iNdwa	Conduit	5 898	5 653
iVuzi	Conduit	4 544	3 887
Third party transactions	Securitisations	1 577	2 160
Total		**12 019**	11 700

It is important to note that from an accounting perspective, upon consolidation, the underlying assets in the entities not recognised on the statement of financial position, are reconsolidated onto FRB's statement of financial position.

All liquidity facilities in the transactions given in the table above, rank 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 by FRB. The conduit programmes are consolidated into FRBH for financial reporting purposes.

ADDITIONAL INFORMATION

The following table provides the securitisation exposures retained or purchased as well as their associated IRB capital requirements per risk band.

Retained or purchased securitisation exposure and the associated regulatory capital charges

Risk weighted bands	Exposure		IRB capital		Capital deduction	
R million	As at 30 June 2010	As at 30 June 2009	As at 30 June 2010	As at 30 June 2009	As at 30 June 2010	As at 30 June 2009
=<10%	17 840	17 840	122	122	–	–
>10% =<20%	12 042	11 724	88	92	–	–
>20% =<50%	180	233	6	9	–	–
>50% =<100%	931	1 013	66	57	–	–
>100% =<650%	773	711	198	152	–	–
1 250%/deduction	414	519	–	–	414	519
Total	**32 180**	32 040	**480**	432	**414**	519

The table below provides a summary of the deductions arising from securitisation exposures.

Deductions arising from securitisation exposures

R million	Corporate receivables	Retail mortgages	Retail: instalment sales and leasing	Total
Traditional		187	38	225
Synthetic	190			190
Total	**190**	**187**	**38**	**415**

The Banking Group has not securitised any exposures that were impaired or past due at the time of securitisation. None of the securitisations transactions are subject to the early amortisation treatment.

FIRSTRAND
Banking Group

APPENDIX I

Consolidated income statement
for the year ended 30 June

R million	Notes	2010	2009	% change
Interest and similar income		39 070	52 098	(25)
Interest expenses and similar charges		(22 472)	(34 464)	(35)
Net interest income before impairment of advances	1	16 598	17 634	(6)
Impairment losses on loans and advances		(5 686)	(8 024)	(29)
Net interest income after impairment of advances		10 912	9 610	14
Non interest revenue	2	26 140	19 760	32
– fee and commission income		16 336	15 298	7
– fair value income		4 217	1 427	>100
– investment income		1 882	588	>100
– other non interest revenue		3 705	2 447	51
Income from operations		37 052	29 370	26
Operating expenses	3	(24 785)	(22 659)	9
Net income from operations		12 267	6 711	83
Share of profit from associates and joint ventures	4	700	1 577	(56)
Income before tax		12 967	8 288	56
Indirect tax		(443)	(396)	12
Profit before tax		12 524	7 892	59
Direct tax		(3 372)	(1 300)	>100
Profit for the year		9 152	6 592	39
Attributable to:				
Ordinary shareholders		8 034	5 393	49
Non cumulative non redeemable preference shares		230	309	(26)
Equity holders		8 264	5 702	45
Non controlling interest		888	890	–
Profit for the year		9 152	6 592	39

Consolidated statement of comprehensive income
for the year ended 30 June

R million	2010	2009
Profit for the year	9 152	6 592
Other comprehensive income		
Cash flow hedges	(231)	(1 229)
Available-for-sale financial assets	(14)	(31)
Exchange differences on translating foreign operations	(58)	(634)
Share of other comprehensive income of associates	39	73
Other comprehensive income for the year before tax	(264)	(1 821)
Income tax relating to components of other comprehensive income	(17)	289
Other comprehensive income for the year	(281)	(1 532)
Total comprehensive income for the year	8 871	5 060
Total comprehensive income attributable to:		
– Non cumulative non redeemable preference shares	230	309
– Ordinary equity holders	7 752	3 885
– Non controlling interest	889	866
Total comprehensive income for the year	8 871	5 060

Consolidated statement of financial position
as at 30 June

R million	Notes	2010	2009	2008
ASSETS				
Cash and short term funds		**26 986**	25 756	27 895
Derivative financial instruments		**39 764**	60 229	49 104
– qualifying for hedge accounting		**479**	376	1 053
– held for trading		**39 285**	59 853	48 051
Advances		**434 778**	420 224	449 156
– loans and receivables		**316 971**	320 689	345 618
– held-to-maturity		**120**	163	308
– available-for-sale		**300**	459	673
– fair value through profit and loss		**117 387**	98 913	102 557
Investment securities and other investments		**117 155**	105 745	96 995
Financial securities held for trading		**25 948**	38 676	43 653
Investment securities		**91 207**	67 069	53 342
– held for trading		**2 365**	490	–
– held-to-maturity		**254**	126	235
– available-for-sale		**30 016**	32 461	18 893
– fair value through profit and loss		**42 536**	17 746	14 944
– fair value through profit and loss non recourse investments		**16 036**	16 246	19 270
Commodities		**2 365**	1 323	1 916
Accounts receivable		**5 706**	5 255	5 480
Investments in associates and joint ventures		**6 901**	7 339	6 514
Property and equipment		**9 818**	9 488	8 063
Deferred tax asset		**443**	1 063	631
Intangible assets		**2 187**	2 694	1 470
Investment properties		**138**	–	–
Policy loans on insurance contracts		**27**	23	19
Reinsurance assets		**524**	287	389
Tax asset		**935**	842	809
Non current assets and disposal groups held for sale		**–**	450	3 092
Loans to Insurance Group		**5 428**	6 115	6 561
Total assets		**653 155**	646 833	658 094

Consolidated statement of financial position *continued*
as at 30 June

R million	Notes	2010	2009	2008
EQUITY AND LIABILITIES				
Liabilities				
Deposits		**513 984**	489 746	496 074
– deposits and current accounts		**497 948**	473 500	476 804
– fair value through profit or loss non recourse deposits		**16 036**	16 246	19 270
Short trading positions		**16 735**	23 434	33 688
Derivative financial instruments		**36 035**	54 436	45 653
– qualifying for hedge accounting		**1 070**	838	521
– held for trading		**34 965**	53 598	45 132
Creditors and accruals		**8 825**	6 680	7 783
Provisions		**3 343**	2 680	3 023
Tax liability		**155**	243	205
Post retirement benefit fund liability		**2 162**	2 042	1 938
Deferred tax liability		**2 132**	2 407	3 532
Long term liabilities		**6 811**	7 976	9 512
Policyholder liabilities under insurance contracts		**1 868**	1 655	1 435
Policyholder liabilities under investment contracts		**101**	77	108
Liabilities directly associated with non current assets and disposal groups held for sale		**–**	253	–
Loans from Insurance Group		**5 750**	5 776	5 614
Total liabilities		**597 901**	597 405	608 565
Equity				
Capital and reserves attributable to equity holders				
Ordinary shares		**106**	106	106
Ordinary share premium		**8 041**	7 634	7 164
Reserves attributable to ordinary equity holders		**40 830**	36 371	36 616
Total ordinary shareholders' funds		**48 977**	44 111	43 886
Non cumulative non redeemable preference shares		**3 100**	3 100	3 100
Cumulative redeemable preference shares		**–**	2	25
Capital and reserves attributable to the Group's equity holders		**52 077**	47 213	47 011
Non controlling interest		**3 177**	2 215	2 518
Total equity	5	**55 254**	49 428	49 529
Total equity and liabilities		**653 155**	646 833	658 094

A detailed segment report is set out in note 6.

Appendix 1

Notes to the income statement and statement of financial position

NOTE 1: NET INTEREST INCOME AND MARGIN ANALYSIS

1.1 Net interest income before impairment of advances

R million	2010	2009	% change
FNB	9 512	10 359	(8)
Mass	1 071	1 241	(14)
Consumer segment	4 217	4 459	(5)
– HomeLoans	1 175	1 005	17
– Card Issuing	1 106	1 169	(5)
– Other consumer	1 936	2 285	(15)
Wealth segment	867	693	25
Commercial segment	2 913	3 590	(19)
Corporate segment	549	577	(5)
FNB Other and support	(105)	(201)	(48)
FNB Africa	1 590	1 564	2
RMB	116	362	(68)
WesBank	4 144	3 717	12
Corporate Centre	1 236	1 632	(24)
Net interest income	16 598	17 634	(6)

1.2 Margin analysis

	2010		2009	
R million	Average balance	% margin	Average balance	% margin
Average prime rate [RSA]		**10.43**		14.32
Advances				
Property finance	**156 194**	**1.15**	152 312	0.99
Vehicle asset finance	**76 787**	**3.82**	74 356	3.38
Card	**12 084**	**8.01**	12 679	7.37
Overdrafts and short term loans	**23 342**	**4.25**	20 978	4.33
Unsecured term loans	**15 591**	**8.68**	17 654	8.04
Total advances	**283 998**	**2.83**	277 979	2.62
Deposit				
Current and savings	**77 724**	**4.13**	84 815	5.37
Call	**25 002**	**1.63**	27 107	1.96
Money market	**38 766**	**1.74**	26 146	1.82
Term	**40 689**	**0.98**	40 266	0.99
Total deposits	**182 181**	**2.58**	178 334	3.34
Africa				
Advances	**18 582**	**3.27**	16 385	3.29
Deposits	**25 976**	**2.60**	24 846	3.33

Notes

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

Average balances are daily average balances for the year.

Advances and deposits for the South African divisions of FNB and WesBank are included in this analysis, with African subsidiaries shown separately.

Average balances are daily averages for advances and deposits for the South African divisions of FNB and WesBank.

Included in this analysis is African subsidiaries which are shown separately.

NOTE 2: NON INTEREST REVENUE

R million	Notes	2010	2009	% change
Fee and commission income	2.1	16 336	15 298	7
Fair value income	2.2	4 217	1 427	>100
Investment income	2.3	1 882	588	>100
Other non interest revenue		3 705	2 447	51
– Consolidated private equity income		1 098	1 127	(3)
– Other		2 607	1 320	98
Total non interest revenue		26 140	19 760	32

2.1 Fee and commission income

R million	2010	2009	% change
Bank commissions and fee income	11 817	11 230	5
Card commissions	1 748	1 596	10
Cash deposit fees	1 437	1 360	6
Commissions on bills, drafts and cheques	532	669	(20)
Bank charges	8 100	7 605	7
Knowledge based fees	810	772	5
Management fees	875	731	20
Insurance income	1 448	1 334	9
Other non bank commissions	1 386	1 231	13
Total fee and commission income	16 336	15 298	7

2.2 Fair value income

R million	2010	2009	% change
Annuity	3 361	3 342	1
Risk income	871	(1 154)	>100
Other	(15)	(761)	(98)
Total	**4 217**	1 427	>100

2.3 Investment income

R million	2010	2009	% change
Investment activities			
Income from private equity activities	**800**	1 487	(46)
– Realisations and dividends received	**1 071**	652	64
– Profit on realisation of private equity investments	**1 047**	553	89
– Dividends received	**24**	99	(76)
– Private equity associate earnings	**(271)**	835	(>100)
Income from operational investment activities	**971**	742	31
– WesBank associates	**210**	151	39
– FirstRand International associates	**73**	6	>100
– FirstRand Short Term Insurance	**458**	440	4
– Other operational associates[1]	**230**	145	59
Income from investments	**811**	(64)	>100
– Profit on disposal of available-for-sale assets	**31**	2	>100
– Profit/(loss) on assets held against employee liabilities	**151**	(364)	>100
– Resources	**245**	(27)	>100
– WorldMark realisations	**141**	–	>100
– Other investment income	**243**	325	(25)
Total investment income	**2 582**	2 165	19
Less: Income from associates	**(700)**	(1 577)	56
Total	**1 882**	588	>100

1 *Other operational associates includes R38 million of losses made by Makalani Holdings in 2009. This company was delisted and became a subsidiary during 2010.*

NOTE 3: OPERATING EXPENSES

R million	2010	2009	% change
Staff expenditure	**13 010**	11 241	16
– Direct staff expenditure	**8 681**	8 062	8
– Other staff related expenditure	**4 329**	3 179	36
Depreciation	**1 430**	1 310	9
Amortisation of other intangible assets	**189**	124	52
Advertising and marketing	**977**	902	8
Insurance	**407**	420	(3)
Lease charges	**895**	1 050	(15)
Professional fees	**902**	952	(5)
HomeLoans third party origination costs	**27**	26	4
Audit fees	**125**	123	2
Computer expenses	**770**	846	(9)
Conveyance of cash	**327**	278	18
Maintenance	**868**	779	11
Telecommunications	**496**	540	(8)
eBucks customer rewards	**249**	213	17
Cooperation agreements and joint ventures	**360**	241	49
Other expenditure	**3 753**	3 614	4
Total	**24 785**	22 659	9

Normalised cost growth in line with inflation

R million	2010	2009	% change
As per income statement	**24 785**	22 659	9
Share based payment (expense)/income	**(569)**	20	(>100)
Expansion costs	**(133)**	(83)	(60)
Exit costs	**(111)**	–	(>100)
Impairments	**(257)**	(117)	(>100)
Cooperation agreements and joint ventures	**(360)**	(241)	(49)
Normalised costs	**23 355**	22 238	5

NOTE 4: SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

R million	2010	2009	% change
Private equity associate earnings	(271)	835	(>100)
– Income from associates	306[2]	1 365[3]	(78)
– Less impairments	(577)	(530)	9
WesBank associates	210	151	39
– Toyota Financial Services (Pty) Ltd	98	81	21
– Tracker Investment Holdings (Pty) Ltd	126	95	33
– Other	(14)	(25)	(44)
FirstRand International associates and joint ventures	73	6	>100
FirstRand Short Term Insurance	458	440	4
Other operational associates	230	145	59
– Eris Property Holdings (Pty) Ltd	26	37	(30)
– RMB Morgan Stanley (Pty) Ltd	86	78	10
– Makalani[1]	53	(38)	>100
– Other	65	68	74
Total	700	1 577	(56)

1 *This company was delisted and became a subsidiary during 2010.*
2 *Includes R105 million operational income from Life Healthcare.*
3 *Includes R399 million of income earned through realisation of underlying entities or assets.*

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 30 June 2008	106	7 164	7 270	8	609	467
Issue of share capital	–	470	470	–	–	–
Redemption of preference shares	–	–	–	–	–	–
Movement in other reserves	–	–	–	–	–	–
Ordinary dividends	–	–	–	–	–	–
Preference dividends	–	–	–	–	–	–
Transfer (to)/from reserves	–	–	–	–	–	(62)
Changes in ownership interests in subsidiaries	–	–	–	–	–	–
Contribution from parent company	–	–	–	–	–	97
Total comprehensive income for the year	–	–	–	–	(894)	–
Balance as at 30 June 2009	**106**	**7 634**	**7 740**	**8**	**(285)**	**502**
Issue of share capital	**–**	**407**	**407**	**–**	**–**	**–**
Conversion of convertible redeemable preference shares	**–**	**–**	**–**	**–**	**–**	**–**
Movement in other reserves	**–**	**–**	**–**	**–**	**–**	**–**
Ordinary dividends	**–**	**–**	**–**	**–**	**–**	**–**
Preference dividends	**–**	**–**	**–**	**–**	**–**	**–**
Transfer from/(to) reserves	**–**	**–**	**–**	**4**	**–**	**(89)**
Changes in ownership interests in subsidiaries	**–**	**–**	**–**	**–**	**–**	**–**
Contribution from parent company	**–**	**–**	**–**	**–**	**–**	**35**
Total comprehensive income for the year	**–**	**–**	**–**	**–**	**(181)**	**–**
Balance as at 30 June 2010	**106**	**8 041**	**8 147**	**12**	**(466)**	**448**

Available-for-sale reserve	Currency translation reserve	Other reserves	Retained income	Reserves attributable to ordinary equity holders	Non cumulative redeemable preference shares	Non cumulative non redeemable preference shares	Total preference shareholders' funds	Non controlling interest	Total equity
472	1 303	592	33 165	36 616	25	3 100	3 125	2 518	49 529
–	–	–	–	–	2	–	2	13	485
–	–	–	–	–	(25)	–	(25)	–	(25)
–	–	(7)	–	(7)	–	–	–	(136)	(143)
–	–	–	(4 185)	(4 185)	–	–	–	(839)	(5 024)
–	–	–	–	–	–	(309)	(309)	–	(309)
–	–	61	1	–	–	–	–	–	–
–	–	(35)	–	(35)	–	–	–	(207)	(242)
–	–	–	–	97	–	–	–	–	97
(79)	(608)	73	5 393	3 885	–	309	309	866	5 060
393	695	684	34 374	36 371	2	3 100	3 102	2 215	49 428
–	–	–	–	–	–	–	–	–	407
–	–	–	–	–	(2)	–	(2)	–	(2)
–	–	(469)	–	(469)	–	–	–	–	(469)
–	–	–	(2 884)	(2 884)	–	–	–	(420)	(3 304)
–	–	–	–	–	–	(230)	(230)	–	(230)
–	3	27	55	–	–	–	–	–	–
–	–	2	23	25	–	–	–	493	518
–	–	–	–	35	–	–	–	–	35
(83)	(36)	18	8 034	7 752	–	230	230	889	8 871
310	662	262	39 602	40 830	–	3 100	3 100	3 177	55 254

NOTE 6: SEGMENT REPORT

Primary segments (business)

2010	FNB						
Segment information		Consumer Segment					
R million	Mass	Home-Loans	Card Issuing	Other con-sumer	**Con-sumer segment**	Wealth	Com-mercial
Net interest income before impairment of advances	1 071	1 175	1 106	1 936	**4 217**	867	2 913
Impairment of advances	(504)	(1 181)	(776)	(202)	**(2 159)**	(210)	(446)
Net interest income after impairment of advances	567	(6)	330	1 734	**2 058**	657	2 467
Non interest revenue	3 620	269	1 477	2 832	**4 578**	725	3 395
Net income from operations	4 187	263	1 807	4 566	**6 636**	1 382	5 862
Operating expenses	(2 991)	(626)	(1 320)	(2 931)	**(4 877)**	(1 067)	(3 693)
Income from operations	1 196	(363)	487	1 635	**1 759**	315	2 169
Share of income from associates	–	68	–	4	**72**	2	–
Income before tax	1 196	(295)	487	1 639	**1 831**	317	2 169
Indirect tax	(35)	(23)	(19)	(67)	**(109)**	(12)	(25)
Income before direct tax	1 161	(318)	468	1 572	**1 722**	305	2 144
Direct tax	(308)	84	(124)	(416)	**(456)**	(81)	(568)
Income after tax	853	(234)	344	1 156	**1 266**	224	1 576
Attributable to:							
Equity holders of FirstRand Banking Group	853	(234)	344	1 156	**1 266**	224	1 576
Non controlling interest	–	–	–	–	**–**	–	–
	853	(234)	344	1 156	**1 266**	224	1 576
Equity holders of FirstRand Banking Group	853	(234)	344	1 156	**1 266**	224	1 576
Other	–	–	–	(2)	**(2)**	–	–
(Loss)/profit on sale of property and equipment	–	–	–	–	**–**	(1)	–
Excess of acquiror's interest in the net fair value over cost	–	–	–	–	**–**	–	–
Profit on sale of subsidiaries	–	–	–	–	**–**	–	–
Plus: Impairments of goodwill	–	–	–	–	**–**	–	–
Plus: Impairment losses	–	–	–	–	**–**	7	–
Plus: Goodwill – on associates	–	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Non controlling interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	853	(234)	344	1 154	**1 264**	230	1 576
Impact of IFRS 2 share based payment	–	–	–	–	**–**	–	–
Normalised headline earnings (unaudited)	853	(234)	344	1 154	**1 264**	230	1 576

FNB										
Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjustments	Sub total	Divisions disclosed elsewhere	Total
549	(105)	**9 512**	1 590	116	4 144	1 406	(170)	**16 598**	–	**16 598**
(34)	(68)	**(3 421)**	(68)	(195)	(2 048)	43	3	**(5 686)**	–	**(5 686)**
515	(173)	**6 091**	1 522	(79)	2 096	1 449	(167)	**10 912**	–	**10 912**
1 292	908	**14 518**	1 516	8 770	2 868	1 711	(2 619)	**26 764**	(624)	**26 140**
1 807	735	**20 609**	3 038	8 691	4 964	3 160	(2 786)	**37 676**	(624)	**37 052**
(1 175)	(780)	**(14 583)**	(1 763)	(4 021)	(3 748)	(2 185)	1 515	**(24 785)**	–	**(24 785)**
632	(45)	**6 026**	1 275	4 670	1 216	975	(1 271)	**12 891**	(624)	**12 267**
–	34	**108**	8	17	210	407	(50)	**700**	–	**700**
632	(11)	**6 134**	1 283	4 687	1 426	1 382	(1 321)	**13 591**	(624)	**12 967**
(7)	(113)	**(301)**	(32)	(64)	(126)	81	(1)	**(443)**	–	**(443)**
625	(124)	**5 833**	1 251	4 623	1 300	1 463	(1 322)	**13 148**	(624)	**12 524**
(166)	34	**(1 545)**	(379)	(1 225)	(339)	(387)	328	**(3 547)**	175	**(3 372)**
459	(90)	**4 288**	872	3 398	961	1 076	(994)	**9 601**	(449)	**9 152**
459	(90)	**4 288**	509	3 398	897	1 075	(1 454)	**8 713**	(449)	**8 264**
–	–	**–**	363	–	64	1	460	**888**	–	**888**
459	(90)	**4 288**	872	3 398	961	1 076	(994)	**9 601**	(449)	**9 152**
459	(90)	**4 288**	509	3 398	897	1 075	(1 454)	**8 713**	(449)	**8 264**
18	–	**16**	–	(16)	–	4	–	**4**	–	**4**
3	(7)	**(5)**	1	6	1	–	(1)	**2**	–	**2**
–	–	**–**	–	(204)	–	–	1	**(203)**	–	**(203)**
–	–	**–**	–	(31)	(13)	(72)	1	**(115)**	–	**(115)**
–	–	**–**	–	14	68	–	–	**82**	–	**82**
–	–	**7**	–	94	–	6	68	**175**	–	**175**
–	–	**–**	–	–	–	–	–	**–**	–	**–**
–	–	**–**	–	–	–	(31)	–	**(31)**	–	**(31)**
–	–	**–**	–	–	–	–	3	**3**	–	**3**
(6)	3	**(3)**	–	–	–	(2)	58	**53**	–	**53**
474	(94)	**4 303**	510	3 261	953	980	(1 324)	**8 683**	(449)	**8 234**
–	–	**–**	14	–	–	287	–	**301**	–	**301**
474	(94)	**4 303**	524	3 261	953	1 267	(1 324)	**8 984**	(449)	**8 535**

NOTE 6: SEGMENT REPORT *continued*

Primary segments (business)

2010	FNB						
Segment information		Consumer Segment					
R million	Mass	Home-Loans	Card Issuing	Other consumer	**Consumer segment**	Wealth	Commercial
Cost to income (%)	63.8	41.4	51.1	61.4	**55.0**	66.9	58.5
Diversity ratio (%)	77.2	17.8	57.2	59.3	**51.6**	45.5	53.8
Total impairment charge (%)	6.03	1.08	6.92	6.18	**1.74**	0.60	1.60
NPLs as a percentage of advances (%)	6.47	8.97	6.28	4.87	**8.63**	6.72	6.74
Assets under management	–	–	–	–	**–**	45 837	–
Income statement includes							
Depreciation	(12)	(12)	(5)	(168)	**(185)**	(33)	(79)
Amortisation	–	–	–	(6)	**(6)**	(8)	(6)
Impairment charges	–	–	–	–	**–**	(7)	–
Other non cash provisions	(28)	(21)	(15)	(145)	**(181)**	(104)	(90)
Statement of financial position includes							
Advances (after ISP – before impairments)	9 232	108 558	10 705	3 042	**122 305**	37 482	28 590
– Normal advances	9 232	105 407	10 705	3 042	**119 154**	37 482	28 590
Advances net of LROS	9 232	105 407	10 705	3 042	**119 154**	37 482	28 590
Securitised advances	–	3 151	–	–	**3 151**	–	–
NPLs	597	9 737	672	148	**10 557**	2 520	1 927
– Accrual advances	597	9 737	672	148	**10 557**	2 520	1 927
– Fair value advances	–	–	–	–	**–**	–	–
Investment in associated companies	–	93	–	42	**135**	2	–
Total deposits (incl non recourse deposits)	8 592	55	1 109	57 551	**58 715**	15 772	63 680
Total assets	8 970	106 649	9 991	3 628	**120 268**	37 484	28 601
Total liabilities	8 898	149	1 196	59 731	**61 076**	16 017	63 986
Capital expenditure	12	4	9	131	**144**	72	85

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 adjustments	**Sub total**	Divisions disclosed elsewhere	**Total**
63.8	93.2	**60.4**	56.6	45.2	51.9	62.0	53.3	**56.3**	–	**57.1**
70.2	108.5	**60.1**	48.7	98.5	39.7	48.6	92.2	**60.7**	100.0	**60.2**
0.68	5.45	**1.70**	0.37	0.16	2.21	(0.85)	0.11	**1.30**	–	**1.30**
0.06	29.02	**7.81**	2.07	0.86	5.50	1.37	2.02	**5.00**	–	**5.00**
–	–	**45 837**	1 473	–	–	–	1	**47 311**	–	**47 311**
(9)	(573)	**(891)**	(62)	(173)	(184)	(91)	(29)	**(1 430)**	–	**(1 430)**
–	(32)	**(52)**	(37)	(71)	(30)	–	1	**(189)**	–	**(189)**
–	–	**(7)**	–	(73)	(67)	–	(69)	**(216)**	–	**(216)**
(53)	(254)	**(710)**	(110)	(1 191)	(113)	(192)	(11)	**(2 327)**	–	**(2 327)**
1 697	(193)	**199 113**	19 645	130 312	92 724	1 830	126	**443 750**	–	**443 750**
1 697	(193)	**195 962**	19 645	130 312	91 991	1 830	126	**439 866**	–	**439 866**
1 697	(193)	**195 962**	19 645	130 312	91 991	1 830	126	**439 866**	–	**439 866**
–	–	**3 151**	–	–	733	–	–	**3 884**	–	**3 884**
1	(56)	**15 546**	407	1 126	5 098	25	3	**22 205**	–	**22 205**
1	(56)	**15 546**	407	356	5 098	25	3	**21 435**	–	**21 435**
–	–	**–**	–	770	–	–	–	**770**	–	**770**
–	127	**264**	26	4 440	1 151	943	77	**6 901**	–	**6 901**
33 067	14 188	**194 014**	26 626	118 555	859	163 214	10 716	**513 984**	–	**513 984**
2 049	6 937	**204 309**	33 593	268 819	97 357	103 454	(54 377)	**653 155**	–	**653 155**
33 360	15 778	**199 115**	29 544	263 135	95 452	67 440	(56 785)	**597 901**	–	**597 901**
15	1 058	**1 386**	214	411	223	–	981	**3 215**	–	**3 215**

Appendix 1

NOTE 6: SEGMENT REPORT *continued*

Primary segments (business)

2009	FNB						
Segment information		Consumer Segment					
R million	Mass	Home-Loans	Card Issuing	Other con-sumer	Con-sumer segment	Wealth	Com-mercial
Net interest income before impairment of advances	1 241	1 005	1 169	2 285	**4 459**	693	3 590
Impairment of advances	(402)	(2 295)	(1 355)	(429)	**(4 079)**	(64)	(389)
Net interest income after impairment of advances	839	(1 290)	(186)	1 856	**380**	629	3 201
Non interest revenue	3 260	242	1 446	2 525	**4 213**	713	3 344
Net income from operations	4 099	(1 048)	1 260	4 381	**4 593**	1 342	6 545
Operating expenses	(2 858)	(717)	(1 357)	(2 630)	**(4 704)**	(1 054)	(3 749)
Income from operations	1 241	(1 765)	(97)	1 751	**(111)**	288	2 796
Share of income from associates	–	33	–	–	**33**	–	–
Income before tax	1 241	(1 732)	(97)	1 751	**(78)**	288	2 796
Indirect tax	(27)	(21)	(12)	(65)	**(98)**	(12)	(19)
Income before direct tax	1 214	(1 753)	(109)	1 686	**(176)**	276	2 777
Direct tax	(322)	465	29	(447)	**47**	(73)	(736)
Income after tax	892	(1 288)	(80)	1 239	**(129)**	203	2 041
Attributable to:							
Equity holders of FirstRand Banking Group	892	(1 288)	(80)	1 239	**(129)**	203	2 041
Non controlling interest	–	–	–	–	**–**	–	–
	892	(1 288)	(80)	1 239	**(129)**	203	2 041
Equity holders of FirstRand Banking Group	892	(1 288)	(80)	1 239	**(129)**	203	2 041
Other	–	–	–	(10)	**(10)**	–	2
Profit/(loss) on sale of property and equipment	–	–	–	2	**2**	–	–
Profit on sale of subsidiaries	–	–	–	–	**–**	–	–
Plus: Impairments Goodwill	–	–	–	–	**–**	–	–
Plus: Impairments losses	–	–	–	–	**–**	–	–
Plus: Impairments reversed	–	–	–	–	**–**	–	–
Loss on sale of Private Label book	–	–	–	–	**–**	–	–
Loss on sale of available-for-sale assets	–	–	–	–	**–**	–	–
Loss on sale of MotoOne advances book	–	–	–	–	**–**	–	–
Non controlling interest on adjustments	–	–	–	–	**–**	–	–
Tax effect on adjustments	–	–	–	–	**–**	–	–
Headline earnings	892	(1 288)	(80)	1 231	**(137)**	203	2 043
Impact of IFRS 2 share based payment	1	–	–	2	**2**	–	–
Normalised headline earnings (unaudited)	893	(1 288)	(80)	1 233	**(135)**	203	2 043

FNB										
Corporate	FNB Other and support	Total FNB	FNB Africa	RMB	WesBank	Corporate Centre	Consol and IFRS adjustments	Sub total	Divisions disclosed elsewhere	Total
577	(201)	10 359	1 564	362	3 717	1 857	(225)	17 634	–	17 634
(70)	84	(4 920)	(96)	(523)	(2 745)	(50)	310	(8 024)	–	(8 024)
507	(117)	5 439	1 468	(161)	972	1 807	85	9 610	–	9 610
1 263	871	13 664	1 241	4 765	2 588	1 161	(3 225)	20 194	(434)	19 760
1 770	754	19 103	2 709	4 604	3 560	2 968	(3 140)	29 804	(434)	29 370
(1 077)	(396)	(13 838)	(1 460)	(3 464)	(3 476)	(1 744)	1 323	(22 659)	–	(22 659)
693	358	5 265	1 249	1 140	84	1 224	(1 817)	7 145	(434)	6 711
–	19	52	3	994	151	393	(16)	1 577	–	1 577
693	377	5 317	1 252	2 134	235	1 617	(1 833)	8 722	(434)	8 288
(14)	(87)	(257)	(30)	(79)	(105)	21	54	(396)	–	(396)
679	290	5 060	1 222	2 055	130	1 638	(1 779)	8 326	(434)	7 892
(180)	(77)	(1 341)	(396)	(545)	(35)	(434)	1 329	(1 422)	122	(1 300)
499	213	3 719	826	1 510	95	1 204	(450)	6 904	(312)	6 592
499	213	3 719	516	1 510	45	1 204	(980)	6 014	(312)	5 702
–	–	–	310	–	50	–	530	890	–	890
499	213	3 719	826	1 510	95	1 204	(450)	6 904	(312)	6 592
499	213	3 719	516	1 510	45	1 204	(980)	6 014	(312)	5 702
–	–	(8)	–	–	–	18	–	10	–	10
5	(1)	6	–	–	(1)	–	(1)	4	–	4
–	–	–	–	–	–	–	27	27	–	27
–	–	–	–	39	68	–	–	107	–	107
–	14	14	–	2	10	–	–	26	–	26
–	(2)	(2)	–	(15)	–	–	1	(16)	–	(16)
39	–	39	–	–	–	–	–	39	–	39
–	–	–	(2)	–	–	–	–	(2)	–	(2)
–	–	–	–	–	203	–	–	203	–	203
–	–	–	–	–	–	–	(13)	(13)	–	(13)
(12)	(3)	(15)	–	–	(1)	–	5	(11)	–	(11)
531	221	3 753	514	1 536	324	1 222	(961)	6 388	(312)	6 076
–	–	3	–	–	–	(26)	3	(20)	–	(20)
531	221	3 756	514	1 536	324	1 196	(958)	6 368	(312)	6 056

NOTE 6: SEGMENT REPORT *continued*

Primary segments (business)

2009	FNB						
Segment information		Consumer Segment					
R million	Mass	Home-Loans	Card Issuing	Other con-sumer	**Con-sumer segment**	Wealth	Com-mercial
Cost to income (%)	63.5	56.0	51.9	54.7	**54.0**	75.0	54.1
Diversity ratio (%)	72.4	18.9	55.3	52.5	**48.4**	50.7	48.2
Total impairment charge (%)	5.90	2.05	11.18	12.12	**3.20**	0.21	1.52
NPLs as a percentage of advances (%)	10.21	10.23	12.31	12.70	**10.50**	6.38	5.96
Assets under management	–	–	–	–	**–**	41 927	–
Income statement includes							
Depreciation	(9)	(11)	(3)	(154)	**(168)**	(31)	(73)
Amortisation	–	–	–	(12)	**(12)**	(7)	(9)
Impairment charges	–	–	–	–	**–**	–	–
Other non cash provisions	(22)	(8)	(8)	(112)	**(128)**	(108)	(82)
Statement of financial position includes							
Advances (after ISP – before impairments)	7 496	110 642	11 726	3 497	**125 865**	32 732	27 216
– Normal advances	7 496	107 153	11 726	3 497	**122 376**	32 732	27 216
Advances net of LROS	7 496	107 153	11 726	3 497	**122 376**	32 732	27 110
LROS adjustment	–	–	–	–	**–**	–	106
– Securitised advances	–	3 489	–	–	**3 489**	–	–
NPLs	765	11 322	1 444	444	**13 210**	2 087	1 623
– Accrual advances	765	11 322	1 444	444	**13 210**	2 087	1 623
– Fair value advances	–	–	–	–	**–**	–	–
Investment in associated companies	–	25	–	38	**63**	–	–
Total deposits (incl non recourse deposits)	8 075	38	1 091	54 504	**55 633**	16 365	60 928
Deposits net of LROS	8 075	38	1 091	54 504	**55 633**	16 365	60 822
LROS adjustment	–	–	–	–	**–**	–	106
Total assets	7 182	107 851	10 479	3 830	**122 160**	32 925	27 072
Total liabilities	8 339	102	1 166	56 421	**57 689**	16 699	61 248
Capital expenditure	5	1	1	221	**223**	107	105

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	Corpo-rate Centre	Consol and IFRS adjust-ments	**Sub total**	Divisions disclosed else-where	**Total**
58.5	57.5	**57.5**	52.0	56.6	53.8	51.1	38.2	**57.5**	–	**58.1**
68.6	126.4	**56.8**	44.2	77.8	40.1	34.0	>100	**51.2**	100.0	**50.7**
0.59	(2.11)	**2.39**	0.58	0.43	2.86	0.49	–	**1.81**	–	**1.81**
1.00	–	**8.69**	2.45	1.04	4.99	4.31	1.88	**5.64**	–	**5.64**
–	–	**41 927**	1 280	–	–	–	4 104	**47 311**	–	**47 311**
(9)	(565)	**(855)**	(43)	(157)	(178)	(71)	(6)	**(1 310)**	–	**(1 310)**
(5)	(17)	**(50)**	(12)	(33)	(27)	–	(2)	**(124)**	–	**(124)**
–	(14)	**(14)**	–	(26)	(79)	–	2	**(117)**	–	**(117)**
(88)	(224)	**(652)**	(91)	(715)	(104)	(260)	(119)	**(1 941)**	–	**(1 941)**
8 373	2 688	**204 370**	17 519	112 989	92 274	8 257	(5 594)	**429 815**	–	**429 815**
8 373	2 688	**200 881**	17 519	112 989	89 563	8 257	(5 594)	**423 615**	–	**423 615**
2 879	(213)	**192 380**	17 519	112 989	89 563	8 257	(5 594)	**415 114**	–	**415 114**
5 494	2 901	**8 501**	–	–	–	–	–	**8 501**	–	**8 501**
–	–	**3 489**	–	–	2 711	–	–	**6 200**	–	**6 200**
84	–	**17 769**	430	1 177	4 600	356	(105)	**24 227**	–	**24 227**
84	–	**17 769**	430	348	4 600	356	(105)	**23 399**	–	**23 398**
–	–	**–**	–	829	–	–	–	**828**		**829**
–	71	**134**	23	5 279	968	797	138	**7 339**	–	**7 339**
35 275	16 274	**192 550**	25 326	113 895	546	142 934	14 495	**489 746**	–	**489 746**
29 781	13 373	**184 049**	25 326	113 895	546	142 934	14 495	**481 245**	–	**481 245**
5 494	2 901	**8 501**	–	–	–	–	–	**8 501**	–	**8 501**
8 584	8 876	**206 799**	31 640	275 097	94 472	90 709	(51 884)	**646 833**	–	**646 833**
35 702	17 553	**197 230**	28 180	272 646	94 363	53 920	(48 934)	**597 405**	–	**597 405**
16	1 143	**1 599**	229	1 553	377	552	(213)	**4 097**	–	**4 097**

NOTES

momentum

APPENDIX II

Consolidated income statement

R million	Year ended 30 June 2010	2009	% change
Insurance premium revenue	8 299	7 249	14
Insurance premium ceded to reinsurers	(832)	(694)	20
Net insurance premium revenue	7 467	6 555	14
Fee income	2 985	2 771	8
Investment income	9 417	12 262	(23)
Net realised gains on assets	6	7	(14)
Net fair value gains/(losses) on assets at fair value through profit or loss	9 769	(16 731)	>100
Net income	29 644	4 864	>100
Insurance benefits	(7 176)	(6 599)	9
Insurance benefits recovered from reinsurers	639	660	(3)
Transfer (to)/from policyholder liabilities under insurance contracts	(1 826)	2 870	>(100)
Net insurance benefits and claims	(8 363)	(3 069)	>100
Fair value adjustment to policyholder liabilities under investment contracts	(11 789)	3 939	>(100)
Fair value adjustment to financial liabilities	(744)	1 820	>(100)
Expenses for the acquisition of insurance and investment contracts	(1 587)	(1 557)	2
Expenses for marketing and administration	(3 493)	(3 399)	3
Expenses	(25 976)	(2 266)	>100
Results of operating activities	3 668	2 598	41
Finance costs	(1 122)	(852)	32
Share of income from associate companies	32	22	45
Profit before tax	2 578	1 768	46
Taxation[1]	(858)	(179)	>100
Profit for the year	1 720	1 589	8
Profit for the year attributable to:			
– Equity holders of the Group	1 721	1 594	8
– Non controlling interest	(1)	(5)	(80)
	1 720	1 589	8

1 *The increase in the tax charge is mainly due to the significant increase in the deferred capital gains tax liability as a result of the increase in fair value of investment assets backing policyholder liabilities during the year ended 30 June 2010, compared to the significant decrease in this liability in the prior year as a result of the market turmoil during the global financial crisis.*

Consolidated statement of comprehensive income

R million	Year ended 30 June 2010	2009
Profit for the year	**1 720**	1 589
Other comprehensive income		
Available-for-sale financial assets	**68**	(52)
Exchange differences on translation of foreign operations	**(16)**	(8)
Movement in other reserves	**(1)**	(4)
Other comprehensive income for the year before tax	**51**	(64)
Deferred tax relating to components of other comprehensive income	**–**	4
Other comprehensive income for the year	**51**	(60)
Total comprehensive income for the year	**1 771**	1 529
Total comprehensive income attributable to:		
– Equity holders of the Group	**1 772**	1 534
– Non controlling interest	**(1)**	(5)
Total comprehensive income for the year	**1 771**	1 529

Consolidated statement of financial position

R million	30 June 2010	2009
ASSETS		
Cash and cash equivalents	**22 611**	31 138
Derivative financial instruments	**6 521**	9 455
Loans and receivables (including insurance receivables)	**1 749**	6 385
Investment securities		
– held for trading	**–**	11
– loans and receivables	**17**	21
– held-to-maturity	**46**	56
– available-for-sale	**2 887**	2 766
– designated fair value through profit or loss	**137 340**	114 142
Investments in associates		
– designated fair value through profit or loss	**7 673**	7 914
– at equity accounted value	**276**	164
Property and equipment	**108**	105
Owner occupied buildings	**450**	427
Deferred tax asset	**932**	969
Intangible assets	**2 927**	2 866
Goodwill	**200**	236
Investment properties	**2 276**	2 156
Policy loans	**643**	604
Reinsurance assets	**628**	8 143
Current income tax asset	**36**	40
Employee benefits asset	**113**	38
Non current assets held for sale[1]	**11 434**	58
Total assets	**198 867**	187 694
LIABILITIES AND EQUITY		
LIABILITIES		
Accounts payable (including insurance payables)	**8 438**	12 810
Derivative financial instruments	**956**	1 853
Provisions	**140**	207
Current income tax liability	**43**	71
Employee benefits liabilities	**361**	204
Deferred tax liability	**1 719**	1 570
Other financial liabilities at fair value through profit or loss	**7 542**	5 461
Policyholder liabilities under insurance contracts	**40 896**	39 069
Policyholder liabilities under investment contracts		
– with discretionary participation features	**12 459**	13 264
– without discretionary participation features	**99 682**	96 963
Liabilities arising to third parties as a result of consolidating unit trusts	**7 071**	8 114
Deferred revenue liability	**367**	322
Non current liabilities held for sale[1]	**10 462**	–
Total liabilities	**190 136**	179 908
EQUITY		
Share capital and share premium	**1 541**	1 541
Non distributable reserves	**699**	648
Distributable reserves	**6 495**	5 606
Shareholders' funds	**8 735**	7 795
Non controlling interest	**(4)**	(9)
Total equity	**8 731**	7 786
Total liabilities and equity	**198 867**	187 694

1 *The non current assets and non current liabilities held for sale relate to the sale of Momentum Managed Account Platform Holdings (Pty) Limited subsequent to year end.*

Appendix II

New business inflows (unaudited)

R million	2010	2009	% change
Recurring premiums	**2 015**	2 257	(11)
Retail	**1 071**	1 239	(14)
Risk	**590**	587	1
Retirement annuities	**196**	274	(28)
Discretionary savings	**285**	378	(25)
New markets	**69**	29	>100
Employee benefits	**388**	517	(25)
FNB Life	**487**	472	3
Lump sums	**54 759**	58 213	(6)
Retail	**32 920**	26 423	25
Guaranteed annuities	**920**	810	14
Living annuities	**3 097**	2 823	10
Endowments	**1 764**	1 311	35
Linked products – local	**10 311**	7 950	30
Linked products – offshore	**2 001**	1 256	59
Unit trusts	**14 827**	12 273	21
Employee benefits	**2 158**	2 074	4
Asset management	**19 681**	29 716	(34)
Flows recognised on the statement of financial position	**10 032**	12 196	(18)
Flows not recognised on the statement of financial position	**9 649**	17 520	(45)
Total new business inflows	**56 774**	60 470	(6)
Retail	**34 547**	28 163	23
Employee benefits	**2 546**	2 591	(2)
Asset management	**19 681**	29 716	(34)
Annualised new business inflows[1]	**7 491**	8 078	(7)
Retail	**4 919**	4 382	12
Employee benefits	**604**	724	(17)
Asset management	**1 968**	2 972	(34)

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

Net flow of funds (unaudited)

R million	Funds received from clients (A) 2010	2009	% change
Retail	**40 148**	33 354	20
Employee benefits	**5 433**	5 016	8
Asset management	**19 681**	29 716	(34)
Total	**65 262**	68 086	(4)

R million	Payments to clients (B) 2010	2009	% change
Retail	**29 690**	28 259	5
Employee benefits	**3 763**	3 170	19
Asset management	**49 938**	70 687	(29)
Total	**83 391**	102 116	(18)

R million	Net flow of funds (A – B) 2010	2009	% change
Retail	**10 458**	5 095	>100
Employee benefits	**1 670**	1 846	(10)
Asset management	**(30 257)**	(40 971)	26
Total	**(18 129)**	(34 030)	47

Directors' valuation of strategic subsidiary investments

R million	Directors' value at 30 June 2010	2009	% change	Valuation method
RMB Asset Management[1]	**1 650**	1 891	(13)	A
Momentum International MultiManagers (including Advantage) (85%)	**164**	244	(33)	B
Momentum Medical Scheme Administrators[2]	**356**	444	(20)	C
Momentum Africa (including Momentum Life Assurance Namibia)[3]	**398**	223	78	B & D
FirstRand Alternative Investment Management	**79**	56	41	D
Momentum Short Term Insurance[4]	**71**	40	78	B
Directors' valuation of strategic subsidiary investments	**2 718**	2 898	(6)	

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 (2009 : 8 PE) and sustainable forward earnings of R125 million (2009: R139 million), whilst the retail business of RMBUT was valued using a PE multiple of 9 (2009: 9 PE) and sustainable forward earnings of R73 million (2009: R86 million).*

2 *MMSA was valued using an amount of R1 500 per principal member (2009: R1 700).*

3 *The increase in the directors' value of Momentum Africa is mainly due to the increase in the stake in Momentum Life Assurance 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 current year.*

Supplementary information to the results announcement

EMBEDDED VALUE OF MOMENTUM GROUP LIMITED (REVIEWED)

at 30 June 2010

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 5).

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 South African 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 South African 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 of covered business 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 at 30 June 2010 compares as follows with the embedded value at 30 June 2009. The embedded value is also split to show the relative contribution of the covered and non covered business.

For purposes of the embedded value presented here, the value of FNB Life has been included at 100% as has been the practice in the past. After the merger with Metropolitan, Momentum would only be entitled to 10% of the profits from FNB Life. For this reason pro forma numbers excluding 90% of FNB Life are shown later in this statement.

R million	30 June 2010	30 June 2009
Embedded value of covered business	**14 965**	13 188
Adjusted net worth of covered business	**6 507**	5 666
Present value of in-force covered business after cost of required capital[1]	**8 458**	7 522
Present value of in-force covered business[2]	**10 234**	9 243
Cost of required capital[3]	**(1 776)**	(1 721)
Embedded value of non covered business	**2 718**	2 898
Embedded value attributable to ordinary shareholders[4]	**17 683**	16 086

1 *The present value of in-force covered business after cost of required capital of R8 458 million at 30 June 2010 (30 June 2009: R7 522 million) consists of R6 867 million (30 June 2009: R5 960 million) for Wealth and Retail, R94 million (30 June 2009: R46 million) for New markets, R794 million (30 June 2009: R972 million) for Employee benefits and R703 million (30 June 2009: R544 million) for FNB Life.*

2 *The present value of in-force covered business of R10 234 million at 30 June 2010 includes an amount of R172 million in respect of linked business that is not long term insurance business (30 June 2009: R219 million).*

3 *The required capital amounted to R5 745 million at 30 June 2010 (30 June 2009: R5 765 million) and is supported by the statutory surplus of R8 072 million (30 June 2009: R7 108 million).*

4 *The embedded value excludes the value attributable to preference shareholders.*

Change in embedded value over the year to 30 June 2010

R million	Ordinary shareholders' net worth[1]	Present value of in-force business	Cost of required capital	Embedded value
Embedded value at 30 June 2009	**8 564**	**9 243**	**(1 721)**	**16 086**
Embedded value earnings	1 411	1 043	(55)	2 399
Transfer of business between covered and non covered business[2]	52	(52)	0	0
New capital raised	0	0	0	0
Dividends paid	(802)	0	0	(802)
Embedded value at 30 June 2010	**9 225**	**10 234**	**(1 776)**	**17 683**
% change				**9.9%**
% return on embedded value[3,4]				**14.9%**

1 *The total value of the ordinary shareholders' net worth of R9 225 million (30 June 2009: R8 564 million) consists of the adjusted net worth of covered business of R6 507 million (30 June 2009: R5 666 million) and the directors' value of non covered business of R2 718 million (30 June 2009: R2 898 million).*

2 *During the course of the year to 30 June 2010, business previously managed by Momentum and included within the covered business 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 R802 million, expressed as a % of the embedded value at 30 June 2009. The return on embedded value for the reporting period ended 30 June 2009 was 3.3%.*

4 *Included in the embedded value earnings of R2 399 million is the FNB Life embedded value earnings of R660 million. If only 10% of the FNB Life embedded value earnings are allowed for, the return on embedded value for the year to 30 June 2010 would be 11.6% (Refer to the pro forma embedded value statement on page 144).*

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	Present value of in-force business	Cost of required capital	Embedded value
Embedded value of covered business at 30 June 2009	**5 666**	**9 243**	**(1 721)**	**13 188**
Embedded value earnings of covered business	1 701	1 043	(55)	2 689
Transfer of business to non covered business	0	(52)	0	(52)
Capital transferred to non covered business	(58)	0	0	(58)
Dividend paid	(802)	0	0	(802)
Embedded value of covered business at 30 June 2010	**6 507**	**10 234**	**(1 776)**	**14 965**

R million	Ordinary shareholders' net worth	Present value of in-force business	Cost of required capital	Embedded value
Embedded value of non covered business at 30 June 2009	**2 898**	**0**	**0**	**2 898**
Return on non covered business	(290)	0	0	(290)
Transfer of business from covered business	52	0	0	52
Capital transferred from covered business	58	0	0	58
Embedded value of non covered business at 30 June 2010	**2 718**	**0**	**0**	**2 718**

Analysis of embedded value earnings of covered business

R million		Adjusted net worth	Present value of in-force business	Cost of required capital	Embedded value
Factors relating to operations		**1 093**	**628**	**(56)**	**1 665**
Value of new business	a	(938)	1 568	(81)	549
Expected return	b	0	1 161	(199)	962
Release from the cost of required capital	c	0	0	271	271
Expected profit transfer to net worth	d	1 836	(1 836)	0	0
Operating experience variations	e	298	(161)	(111)	26
Operating assumptions and model changes	f	(103)	(104)	64	(143)
Factors relating to market conditions		**608**	**415**	**1**	**1 024**
Investment return on adjusted net worth	g	410	0	0	410
Investment variations	h	198	372	1	571
Economic assumption changes	i	0	43	0	43
Embedded value earnings of covered business		**1 701**	**1 043**	**(55)**	**2 689**

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 profits generated by new business sold during the period, 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.

	Year ended			Six months ended
R million	30 Jun 2010	30 Jun 2009	% change	31 Dec 2009
Value of new business (before cost of required capital)	**630**	637	(1.1%)	369
Cost of required capital	**(81)**	(93)	12.9%	(37)
Value of new business[1,2]	**549**	544	0.9%	332
Present value of premiums[3]	**30 525**	27 864		14 898
Margin (%)[1,2]	**1.8%**	2.0%		2.2%

1 *The value of new business shown above excludes RMBAM's investment management fees on Wealth new business. If this is included, the value of new business would be R596 million (31 December 2009: R354 million; 30 June 2009: R626 million). Momentum's overall new business margin would be 2.0% (31 December 2009: 2.4%; 30 June 2009: 2.2%).*

2 *The value of new business includes R274 million (31 December 2009: R143 million; 30 June 2009: R202 million) relating to FNB Life. The new business margin would reduce to 1.0% (31 December 2009: 1.4%; 30 June 2009: 1.3%) if only 10% of FNB Life's value of new business and 100% of FNB Life's present value of future premiums are included.*

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.*

The value of new business (after cost of required capital), present value of premiums and margins of new business for different lines of business written during the year to 30 June 2010 compares as follows with the new business written during the previous reporting periods:

R million	Year ended			Six months ended
	30 Jun 2010	30 Jun 2009	% change	31 Dec 2009
Wealth and Retail[1]				
Value of new business[2,3]	**258**	267	(4.4%)	194
Present value of premiums	**24 894**	21 415	14.8%	12 693
Margin (%)	**1.0%**	1.2%		1.5%
New markets				
Value of new business[3]	**(40)**	(11)	263.6%	(15)
Present value of premiums	**143**	89	60.7%	62
Margin (%)	**(28.0%)**	(12.4%)		(24.2%)
Employee benefits				
Value of new business[4]	**57**	86	(31.3%)	10
Present value of premiums	**4 574**	5 497	(12.5%)	1 684
Margin (%)	**1.2%**	1.6%		0.6%
FNB Life				
Value of new business[3]	**274**	202	35.6%	143
Present value of premiums	**914**	863	5.9%	459
Margin (%)	**30.0%**	23.4%		31.2%

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 R305 million (31 December 2009: R216 million; 30 June 2009: R352 million). The Wealth and Retail new business margin would be 1.2% (31 December 2009: 1.7%; 30 June 2009: 1.6%).*

2 *The Wealth and Retail value of new business of R258 million includes an amount of negative R18 million in respect of new linked business that is not long term insurance business (31 December 2009: R9 million; 30 June 2009: negative R24 million).*

3 *New business within Wealth, Retail, New markets and FNB Life is defined as:*
- *new contracts issued during the reporting period for which contractual obligations were recognised in the financial statements;*
- *one off recurring and single premium increases on existing contracts; and*
- *client initiated term extensions on maturing policies not previously expected in the present value of in-force covered business.*

4 *For Employee benefits business, new business includes all new schemes. For existing schemes, new benefits and increases in members are included to the extent that these represent significant increases in the original scheme size.*

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	**2 015**	**54 759**
Wealth and Retail	1 071	32 920
New markets	69	–
Employee benefits	388	2 158
FNB Life	487	–
Asset management	–	19 681
Inflows not included in value of new business		**(34 696)**
Wealth and Retail		
Policy alterations and other retail items	–	(8)
Linked products	–	(138)
Unit trusts	–	(14 827)
Employee benefits[1]	–	(42)
Asset management		
Flows recognised on the statement of financial position	–	(10 032)
Flows not recognised on the statement of financial position	–	(9 649)
Term extensions on maturing policies[2]	**9**	**735**
Retirement annuity proceeds invested in living annuities[3]	**–**	**539**
New business inflows included in value of new business	**2 024**	**21 337**
Consisting of:		
Wealth and Retail	1 080	19 221
New markets	69	–
Employee benefits	388	2 116
FNB Life	487	–

1 *For employee benefits existing schemes, new benefits and increases in members are not included to the extent that these do not represent significant increases in the original scheme size.*
2 *Only client initiated term extensions (R9 million recurring premiums and R735 million single premiums) were included in the value of new business calculation. Automatic term extensions (R1 742 million single premiums) were excluded from the calculation.*
3 *The value of new business includes premium inflows of R539 million in respect of living annuities purchased with the proceeds of retirement annuities. These inflows are not included in reported total new business inflows.*

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 30 June 2010.

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 year.

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 method.

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 R26 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	**25**	**(67)**	**(42)**
Mortality and morbidity	213	15	228
Terminations, premium cessations and policy alterations	(76)	(32)	(108)
Benefit enhancement[1]	(1)	(51)	(52)
Share based payment liability variation	(26)	1	(25)
Expense variation	(85)	0	(85)
New markets	**(7)**	**(6)**	**(13)**
Mortality and morbidity	11	0	11
Terminations, premium cessations and policy alterations	(4)	(6)	(10)
Share based payment liability variation	(4)	0	(4)
Expense variation	(10)	0	(10)
Employee benefits	**(22)**	**(90)**	**(112)**
Mortality and morbidity	7	24	31
Terminations including discontinued operations	0	(72)	(72)
Expense variation and other	(16)	0	(16)
Share based payment liability variation	(13)	0	(13)
Reduction in average management fees	0	(42)	(42)
FNB Life	**233**	**(5)**	**228**
Return on working capital	**21**	**0**	**21**
Opportunity cost of capital	**0**	**(112)**	**(112)**
Tax variance	**(4)**	**0**	**(4)**
STC related variation	**42**	**0**	**42**
Other	**10**	**8**	**18**
Total operating experience variations	**298**	**(272)**	**26**

1 *As a result of the Standardised Critical Illness Definitions Project (SCIDEP) requirements issued by the Association for Savings and Investment South Africa (ASISA), the critical illness conditions under which a claim will be paid have been expanded. This new definition was extended to existing policyholders as a benefit enhancement.*

f. Operating assumptions and model changes

The impact of the experience assumption changes of negative R143 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	**(100)**	**(101)**	**(201)**
Mortality and morbidity assumptions	170	(14)	156
Allowance for share based payment liabilities	(14)	(11)	(25)
Renewal expense assumptions[1]	(202)	30	(172)
Termination assumptions	5	(91)	(86)
Discretionary margins[2]	(111)	89	(22)
Wealth modelling change	0	(76)	(76)
Other methodology changes	52	(28)	24
New markets	**(5)**	**(5)**	**(10)**
Employee benefits	**2**	**(58)**	**(56)**
Assumed mortality and morbidity profit margin	0	58	58
Termination assumptions	0	(1)	(1)
Renewal expense assumptions	2	(110)	(108)
Allowance for share based payment liabilities	0	(5)	(5)
FNB Life[3]	**0**	**60**	**60**
Methodology change: Cost of required capital	**0**	**64**	**64**
Total operating assumptions and model changes	**(103)**	**(40)**	**(143)**

1 *Renewal expense assumptions have been revised based on the F2011 budgeted expenses. In addition this item includes the change in the allowance made in the inflation assumption (from 0.75% to 1.0%) for the effect on expenses of the shrinkage in the closed books (R28 million).*
2 *The revenue recognition policies regarding the discretionary margins on the Sage universal life business were aligned with those applied to the Momentum and Southern universal life business.*
3 *FNB Life experience assumption changes mainly relate to changes in the assumed mortality profit margin.*

g. Investment return on adjusted net worth

Investment return on adjusted net worth of covered business of R410 million comprises the following (strategic subsidiaries are excluded as they form part of non covered business):

	R million
Investment income	346
Capital appreciation	70
Change in fair value of properties	47
Preference share dividends paid and the change in fair value of the preference shares issued	(53)
Investment return on adjusted net worth	**410**

h. Investment variations

The investment variance of R571 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 R43 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 30 June 2010 compares as follows with the values as at 30 June 2009:

R million	30 June 2010	30 June 2009
RMB Asset Management (including collective investment scheme subsidiaries)	**1 650**	1 891
FirstRand Alternative Investment Management	**79**	56
Momentum International MultiManagers (including Advantage) (85%)	**164**	244
Momentum Medical Scheme Administrators	**356**	444
Momentum Africa (including 49% of Momentum Life Assurance Namibia[1])	**398**	223
Momentum Short Term Insurance	**71**	40
Embedded value of non covered business	**2 718**	2 898

1 *Momentum Life Assurance Namibia was previously known as Swabou Life.*

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

- capital injections of R58 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 of negative R290 million can be analysed as follows:

	R million
Subsidiaries' earnings and other changes in equity	74
Devaluation of subsidiaries	(364)
Return on non covered business	**(290)**

Composition of adjusted net worth

The composition of the adjusted net worth of covered business at 30 June 2010 is shown below:

R million	30 June 2010	30 June 2009
Shareholders' portfolio investments	**8 228**	7 357
Cash and other	**4 376**	4 341
Share trust loan	**185**	245
Preference shares	**2 640**	1 681
Properties	**577**	434
Subsidiaries and associate companies included in covered business[1]	**450**	656
Less: Unsecured subordinated debt	**971**	1 006
Fair value of debt	**953**	926
Accrued interest and interest rate swap	**18**	80
Adjustment to move from published to statutory valuation method for calculating liabilities	**(275)**	(225)
Attributable to preference shareholders[2]	**(475)**	(460)
Adjusted net worth of covered business	**6 507**	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 R475 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	30 June 2010	30 June 2009
Ordinary shareholders' net worth	**9 225**	8 564
Impairment of subsidiaries' and associates' values for statutory purposes	**(2 103)**	(2 396)
Other impairments and inadmissible assets	**(114)**	(128)
Add back fair value of preference shares allowed as statutory capital	**475**	460
Add back fair value of subordinated debt allowed as statutory capital	**953**	926
Subtract fair value of properties above book value	**(364)**	(318)
Statutory surplus	**8 072**	7 108

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

R million	30 June 2010	30 June 2009
Ordinary shareholders' net worth for embedded value purposes	**9 225**	8 564
Difference between statutory and published valuation methods	**275**	225
Difference in insurance contract liabilities	**1 230**	1 189
Difference in investment contract liabilities	**(2 253)**	(2 251)
Deferred acquisition costs and deferred revenue liabilities	**1 405**	1 374
Deferred tax on the items above	**(107)**	(87)
Intangible asset relating to Sage	**646**	685
Adjustment in respect of Momentum Life Assurance Namibia[1]	**(100)**	(60)
Adjustment in respect of Momentum Short Term Insurance[2]	**(18)**	0
Value of preference shares issued	**475**	460
Fair value of properties above book value	**(364)**	(318)
Total shareholders' funds in company financial statements	**10 139**	9 556

1 *The adjustment in respect of Momentum's 49% share of Momentum Life Assurance Namibia reflects the difference between the directors' value of R323 million (included in ordinary shareholders' net worth) and the equity accounted value of R223 million included in the total shareholders' funds.*

2 *The adjustment in respect of Momentum's 50% share of MSTI reflects the difference between the directors' value of R71 million (included in ordinary shareholders' net worth) and the equity accounted value of R53 million included in the total shareholders' funds.*

ASSUMPTIONS

The embedded value calculations comply with the Actuarial Society of South Africa's Professional Guidance Note PGN 107: Embedded Value Reporting (version 5). 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 at 30 June 2010. 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 for the value of new business calculation.

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 at 30 June 2010 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 an analysis of historical market data. The costs of preference share and debt financing were based on the current financing costs.

The economic bases at 30 June 2010 and at 30 June 2009 are shown below:

	30 June	
%	**2010**	2009
Risk free return	**9.3%**	9.3%
Risk discount rate	**11.6%**	11.6%
Investment returns (before tax)	**11.5%**	11.4%
Implied differential	**0.1%**	0.2%
Expense inflation rate	**7.3%**	7.2%
Implied real return	**4.2%**	4.2%

The investment return assumption of 11.5% per annum was derived from the yields on South African government bonds at 30 June 2010 taking into account the expected outstanding term of the in-force policy book.

A notional long term asset distribution was used to calculate a weighted expected investment return by adding the following premiums/(discounts) to the risk free yield of 9.3% per annum.

	30 June	
%	**2010**	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 7.3% per annum was determined as the difference between the yields on conventional and inflation linked government bonds, plus an addition of 1.0% per annum (30 June 2009: 0.75%) to make allowance for the expected gradual shrinking of Momentum's in force 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 PGN 105: Minimum requirements for deriving AIDS extra mortality rates (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 2011, are differentiated by main product group and are sufficient to support the existing business on a going concern basis.

It was assumed that, for Benefits At Work group risk and pension fund business, the expense to income ratio will improve by 34.0% over seven years as a result of improved efficiencies (30 June 2009: improvement of 27.0% over five years on pension fund business).

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 at 30 June 2010 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: Allowance for Embedded Investment Derivatives (version 3) 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 has been derived in accordance with the South African Actuarial Society's Professional Guidance Note 104: Life Offices – Valuation of Long Term Insurers (version 7).

The cost of required capital was based on projected after tax returns on the assets backing the required capital. It was assumed that the asset backing the required capital consisted on 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 R426 million (30 June 2009: negative R385 million).

FOREIGN CURRENCY TRANSLATION

For deriving the embedded value earnings from offshore business the accounting policies of the Group were followed to translate these profits into Rand using the average exchange rates applicable over the period in which these profits occur.

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

For the investment return sensitivity, the value of 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 and asset values. 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	10 234	(1 776)	8 458	
Risk discount rate increases from 11.6% to 12.6%	9 740	(2 005)	7 735	(8.5%)
Risk discount rate decreases from 11.6% to 10.6%	10 784	(1 517)	9 267	9.6%
Renewal expenses decrease by 10%	10 628	(1 776)	8 852	4.7%
Expense inflation decreases from 7.3% to 6.3%	10 330	(1 776)	8 554	1.1%
Policy discontinuance rates decrease by 10%	10 618	(1 893)	8 725	3.2%
5% decrease in mortality rates (impact from annuity business only)	10 115	(1 776)	8 339	(1.4%)
5% reduction in mortality and morbidity rates (excluding the impact from annuity business)	10 825	(1 776)	9 049	7.0%
Premium growth take up decrease by 10%	10 094	(1 776)	8 318	(1.7%)
Investment returns decrease from 11.5% to 10.5%	10 203	(1 908)	8 295	(1.9%)
Equity values decrease by 10%	9 642	(1 908)	7 734	(8.6%)
Equity risk premium increases by 1%	10 459	(1 776)	8 683	2.7%

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	630	(81)	549	
Risk discount rate increases from 11.6% to 12.6%	562	(91)	471	(14.2%)
Risk discount rate decreases from 11.6% to 10.6%	711	(69)	642	16.9%
Renewal expenses decrease by 10%	688	(81)	607	10.5%
Expense inflation decreases from 7.3% to 6.3%	636	(81)	555	1.0%
Policy discontinuance rates decrease by 10%	737	(86)	651	18.5%
5% decrease in mortality rates (impact from annuity business only)	621	(81)	540	(1.6%)
5% decrease in mortality and morbidity rates (excluding the impact from annuity business)	727	(81)	646	17.7%
Premium growth take up decrease by 10%	609	(81)	528	(3.8%)
Investment returns decrease from 11.5% to 10.5%	674	(83)	591	7.6%
Equity risk premium increases by 1%	642	(81)	561	2.2%
New business acquisition expenses decrease by 10%	686	(81)	605	10.1%
New business volumes decrease by 20%	382	(64)	318	(42.2%)

REVIEW BY THE INDEPENDENT ACTUARIES

Deloitte & Touche reviewed the methodology and the assumptions underlying the calculation of the embedded value and the value of new business. They are satisfied that, based on the information supplied by Momentum, the methodology and assumptions are appropriate for the purpose of the embedded value disclosure, that these have been determined in accordance with generally accepted actuarial principles and in accordance with PGN 107, that the approach has been applied consistently across the different business units and that the methodology and assumptions have been applied consistently over the year.

Pro forma embedded value statement

The pro forma embedded value presented here takes into account the agreement under which 90% of FNB Life's profits would accrue to FNB after the merger with Metropolitan. The embedded value attributable to ordinary shareholders at 30 June 2010 compares as follows with the embedded value at 30 June 2009 if 90% of FNB Life is excluded.

	30 June	
R million	2010	2009
Embedded value of covered business	**14 332**	**12 698**
Adjusted net worth of covered business	6 507	5 666
Present value of in-force business after cost of required capital	7 825	7 032
Present value of in-force business	9 580	8 732
Cost of required capital	(1 754)	(1 699)
Embedded value of non covered business	**2 718**	**2 898**
Group embedded value attributable to ordinary shareholders	**17 050**	**15 596**
% change	9.3%	
% return on embedded value	11.6%	

In presenting the above, the adjusted net worth has not been adjusted for the earnings of FNB Life. Only the value of in-force business (after cost of capital) has been adjusted. The return on embedded value of 11.6% however assumed that only 10% of the FNB Life embedded value earnings accrued to Momentum.

The value of the new business written during the year ended 30 June 2010 compares as follows with the value of new business for the year ended 30 June 2009 if 90% of FNB Life is excluded.

	30 June	
R million	2010	2009
Wealth and Retail	258	270
New markets	(40)	(11)
Group business	57	83
FNB Life	27	20
Value of new business	**302**	362
Present value of premiums[1]	**30 525**	27 864
Margin %	**1.0%**	1.3%

1 The present value of premiums includes 100% of the projected FNB Life premiums.

FIRSTRAND

APPENDIX III

Capital management information
for the year 30 June

R million	2010	2009	% change
Return on equity			
Average normalised net asset value	**55 929**	52 271	7
Normalised earnings (unaudited)	**9 963**	7 151	39
Normalised net asset value per share (cents) (unaudited)	**1 045.6**	938. 4	11
Normalised return on equity (%) (unaudited)	**17.8**	13.7	
Banking Group (%)	**17.8**	13.1	
Momentum Group (%)	**21.9**	22.6	
Price to book			
Market capitalisation (number of shares in issue at 30 June closing share price)	**101 821**	79 269	28
Normalised net asset value (refer below) (unaudited)	**58 953**	52 905	11
Normalised price to book (times) (unaudited)	**1.73**	1.50	
Capital adequacy			
Capital adequacy ratio: Banking Group (Regulatory requirement: 9.5%)*	**15.6**	14.6	
CAR cover: Momentum Group (Regulatory requirement: 1.0 x)	**2.1**	1.8	
Core leverage ratio			
Core equity(%)	**81.1**	75.2	
Non cumulative non redeemable preference shares (%)	**6.2**	6.4	
Debt instruments (%)	**12.7**	18.4	
	100.0	100.0	
** Excludes the bank specific (pillar 2b) add on and capital floor.*			
Sources and application of capital			
Ordinary shareholders' equity and reserves			
Ordinary shareholders' equity and reserves	**55 951**	50 004	12
Less: Non cumulative non redeemable preference shares	**(4 519)**	(4 519)	–
Total ordinary shareholders' equity	**51 432**	45 485	13
Plus: Treasury shares	**6 077**	5 976	2
Plus: Excess cost of investment of net asset value at date of merger (Section 84 of Companies Act) High Court approval	**1 444**	1 444	–
Normalised ordinary shareholders' equity (normalised net asset value)	**58 953**	52 905	11
Non cumulative non redeemable preference shares	**4 519**	4 519	–
Debt capital instruments	**9 183**	12 928	(29)
Total capital sourced	**72 655**	70 352	3
Banking Group	**58 888**	55 187	7
Ordinary shareholders' equity	**48 977**	44 111	11
Non cumulative non redeemable preference shares	**3 100**	3 100	–
Debt capital instruments	**6 811**	7 976	(15)
Momentum Group	**8 727**	9 418	(7)
Ordinary shareholders' equity	**8 227**	7 295	13
Non cumulative non redeemable preference shares	**500**	500	–
Debt capital instruments	**–**	1 623	(100)
Unregulated entities	**5 040**	5 747	(12)
Ordinary shareholders' equity	**1 749**	1 499	17
Non cumulative non redeemable preference shares	**919**	919	–
Debt capital instruments	**2 372**	3 329	(29)
Total capital applied	**72 655**	70 352	3

Assets under management or administration
at 30 June

R million	Continuing and discontinued operations 2010	2009	% change
Banking Group[1]	653 155	646 833	1
Momentum Group[1]	198 866	187 656	6
FirstRand company and consolidation[2]	(6 781)	(24 638)	(72)
Total on balance sheet assets	845 240	809 851	4
Off balance sheet assets managed or administered on behalf of clients	161 235	155 633	4
Total assets under management or administration	1 006 475	965 484	4

R million	Continuing operations 2010	2009	% change
Banking Group[1]	653 155	646 833	1
FirstRand company and consolidation[2]	(5 162)	(25 146)	(79)
Total on balance sheet assets	647 993	621 687	4
Off balance sheet assets managed or administered on behalf of clients	47 311	41 927	13
Total assets under management or administration	695 304	663 614	5

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

Contingencies and commitments

R million	2010	2009	% change
Guarantees	24 036	19 085	26
Acceptances	299	279	7
Letters of credit	5 541	5 576	(1)
Total contingencies	29 876	24 940	20
Capital commitments			
Contracted capital commitments	2 292	1 700	35
Capital expenditure authorised not yet contracted	1 942	1 101	76
Total capital commitments	4 234	2 801	51
Other commitments			
Irrevocable commitments	52 809	58 204	(9)
Underwriting commitments	–	2	(100)
Operating lease and other commitments	7 386	6 025	23
Total capital commitments	60 195	64 231	(6)
Total contingencies and commitments	94 305	91 972	3

Number of shares from continuing and discontinued operations
at 30 June

	2010	2009
Shares in issue		
Opening balance 1 July	**5 637 941 689**	5 637 830 218
Movements:		
Outperformance conversion December 2008	**–**	111 471
Number of shares in issue	**5 637 941 689**	5 637 941 689
Less: Treasury shares	**(393 425 954)**	(424 341 687)
Staff schemes	**(164 470 512)**	(217 817 733)
BEE staff trusts	**(171 401 072)**	(171 401 072)
Shares held by policyholders	**(57 554 370)**	(35 122 882)
Number of shares in issue (after treasury shares)	**5 244 515 735**	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
Adjustment: Outperformance conversion weighting	**–**	65 025
Weighted average number of shares before treasury shares	**5 637 941 689**	5 637 895 243
Less: Treasury shares	**(389 764 164)**	(430 984 355)
Staff schemes	**(181 015 451)**	(225 295 065)
BEE staff trusts	**(171 401 072)**	(171 401 072)
Shares held by policyholders	**(37 347 641)**	(34 288 218)
Weighted average number of shares in issue	**5 248 177 525**	5 206 910 888
Dilution impact:		
Staff schemes	**42 815 288**	5 455 868
BEE staff trusts	**11 438 393**	1 184 615
Diluted weighted average number of shares in issue	**5 302 431 206**	5 213 551 371
Number of shares for normalised earnings per share calculation		
Shares in issue at 1 July	**5 637 941 689**	5 637 830 218
Adjustment: Outperformance conversion weighting	**–**	65 025
Diluted weighted average number of shares in issue for diluted normalised per share calculation	**5 637 941 689**	5 637 895 243

Number of shares from continuing operations
at 30 June

	2010	2009
Weighted average number of shares in issue	**5 248 177 525**	5 206 910 888
Add: Shares held by Momentum policyholders	**35 949 633**	32 850 908
Weighted average number of shares in issue	**5 284 127 158**	5 239 761 796
Dilution impact	**54 253 681**	6 640 483
Diluted weighted average number of shares in issue	**5 338 380 839**	5 247 209 644
Diluted weighted average number of shares in issue for diluted normalised per share calculation from continuing operations	**5 637 941 689**	5 637 895 243

Description of normalised earnings

The Group believes 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 from financial periods commencing on or after 1 January 2005. FirstRand hedges itself against the price risk of the FirstRand share price in the various staff shares schemes. The staff schemes purchase FirstRand shares in the open market to ensure the company is not exposed to the increase in the FirstRand share price. Consequently, the cost to FirstRand is the funding cost of the purchases of FirstRand's shares by the staff share trusts. These trusts are consolidated and FirstRand shares held by the staff share schemes are treated as treasury shares. For purposes of calculating the normalised earnings, the consolidation entries are reversed and the Group shares held by the staff share schemes are treated as issued to parties external to the Group.

The normalised adjustments:

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

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

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

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

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

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

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

Divisional income statement
for the year ended 30 June

	Banking Group	
R million	2010	2009
Continuing operations		
Net interest income before impairment of advances	16 598	17 634
Impairment of advances	(5 686)	(8 024)
Net interest income after impairment of advances	10 912	9 610
Non interest income	26 140	19 760
Decrease/(increase) in value of policyholder liabilities	–	–
Net income from operations	37 052	29 370
Operating expenses	(25 228)	(23 055)
Share of profit of associates and joint ventures	700	1 577
Profit before tax	12 524	7 892
Tax	(3 372)	(1 300)
Profit for the year from continuing operations	9 152	6 592
Discontinued operations		
Profit attributable to discontinued operations	–	–
Profit for the year	9 152	6 592
Attributable to:		
Ordinary equity holders	8 034	5 393
Non cumulative non redeemable preference equity holders	230	309
Non controlling interest	888	890
Attributable earnings to ordinary equity holders	8 264	5 702
Headline earnings adjustments	(30)	374
Impairment of goodwill	82	107
Gain from a bargain purchase	(203)	–
Loss due to the fair value adjustment of a non current asset held for sale	–	–
Loss on the disposal of property and equipment	2	4
(Gain)/loss on the disposal of subsidiaries	(115)	27
Impairment of assets in terms of IAS 36	175	–
Impairment of intangible assets	–	10
Gain on disposal/impairment of available-for-sale assets	(31)	(2)
Loss on sale of MotorOne Finance advances book	–	203
Loss on sale of Private Label book	–	39
Other	4	10
Tax effects of adjustments	53	(11)
Non controlling interest adjustments	3	(13)
Headline earnings	8 234	6 076
Normalised earnings adjustments	301	(20)
IFRS 2 Share based payment expense/(income)	301	(20)
Treasury shares	–	–
– consolidation of staff share schemes	–	–
– FirstRand shares held by policyholders and client trading activities	–	–
Normalised earnings (unaudited)	8 535	6 056

** Other includes FirstRand Company results, consolidation of treasury shares and other consolidation entries.*

Momentum Group		Other*		Total	
2010	2009	**2010**	2009	**2010**	2009
–	–	**(248)**	(345)	**16 350**	17 289
–	–	**–**	–	**(5 686)**	(8 024)
–	–	**(248)**	(345)	**10 664**	9 265
578	464	**43**	115	**26 761**	20 339
–	–	**193**	(284)	**193**	(284)
578	464	**(12)**	(514)	**37 618**	29 320
–	–	**(83)**	27	**(25 311)**	(23 028)
–	–	**–**	–	**700**	1 577
578	464	**(95)**	(487)	**13 007**	7 869
(162)	(130)	**7**	19	**(3 527)**	(1 411)
416	334	**(88)**	(468)	**9 480**	6 458
–	–	**–**	–	**–**	–
1 304	1 255	**(110)**	125	**1 194**	1 380
1 720	1 589	**(198)**	(343)	**10 674**	7 838
1 683	1 542	**(273)**	(434)	**9 444**	6 501
38	52	**76**	103	**344**	464
(1)	(5)	**(1)**	(12)	**886**	873
1 721	1 594	**(541)**	(795)	**9 444**	6 501
83	64	**(44)**	–	**9**	438
71	3	**–**	–	**153**	110
–	–	**–**	–	**(203)**	–
–	–	**100**	–	**100**	–
–	–	**–**	–	**2**	4
–	–	**–**	–	**(115)**	27
–	–	**–**	–	**175**	–
12	61	**–**	–	**12**	71
–	–	**(146)**	–	**(177)**	(2)
–	–	**–**	–	**–**	203
–	–	**–**	–	**–**	39
–	–	**–**	–	**4**	10
–	–	**2**	–	**55**	(11)
–	–	**–**	–	**3**	(13)
1 804	1 658	**(585)**	(795)	**9 453**	6 939
6	(9)	**203**	241	**510**	212
6	(9)	**(66)**	(91)	**241**	(120)
–	–	**269**	332	**269**	332
–	–	**313**	437	**313**	437
–	–	**(44)**	(105)	**(44)**	(105)
1 810	1 649	**(382)**	(554)	**9 963**	7 151

Divisional statement of financial position
as at 30 June

R million	Banking Group 2010	Banking Group 2009
ASSETS		
Cash and short term funds	**26 986**	25 756
Derivative financial instruments	**39 764**	60 229
Advances	**434 778**	420 224
Investment securities and other investments	**117 155**	105 745
Commodities	**2 365**	1 323
Accounts receivable	**5 706**	5 255
Investments in associates and joint ventures	**6 901**	7 339
Property and equipment	**9 818**	9 488
Deferred tax asset	**443**	1 063
Intangible assets and deferred acquisition costs	**2 187**	2 694
Investment properties	**138**	–
Policy loans	**27**	23
Reinsurance assets	**524**	287
Tax asset	**935**	842
Non current assets held for sale	**–**	450
Loans to Insurance Group	**5 428**	6 115
Total assets	**653 155**	646 833
EQUITY AND LIABILITIES		
Liabilities		
Deposits	**513 984**	489 746
Short trading positions	**16 735**	23 434
Derivative financial instruments	**36 035**	54 436
Creditors and accruals	**8 825**	6 680
Provisions	**3 343**	2 680
Tax liability	**155**	243
Post retirement liabilities	**2 162**	2 042
Deferred tax liability	**2 132**	2 407
Long term liabilities	**6 811**	7 976
Policyholder liabilities under insurance contracts	**1 868**	1 655
Policyholder liabilities under investment contracts	**101**	77
Liabilities arising to third parties	**–**	–
Deferred revenue liability	**–**	–
Liabilities directly associated with non current assets and disposal groups held for sale	**–**	253
Loans from Insurance Group	**5 750**	5 776
Loans from other Group companies	**–**	–
Total liabilities	**597 901**	597 405
Equity		
Capital and reserves attributable to equity holders		
Ordinary shares	**106**	106
Ordinary share capital	**8 041**	7 634
Reserves	**40 830**	36 371
Capital and reserves attributable to ordinary equity holders	**48 977**	44 111
Non cumulative non redeemable preference shares	**3 100**	3 100
Cumulative redeemable preference shares	**–**	2
Capital and reserves attributable to equity holders	**52 077**	47 213
Non controlling interest	**3 177**	2 215
Total equity	**55 254**	49 428
Total equity and liabilities	**653 155**	646 833

** Other includes FirstRand Company results, consolidation of treasury shares and other consolidation entries.*

	Momentum Group		Other*		Total	
	2010	2009	2010	2009	2010	2009
	–	40 967	81	(9 457)	27 067	57 266
	–	9 455	–	(1 076)	39 764	68 608
	–	–	15	(3 736)	434 793	416 488
	–	107 167	16	(3 663)	117 171	209 249
	–	–	–	–	2 365	1 323
	–	6 385	37	(572)	5 743	11 068
	–	8 078	–	(123)	6 901	15 294
	–	532	200	200	10 018	10 220
	–	969	–	2	443	2 034
	–	3 102	(83)	(98)	2 104	5 698
	–	2 156	–	–	138	2 156
	–	604	–	(1)	27	626
	–	8 143	–	–	524	8 430
	–	40	–	1	935	883
	198 866	58	(1 619)	–	197 247	508
	–	–	(5 428)	(6 115)	–	–
	198 866	187 656	(6 781)	(24 638)	845 240	809 851
	–	–	(1 515)	(11 663)	512 469	478 083
	–	–	–	1 568	16 735	25 002
	–	1 853	–	(733)	36 035	55 556
	–	12 854	3 290	(1 317)	12 115	18 217
	–	326	16	(45)	3 359	2 961
	–	71	2	17	157	331
	–	47	–	–	2 162	2 089
	–	1 570	–	–	2 132	3 977
	–	1 623	2 372	3 329	9 183	12 928
	–	39 069	–	1	1 868	40 725
	–	110 227	–	(1 108)	101	109 196
	–	8 114	–	–	–	8 114
	–	322	–	–	–	322
	190 142	–	(181)	–	189 961	253
	–	–	(5 750)	(5 776)	–	–
	–	3 794	–	(3 794)	–	–
	190 142	179 870	(1 766)	(19 521)	786 277	757 754
	9	9	(63)	(63)	52	52
	1 032	1 032	(7 582)	(7 366)	1 491	1 300
	7 186	6 254	1 873	1 508	49 889	44 133
	8 227	7 295	(5 772)	(5 921)	51 432	45 485
	500	500	919	919	4 519	4 519
	–	–	–	(2)	–	–
	8 727	7 795	(4 853)	(5 004)	55 951	50 004
	(3)	(9)	(162)	(113)	3 012	2 093
	8 724	7 786	(5 015)	(5 117)	58 963	52 097
	198 866	187 656	(6 781)	(24 638)	845 240	809 851

Disposal groups held for distribution and discontinued operations
as at 30 June

DISCONTINUED OPERATIONS

During the current financial year, FirstRand took a decision to unbundle its 100% shareholding in Momentum Group to its shareholders through a dividend-in-specie. The decision to unbundle the shareholding follows the proposed merger of Momentum Group and Metropolitan Holdings.

The unbundling transaction resulted in FirstRand classifying Momentum Group as a disposal group held for distribution in line with the requirements of IFRS 5 Non-current Assets Held for Sale and Discontinued Operations. The assets and liabilities attributable to the Momentum Group, classified as held for distribution, have been separately disclosed in the statement of financial position. In addition, Momentum Group qualifies as a discontinued operation as it is a component of FirstRand that has been classified as held for distribution and represents a separate major line of business. In line with the requirements of IFRS 5, the income and expenses relating to Momentum were presented in the income statement and statement of other comprehensive income as a single amount relating to the after tax profit and other comprehensive income relating to discontinued operations.

The dividend-in-specie will be accounted for at fair value in line with the requirements of IFRIC 17 Distribution of Non-Cash Assets to Owners. The unbundling transaction will be preceded by the merger transaction, but FirstRand will not take control of the merged entity and, as a result, will not recognise the merged entity in its financial statements. The merger transaction is entered into solely for the benefit of the FirstRand and Metropolitan Holdings shareholders.

FirstRand shareholders vote on the transaction on 28 September 2010 and if approved, it is anticipated that the unbundling will be finalised by 28 October 2010.

Income and expense recognised in the income statement relating to the discontinued operations of the Momentum Group

R million	2010	2009
Interest and similar income	7 466	8 781
Interest expense and similar charges	(1 122)	(80)
Net interest income	6 344	8 701
Non interest income	13 466	(9 690)
Net insurance premium income	7 468	6 464
Net claims and benefits paid	(6 537)	(5 939)
(Increase)/decrease in value of policyholder liabilities	(13 615)	6 809
Income from operations	7 126	6 345
Operating expenditure	(5 268)	(4 905)
Net income from operations	1 858	1 440
Share of profit of associates and joint ventures	32	13
Profit before tax	1 890	1 453
Tax expense	(696)	(73)
Profit after tax	1 194	1 380
Cumulative income or expense recognised directly in other comprehensive income relating to the discontinued operations of the Momentum Group		
Profit for the year	1 194	1 380
Total comprehensive income for the year	1 194	1 380
At the date that the Momentum Group was classified as held for distribution, its fair value less costs to sell exceeded its consolidated carrying value and no gain or loss was recognised on the classification date.		
Cash flow information:		
Cash flow from operating activities	(9 709)	11 546
Cash flow from investing activities	33	(2 223)
Cash flow from financing activities	2 117	491
Total cash flows	(7 559)	9 814

Analysis of the assets and liabilities included in the disposal group held for distribution

R million	2010	2009
Statement of financial position		
Assets		
Cash and short term funds	30 858	–
Derivative financial instruments	6 521	–
Investment securities and other investments	132 042	–
Accounts receivable	1 751	–
Investments in associates and joint ventures	7 949	–
Property and equipment	558	–
Deferred tax asset	932	–
Intangible assets and deferred acquisition costs	3 127	–
Investment properties	2 276	–
Policy loans	642	–
Reinsurance assets	628	–
Tax asset	36	–
Non current assets and disposal groups held for sale	11 434	–
Total assets	198 754	–
Liabilities		
Derivative financial instruments	956	–
Creditors and accruals	14 065	–
Provisions	341	–
Tax liability	43	–
Post retirement liabilities	(39)	–
Deferred tax liability	1 719	–
Long term liabilities	1 990	–
Reinsurance liabilities	10	–
Policyholder liabilities under insurance contracts	40 896	–
Policyholder liabilities under investment contracts	112 141	–
Liabilities arising from collective investment schemes	7 071	–
Deferred revenue liability	367	–
Liabilities directly associated with non current assets and disposal groups held for sale	10 462	–
Total liabilities	190 022	–

Reclassifications of year end numbers

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

	Amount as previously reported	Amount as restated	Differnce	Explanation
30 June 2008				
Statement of financial position				
Assets				
Accounts receivable	7 806	7 417	(389)	Reinsurance assets arising in the Group's Namibian operations have been 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 ensure consistent treatment with the Group's other insurance operations.
Reinsurance assets	550	939	389	Refer to accounts receivable.

No other amounts reported in the statement of finanial position or income statement were affected by the above restatement.

	Amount as previously reported	Amount as restated	Differnce	Explanation
30 June 2009				
Income statement				
Interest and similar income	60 516	51 735	8 781	Momentum reclassied as a discontinued operation in terms of IFRS 5.
Interest expense and similar charges	(34 526)	(34 446)	(80)	Refer above.
Net interest income before impairment of advances	25 990	17 289	8 701	
Impairment of advances	(8 024)	(8 024)	–	
Net interest income after impairment of advances	17 966	9 265	8 701	
Non interest income	10 649	20 339	(9 690)	Refer above.
Net insurance premium income	6 464	–	6 464	Refer above.
Net claims and benefits paid	(5 939)	–	(5 939)	Refer above.
Increase in value of policyholder liabilities	6 525	(284)	6 809	Refer above.
Income from operations	35 665	29 320	6 345	Refer above.
Operating expenses	(27 933)	(23 028)	(4 905)	Refer above.
Net income from operations	7 732	6 292	1 440	Refer above.
Share of profit of associates and joint ventures	1 590	1 577	13	Refer above.
Profit before tax	9 322	7 869	1 453	Refer above.
Tax	(1 484)	(1 411)	(73)	Refer above.

	Amount as previously reported	Amount as restated	Difference	Explanation
Net profit from continuing operations	7 838	6 458	1 380	Refer above.
Discontinued operations				
Profit attributable to discontinued operations	–	1 380	(1 380)	Refer above.
Profit for the year	7 838	7 838	–	Reclassification had no impact on profit for the year.
Statement of financial position				
Assets				
Accounts receivable	11 355	11 068	(287)	Reinsurance assets arising in the Group's Namibian operations have been 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 ensure consistent treatment with the Group's other insurance operations.
Reinsurance assets	8 143	8 430	287	Refer accounts receivable.

No other amounts reported in the statement of financial position or income statement were affected by the above restatement.

Statement of cash flows

As a consequence of the above reclassifications, the cash flow statement has been accordingly restated.

New group structure

FIRSTRAND
The listed holding company

100% FirstRand Bank Limited
Banking

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

100% FirstRand EMA Holdings Limited
Emerging Markets

- 100% FNB Lesotho
- 62% FNB Namibia[6]
- 100% FNB Swaziland
- 70% FNB Botswana
- 90% FNB Moçambique
- 100% FNB Zambia
- 47% OUTsurance[4]
- 100% FirstRand International – Mauritius

100% FirstRand Investment Holdings (Pty) Limited ("FRIHL")
Other activities [5]

- 90% RMB Private Equity Holdings
- 91% RMB Private Equity
- 100% RMB Stockbroking
- 100% FirstRand International Wealth Management
- 40% Eris Property Holdings
- 50% RMB Morgan Stanley
- 75% Rentworks
- 33% Tracker
- 100% FirstRand International – Guernsey
- 100% FNB Insurance Brokers

100% Momentum Group Limited*
Insurance & Asset Management

- 100% Momentum Insurance[1]
- FNB Insurance
- 85% Advantage Asset Managers
- 100% Momentum Medical Scheme Administrators
- 100% AdviceAtWork
- 100% RMB Asset Management
- 100% Momentum Africa
- 50% Momentum Short Term Insurance
- 49% Momentum Life Insurance Namibia

* The Group has announced the proposed unbundling of Momentum subject to shareholders' approval

Structure shows effective shareholding (consolidated)

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

Headline earnings additional disclosure

Set out below is additional information pertaining to Section 1 of Circular 03/2009 – sector specific rules in calculating headline earnings.

Issue 1 – Re-measurement relating to private equity activities (associates and joint ventures) regarded as operating or trading activities

	Year ended 30 June		
R million	**2010**	2009	% change
Aggregate cost of portfolio	**3 303**	3 030	9
Aggregate carrying value	**4 190**	4 699	(11)
Aggregate fair value[1]	**5 147**	6 119	(16)
Equity accounted income[2]	**(126)**	935	(>100)
Profit on realisation[3]	**1 236**	489	>100
Aggregate other income earned[4]	**106**	135	(21)

1 *Aggregate fair value is disclosed including minorities.*
2 *Equity accounted earnings are disclosed pre tax.*
3 *Profit on realisation is disclosed post tax and minorities.*
4 *Aggregate other income earned is disclosed pretax.*

Issue 2 – Re-measurement of investment properties

	Year ended 30 June		
R million	**2010**	2009	% change
Carrying value of investment properties	**2 275**	2 156	6
Fair value of investment properties	**2 275**	2 156	6
Capital appreciation after tax	**90**	85	6

Company information

DIRECTORS

LL Dippenaar (Chairman), SE Nxasana (Chief executive officer), JP Burger (Chief operating officer/Chief financial officer), WW Bartlett, JJH Bester, L Crouse, PM Goss, Dr NN Gwagwa, PK Harris, WR Jardine, EG Matenge-Sebesho, AP Nkuna, AT Nzimande, D Premnarayen (Indian), KB Schoeman, RK Store, BJ van der Ross, Dr JH van Greuning, MH Visser.

SECRETARY AND REGISTERED OFFICE

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Web address: www.firstrand.co.za

SPONSOR

(In terms of JSE requirements)
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TRANSFER SECRETARIES – NAMIBIA

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Telefax: +264 612 48531

STOCK EXCHANGES

JSE Limited ("JSE")

Ordinary shares	*Share code*	*ISIN code*
FirstRand Limited	FSR	ZAE 000066304

Non cumulative non redeemable preference shares
"B" FSRP ZAE 000060141

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	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	FRS35	ZAG000076852
FirstRand Bank Limited	FRS36	ZAG000077397
FirstRand Bank Limited	FRS37	ZAG000077793
FirstRand Bank Limited	FRS38	ZAG000077983
FirstRand Bank Limited	FRS39	ZAG000078213
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	FRX18	ZAG000076472
FirstRand Bank Limited	FRX24	ZAG000073693
FirstRand Bank Limited	FRX45	ZAG000076480

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	FRBI07	ZAG000055849
FirstRand Bank Limited	FRBI08	ZAG000071523
FirstRand Bank Limited	FRBI23	ZAG000076498
FirstRand Bank Limited	FRBI24	ZAG000077256
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	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
FirstRand Bank Limited	FRC36	ZAG000076217
FirstRand Bank Limited	FRC37	ZAG000076712

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

London stock exchange ("LSE")

European Medium Term Note (EMTN) Programme

Issuer	*Bond code*	*ISIN code*
FirstRand Bank Limited	EMTN	XS0306783621

Namibia Securities Exchange ("NSE")

Issuer	*Bond code*	*ISIN code*
FNB of Namibia Limited	FNB 17	NA000AONQ603

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