

2009 SUSTAINABILITY REPORT



FNB
Africa

How can we help you?



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CEO's statement

FNB Africa operates within the SADC region, a challenging environment characterised by high interest rates and inflation, high unemployment and socio-economic development challenges. Within this context, we are reviewing opportunities to make banking more affordable, particularly for the lower-end of the market. We are also driving service improvement opportunities, and focusing on skills upliftment and succession planning. We continue to invest significantly in infrastructure, branch and systems upgrades and equipment replacement programmes as fundamental requirements for competing in a competitive market and ensuring long-term sustainability.

We maintain focus on growing our business and investing in developing our infrastructure, our people and our processes. As FNB Africa, we are market leaders in Botswana and Namibia and also maintain presence in Lesotho, Moçambique, Swaziland as well as a central office in South Africa. We launched FNB Zambia in April 2009 and are intent on increasing our footprint to provide banking services in, while contributing to the development of, the Southern African region. We are well placed to consolidate our position in these markets as a leading financial services entity and explore further opportunities in the SADC region and other parts of Africa as opportunities present themselves.

Our strategy is to deliver innovative, accessible and reliable financial services to our customers. While our primary consideration has been on growing our business, we maintained focus on innovation, efficiencies and people in line with our "good to Great" strategy. We are mindful of the social and development challenges within our area of operations. Through our respective Corporate Social Investment Foundations, we supported local initiatives and invested in communities that are critical to our success. We also focused on contributing towards the economic transformation of our suppliers and in some cases, set aside 10% of our procurement spend towards local suppliers.

While we do not have a specific focus on the environment given the limited direct environmental impact of our business, we maintained focus on our behavioural practices to reduce our environmental footprint and consume resources responsibly for the greater good. These initiatives would not be possible without a key focus on people development. We are committed to the development of our staff as a key requirement for our long-term sustainability through our Care and Grow human resources strategy. Included in this is a staff localisation plan aimed at transferring skills, ensuring that our business is more representative with local nationals in each country of operation.

JABU KHETHE, CEO – FNB Africa



Sustainable business practice is an evolving process for us as our operations within the continent grow. We are committed to aligning our commercial performance with responsible behavioural practices to ensure sustainable growth and development.

We present our position on sustainability in this, our first year of consolidated reporting as FNB Africa, to our broad range of stakeholders who have a fundamental impact on our business. We are confident that our commitment and strategy will enable us to contribute meaningfully on our journey toward long term sustainability.

Jabu Khethe
CEO, FNB Africa

Report parameters

This year, FNB's holding company, FirstRand Limited, has produced an integrated annual report which integrates financial and non financial information more extensively than the company has done before. FNB Africa's sustainability report is complementary to FirstRand's integrated report, and is not a substitute for it. As a result, this report is to be read in conjunction with FirstRand's integrated report.

The steps taken to integrate financial and non financial information in FirstRand's annual report are indicative of an approach to business which views non financial issues as inseparable from business as usual. The information contained in this report does not reflect extensive information in respect of FNB's financial performance because this information is addressed comprehensively at holding company level in FirstRand's integrated report. The objective of this report is to reinforce sustainability reporting as a channel for communicating sustainability performance to our stakeholders and to provide disaggregated information in respect of the non financial information disclosed in FirstRand's integrated report.

The report structure and methodology aligns with that of FirstRand's integrated report, which is closely aligned with the Global Reporting Initiative's (GRI) G3 guidelines and takes cognisance of the recommendations set out in the King Committee on Governance's Draft Code of Governance Principles for South Africa (2009) (King III Code), the JSE Socially Responsible Investment (SRI) index, the BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry (the dti) Codes of Good Practice.

DEFINING BOUNDARY

The boundary, scope and content for the report have been determined in accordance with the principles outlined by the GRI G3 reporting guideline, the GRI Finance Sector Supplement and relevant G3 Indicator Protocols and Technical Protocols.

The report covers subsidiaries over which FNB Africa has control or significant influence and focuses primarily on the SADC region where we have operations as this is where our stakeholder interfaces and sustainability impacts are most significant.

DATA MEASUREMENT

The data measurement techniques employed in producing this report are replicable and information is not reported if the margin for error is believed to be sufficient to substantially influence the ability of stakeholders to make informed decisions about our performance. Data measurement techniques, estimates and underlying assumptions are described where it has been materially necessary to do so.

STAKEHOLDER ENGAGEMENT

FNB Africa operates in line with our Group philosophy which governs how we operate and interface with a broad range of stakeholders. Our stakeholders are represented by our staff, customers (including individuals, small business, large corporates and parastatals), suppliers, the communities we support and invest in, the natural environment, our regulators and investors and investment analysts. We also work with industry bodies and special interest groups including our industry peers to address specific issues of interest. We have identified and addressed material issues within the environmental, economic, social and governance domains, taking into account our operating context and their impact on our stakeholders. We measure and report our progress on creating stakeholder value and managing risks centrally via FNB in South Africa.

FNB Africa profile

FNB Africa has been a segment of First National Bank since 1 July 2007. Prior to that, the management of the African subsidiaries lay with FirstRand Africa and Emerging Markets. The FNB Africa portfolio consists of 6 subsidiaries located in Botswana, Lesotho, Moçambique, Namibia, Swaziland and most recently, Zambia.

Our expansion into the African continent began with the establishment of FNB Namibia in 1988 as a subsidiary of FNB South Africa which led to the formation of FNB Namibia Holdings Limited in 2003 after a merger with Swabou, a registered mutual society. We entered into the Botswana market in 1991 with the opening of the first FNB branch in that country, which culminated in the establishment of FNB Botswana in 1993 when it obtained a listing on the Botswana Stock Exchange after a series of acquisitions. In 1995, FNB Swaziland was established as a full service bank.

The further expansion into the African continent was followed by FNB Lesotho in 2003, initially operating as a branch of FNB South Africa which later gained full FNB subsidiary status in 2008. More recently, FNB Moçambique was established in July 2007 following the acquisition of a majority shareholding in the former Banco de Desenvolvimento e Comércio (BDC). In April 2009, FNB Zambia began operations, adding to our current African footprint. Our expansion forms part of our vision to be a leading financial services provider in the Southern African Development Community (SADC) and to build our brand in East and West Africa.

FNB Africa's expansion is managed from the centre in Johannesburg and head office best practice is adopted when conducting business internationally.



■ Branch infrastructure
■ Beach head presence

We employ 3 292 people located in multiple locations on the African continent and provide a comprehensive range of retail, business, commercial and corporate transactional banking products through our subsidiaries to approximately 750 000 customers ranging from previously unbanked consumers to the largest listed corporates and public sector clients. Our network of representation points includes 78 branches, 13 agencies and 478 ATMs and Mini-ATMs.

Highlights

FINANCIAL HIGHLIGHTS

R million	2009	2008	% change
Income before indirect tax	1 252	1 090	15
Indirect tax	(30)	(27)	11
Income before tax (before VISA and Swabou profits)	1 222	1 063	15
Attributable earnings	516	533	(3)
Advances	17 519	15 755	11
Total deposits	25 326	23 867	6
Cost to income ratio [%]	52.0	46.5	
Non performing loans [%]	2.5	2.5	

A more detailed review of FNB Africa's financial performance is available in FirstRand's integrated annual report, which can be viewed on the company website (www.firstrand.co.za.)

Below we present our non financial performance highlights, which place emphasis on the value drivers that are linked to our organisational objectives and are aimed at creating stakeholder value as part of our sustainable business strategy.

NON FINANCIAL HIGHLIGHTS

R million	2009	2008	% change
Number of customers (000)	752	646	16
Infrastructure access points	569	505	13
Workforce at 1 July	3 292	2 911	13
Skills Development Investment (R'000)	11 324	10 880	4
Coverage of HIV/Aids policy	100	100	
Procurement spend (R million) ¹	108	104	4
CSI Spend (R million)	8	7	14
Environmental and social risk: policy coverage [%]	100	100	

In FY 09, our non financial performance highlights included approximately R11 million invested in skills development, R108 million directed towards procurement spend, and R8 million invested in corporate social investment (CSI). We also provide 569 access points that include branches, agencies, ATMs and Mini-ATMs as part of our focus to extend banking services to the unbanked.

OPERATING STRUCTURE

FNB Africa has a central office in South Africa, which operates as a centre of excellence that sets up and provides strategic guidance and support to the African subsidiaries to ensure achievement of FNB's strategic objectives. It facilitates the sharing of best practices, takes appropriate solutions into subsidiaries and liaises with bodies and organisations that influence cross-border trade in Africa. In line with FirstRand's federated business model, each FNB Africa subsidiary has its own Board of directors and Executive committee, with management teams for implementing strategic and operational decisions.

We acknowledge the differences in the business strategies, products offered, stakeholders and the business practices of the individual subsidiaries. However, some parameters remain the same in terms of sustainable growth objectives and financial targets set by FNB in South Africa using common platforms that are in line with those that are standard to the Group. In addition, the FNB Africa subsidiaries are aligned to FNB South Africa's sustainable banking strategy which places emphasis on building enduring, rewarding relationships with stakeholders. This is driven by a core set of values and beliefs as articulated in the FirstRand business philosophy. Corporate governance is standardised across the FirstRand Group for consistent implementation and coordination in all operations.

Sustainability risks and opportunities

The table below describes the key sustainability risks and opportunities that we are currently addressing at FNB Africa.

Risks and opportunities

Risk/opportunity	Response
Extend banking services to the unbanked and improve banking affordability	Increase representation points throughout our operations and provided banking products aimed at providing affordable banking to low-income earners
Respond to customer demand for innovative products, low cost delivery channels and customer service excellence	<p>Provided sector-based financial solutions such as mining and the public sector based on long-term relationship needs analysis and financial requirements</p> <p>Delivered value-added propositions for specific customer segments such as commercial, agricultural and SME markets</p> <p>Provided online and cellphone banking</p> <p>Account Opening Optimisation (A00) aimed at improving process efficiencies at the opening of customer accounts</p> <p>Managed long queues, particularly at month-end and peak hours</p>
Developing, retaining and attracting skilled employees	Implemented training interventions, talent management, leadership development and performance management as part of our staff localisation plan

Mechanisms for identifying and developing management systems for new sustainability risks and opportunities can be described in respect of direct risks, indirect risks, and sustainability opportunities.

DIRECT RISKS

We have taken steps to ensure that risk management processes cover the legal, regulatory and reputational risks associated with direct and indirect environmental and social impacts. These risk reporting procedures are informed by the Environmental, Social, and Governance (ESG) framework. Group level oversight is provided by the FirstRand Audit, risk and compliance committee. Detail concerning the management of direct risks related to our stakeholders can be found in the relevant stakeholder section of this report.

INDIRECT RISKS

Indirect ESG risks are addressed by a policy guideline for responsible finance which addresses environmental and social risks in credit and lending. This document forms part of a Group-wide framework for addressing the Equator Principles (EP), and provides for internal monitoring and management of ESG performance which goes beyond the requirements set out by the EPs. This process is driven by the Group's regulatory risk management function with board level oversight of the Audit, risk and compliance committee.

Sustainability opportunities

Sustainability opportunities are identified via two main mechanisms. The first is through organic growth of the business and the implementation of sustainability solutions at business unit level. The second is through the work of FirstRand's Sustainability forum and Environmental forum. Both of these forums actively pursue sustainability opportunities through research and development and, where necessary, incubate new projects until mature enough to be fully integrated into the operations of the business unit concerned. Two principle opportunities being pursued currently relate to energy efficiency initiatives and environmentally-friendly affordable housing solutions.

Prioritising risks and opportunities

Challenges and opportunities are prioritised taking business performance implications and stakeholder materiality into consideration. FNB defines materiality according to the GRI G3 Guidelines definition and with reference to both internal and external factors.

Our current priorities are focused on investment in employee development and staff retention, responding effectively to customer indebtedness, and implementing ESG risk management processes effectively.

Management approach and performance indicators

Disclosures in this report reflect the information that we understand to be most relevant to our business and our stakeholders. Our management approach to sustainable business practice is described according to stakeholder categories in the relevant stakeholder sections of this report.

EMPLOYEES

Our employees are one of our most important stakeholder groups. We recognise that in order for us to achieve performance excellence, we must invest locally and grow our people. We believe that in doing so we are able to understand local dynamics, which in turn, contributes to our success as a business. It is for this reason that we are focused on implementing a staff localisation plan in each of our subsidiaries aimed at making our workforce more representative with local nationals as employees in each country of operation.

We employ 3 292 employees including staff at the central FNB Africa office in South Africa and expatriates located in each country of operation. Our workforce indicators are presented as follows:

Workforce indicators

	2009	2008	2007
Workforce at 1 July	3 292	2 911	2 556
Skills development investment (R'000)	11 324	10 880	5 013
HIV/Aids policy coverage (%)	100	100	100

¹ Staff numbers for 2009 include support staff at head office. These numbers are excluded from previous years as support staff formed part of FirstRand Group Support in previous periods

MATERIAL ISSUES

Various employee participation structures are in place in each of our subsidiaries. These include meetings and employee satisfaction surveys, which are aimed at encouraging our employees to contribute individually and collectively to our business and ensuring alignment of all employees with our strategic objectives. This enabled us to determine issues of material importance to our staff. Our response to these are discussed below:

- Skills development
- Talent management
- Performance management

Skills development

Developing our human capital is fundamental to our sustainability objectives of ensuring that requisite skills are nurtured and retained. We are well aware that some of our subsidiaries are faced with acute shortages of skilled human resources, such as in Namibia. We are acting to ensure future capacity while adhering to affirmative action and new labour legislation in that country. In FY 09, we invested R11 million in skills development and provided training and development opportunities for our staff in the following areas:

- Technical/Bank specific training
- Credit development programme
- Sales and customer service
- Soft skills and leadership development
- Computer/software training
- Health/safety/welfare training

Our investment in skills development is in line with our localisation plan aimed at transferring skills to local citizens.

Talent management

We strive to create opportunities for the advancement of our employees. It is for this reason that a number of our subsidiaries have put in place leadership development programmes. Personal development plans are also in the process of being mapped for all our staff in the various operations. This process is being complemented by the roll-out of balanced scorecards and a performance management system that aligns business objectives with individual growth aspirations.

FNB Botswana has developed a comprehensive manpower strategy complemented by a focus on retention and recruitment of key competencies. This included the development of a framework for succession planning, with key positions identified where there

is a potential continuity risk associated with the position and possible understudies and/or successors have been identified.

A similar approach has also been adopted by FNB Namibia with the “Aantu Yolela” – Great People journey for staff to address the important issues of recruitment, retention, learning and development, culture and values, and performance management. In addition to this a succession planning policy is in place premised on affording internal employees first priority when recruiting.

Leadership development

We are focused on creating a productive environment with motivated staff that can maximise their potential. FNB Lesotho is putting in place specific leadership training aimed at fast-tracking the development of certain skills needed in the business. This includes the one-year secondment of its Chief financial officer to FNB Swaziland. In Namibia, leadership development was taken a step further with the completion of a management and leadership audit, which culminated in 26 managers attending management development programmes at different levels. Similarly, FNB Botswana has partnered with the Universities of Pretoria and Stellenbosch in South Africa for select senior, middle and junior managers to attend leadership development programmes.

In an effort to strengthen our focus on performance management, our subsidiaries have amended their performance management processes to be in line with our Care and Growth people philosophy,

which is aimed at creating a powerful and empowering culture. This entailed placing greater emphasis on employee accountabilities and putting in place customised performance agreements for each employee in line with their deliverables. 360-degree assessments are in the process of being rolled-out in a phased manner at all subsidiaries.

Furthermore, we review our remuneration practices on an ongoing basis to ensure that we keep within market-related benchmarks. In some instances re-grading of positions and broadbanding is being conducted to create more flexibility in movement between salary bands and to ensure equitable remuneration practices.

Employee wellness

We are focused on creating an enabling environment for our employees to contribute meaningfully whilst also realising their full potential. All our operations have employee wellness programmes in place aimed at promoting overall wellbeing of staff. This includes a particular focus on HIV/Aids awareness and education to ensure that our staff have access to support systems in dealing with health and wellness issues. Our more established operations also provide peer educators and occupational health representatives with ongoing training focused on interventions such as voluntary counselling and testing as part of the employee assistance programme.

CASE STUDY: FNB Namibia, the “Aantu Yolela” journey

At FNB Namibia, we consider our people to be the most important internal driver of our success. It is for this reason that we embarked on the “Aantu Yolela – Great People” journey for staff, which culminated in a management conference where the basis for five specific work streams was laid to address issues of recruitment, retention, learning and development, culture, values and performance management. For us, part of this journey is to build rewarding and enduring relationships with staff, thereby helping people to develop their maximum potential while supporting the strategic aims of the organisation. This is underpinned by our Care and Growth leadership philosophy, which aims for mutual rewards and long term sustainability.

We are well aware of the shortage of skilled human resources in the Namibian financial services industry.

Over and above our focus on attracting and retaining the best people, we are acting to ensure future capacity while adhering to affirmative action and new labour legislation in Namibia. This entails giving special attention to:

- Performance management procedures
- Staff induction and training
- Building a pool of graduates (both from universities and our own internship programmes)
- Reviewing HR policies and procedures
- Succession planning
- Employee wellness programmes, including HIV/Aids support

CUSTOMERS

Customers are a fundamental pillar of our sustainable growth plan. It is for this reason that we are intent on building enduring, rewarding relationships through the delivery of reliable service and innovative products and solutions to meet our customers' needs. We aim to meet these needs by enabling a greater proportion of the population to be in a position to benefit from the infrastructure, products and services of our innovative approach to banking.

Through providing financial resources we facilitate the participation of our customers in all segments of in the mainstream economy. We provide a broad range of products and services to customers, which include entry-level consumers, corporates, commercial and public sector clients. Our customer base consists of approximately 750 000 customers.

Customer performance indicators

	2009	2008	2007
Branches and agencies	91	82	75
ATMs and Mini-ATMs	478	423	409

MATERIAL ISSUES

The needs of our customers remained fairly consistent with those in previous years. Customers continue to require us to deliver innovative, effective, competitive and value-for-money financial products and solutions across a broad range of convenient, easily accessible and secure platforms. Supporting their needs extends to understanding the challenges of an un-banked market and providing access to financial services to deliver added banking value.

Enabling access to banking

Promoting financial inclusion is an important consideration for us. We are increasing our focus to take banking to the people by providing banking services to the unbanked as a key business imperative. This expansion will address our customers' needs for accessible and convenient banking, particularly for those customers located in more remote parts of the countries in which we operate. To this end we extended our network representation points to include 64 additional branches, ATMs and Mini ATMs.

We also introduced GPRS-based remote account opening technology, drop-box ATM depositories, mobile sales vans and branches at FNB Namibia and FNB Botswana to provide effective access to financial services to a greater segment of the population. We also entered into a partnership with Pick 'n Pay Botswana to open 15 sales kiosks at their outlets over the next 2 years. This will enable us to extend banking access to our customers in Botswana and provide services such as new account openings, internet and cellphone banking registration.

Banking affordability

Given the high interest rates in most of the countries in which we operate, we focused on making banking more affordable and maintained banking fees unchanged, and where possible, and kept fee increases below inflation. Our pricing strategy is focused

on minimising increases in electronic transaction fees as we were able to pass efficiency savings of using these channels on to our customers. We also encourage our book-based customers to convert to the more affordable option of card-based accounts. Our intention is to be transparent and keep customers informed about the best pricing options.

We review and communicate our annual pricing approach and structure to ensure that our stakeholders understand the dynamics of banking and costs related to products and services. FNB Botswana, for example, continues to lobby its Central Bank for the consolidation of banking fees to improve service affordability. In Moçambique, the Central Bank has launched initiatives to regulate fees charged by commercial banks in the market as well as a national switch to centrally facilitate point-of-sale payments. These initiatives are expected to impact on our business in the coming year although this is not yet quantifiable.

We continue to provide cheaper delivery channels such as cellphone and internet banking as part of our value proposition to make banking more convenient. Cellphone banking in particular has been a great source of innovation in recent years providing added banking accessibility, with a customer base of 59 846, of which 53% are registered customers in Botswana. 60% of Namibian cellphone banking customers are active. Last year, we enhanced this service offering by extending a zero-cost cross-border prepaid airtime top-up service into countries such as Lesotho and Namibia, which enables our South African cellphone banking customers to buy prepaid airtime for recipients in other countries. Our inContact facility, a cellphone-based transaction notification service, remains a key differentiator for us. Great value is derived from this service by our customers in not only keeping abreast of their transactions as they occur but also providing a means to combat fraud.

Promoting financial inclusion

We enabled first-time banking access aimed at low-income earners through product innovations such as the following:

- The Sicalo Account at FNB Swaziland targeted at low-income earners with a maximum income of E1 500 as an affordable banking option to meet entry-level banking needs. The customer uptake for this product increased by 27% from 1 082 customers in FY 08 to 1483 in FY 09. We also launched the Imbansela Account targeted at individuals, designed to encourage individuals to save, with a 20% bonus on interest earned if funds have been invested with the bank for at least twelve months. The account was favourably received by our customers with 582 customers taking up this offering within twelve months of its launch
- The CardWise product offered by FNB Namibia for low-income earners with earnings of between N\$200 and N\$1,500 per month
- FNB Moçambique launched the Hakela product (“Hakela” means payment in Shangaan), a low-cost card-based transmission account targeted at employers for their workforce to deliver salary payment solutions and easy access to cash via ATMs. A similar card-based product will also be introduced in latter 2009 specifically for domestic workers to address their need for convenient salary payments and cash accessibility

Consumer savings

Personal savings remains a challenge, especially given the significantly unbanked population that we serve. We encourage consumers to save by conveying the importance of setting financial goals to help consumers cope with unexpected costs and to build towards future goals such as education or retirement. As such we reworked our product offering based on market demand and introduced savings products such as the following:

- Mafube Savings account at FNB Lesotho, one of the major success stories of our Africa subsidiaries, is designed to offer higher interest rates on savings and higher withdrawal fees to discourage daily transactions
- The Imbansela Bonus account at FNB Swaziland for individuals or groups of people who want to save together, paying out a bonus reward of 20% on interest earned, provided that the investment is drawn in the 12th month of the investment period
- Launching youth products by FNB Namibia such as FutureSave, FutureForward and FirstSave as well as a savings products for entry-level customers in response to a challenge by the Namibian Finance Minister for the finance sector to play a role in inculcating a savings culture
- FNB Moçambique has revised its interest rate strategy to encourage smaller depositors to start saving. This was achieved by eliminating the MT5 000 entry threshold for earning interest on certain savings products

Financing affordable homes

Providing access to affordable housing is core to our business. Our more established operations have a specific policy to encourage affordable housing for the lower end of the market, supported by educational material to assist these customers to make the right decisions and to understand the costs involved. In the case of FNB Namibia, this commitment led to a partnership with a local building and supply chain to train and assist small building contractors to start their own businesses. We've also introduced new product innovations such as a FlexiBond facility that can be managed via email channels, a fixed interest rate option and the financing of alternative clean energy such as solar panels. Our L@W, a lawyer access web, has also been enhanced at FNB Namibia, to improve the control of bond registrations, thereby improving turnaround times and customer satisfaction.

Customer service

We value customer satisfaction as the basis for our service delivery offering. We evaluate our customer service levels on an ongoing basis and maintain focus on introducing mechanisms to reinforce our brand promise of “How can we Help You?” This enables us to understand our customers' experience and identify areas for improvement. This is complemented by staff training to equip our staff to deliver in accordance with our service charter. Some of the initiatives introduced to inculcate a customer service ethic include the following:

- Maintaining our ATM network uptimes above 95% in our operations
- Implementing the Account Opening Optimisation (A00) project aimed at reducing the required time to open accounts
- Encouraging the use of self-service delivery channels such as internet and cellphone banking to further optimise service efficiency
- Efficient management of long queues through the implementation of extended operating hours at month-end and allocating additional resources during peak hours at our established operations
- Introduction of a customer complaints register, in line with local country requirements such as the Mozambican Central Bank, to provide electronic monitoring and feedback of all complaints and/or comments raised by our customers via our intranet site. These are addressed through an escalation process, ensuring that all matters are addressed and responded to by management within a reasonable timeframe

We also measure customer satisfaction through the Buzz Barometer, our customer measurement tool rolled-out at our more established operations, to ask one ultimate question: “Would you recommend FNB to a friend?” This is a tough, but consistent way of measuring overall customer satisfaction and shows us which areas we need to improve on. The average result

– a Net Promoter Score – is a proxy to determining customer satisfaction. During the last year, 33% of our customers indicated they would recommend FNB Namibia to a friend, for example.

Value added propositions for niche segments

We maintained focus on delivering sector-based financial solutions based on long-term relationships needs analysis and financial requirements. This enabled us to shift from a pure retail focus to provide specialist services for corporate banking, commercial, agricultural and SME markets.

SME Business: We added value to our customers' business through initiatives such as BizNetwork which is aimed at improving the running of small businesses and serves as a network platform. Through FNB Namibia we invested in training and mentoring of SME operators to help entrepreneurs turn their business ideas into functioning business ventures. We also entered into a partnership with the Development Bank of Namibia to leverage resources and initiatives backed by the Namibian Ministry of Trade and Industry for the benefit of SMEs.

Agricultural unit: Assisting start-up farmers and the commercial agriculture sector with appropriate product and service solutions supported by sound financial advice and structured lending criteria. The business model adopted by FNB Namibia in particular follows a direct customer approach aimed at establishing personal relationships and becoming a financial partner of choice to farmers.

Tourism business solutions: Providing a full range of solutions covering transactional banking needs, financing and investment

solutions for tourism businesses. This includes leveraging financing opportunities to support the tourism sector as a result of visitor inflow due to South Africa's hosting of the 2010 FIFA Soccer World Cup.

We also embarked on a programme where we segment our customer base right down to branch level to ensure that our customers are properly serviced in accordance with their needs. Additional solutions to meet particular customer needs are also provided related to areas such as:

- Islamic banking
- Private clients
- Treasury solutions
- International trade services products

Innovation

We are focused on maintaining our competitive edge and provide added value for our customers through an innovative culture. Our staff are encouraged to conceive and implement great ideas through the staff Innovation campaign. Implementing just 4 ideas in FNB Namibia led to a cost saving of approximately N\$5 million. For example:

- Automating the online completion of documents by customers at branches and the submission of these to electronic banking has resulted in fewer administrative errors, faster turnaround time and yielded a cost saving of N\$300,000

CASE STUDY: FNB Namibia, Service Supremacy Campaign

In FY 09, FNB Namibia launched the service campaign aimed at training 1 600 employees to deliver service supremacy. To date 837 employees have been trained with an additional 30 employees trained specifically on sales and service. In a bid to encourage our staff in the delivery of supreme service, the following interventions were implemented:

- The "Best Service Provider for the Month" competition in each business unit or branch
- Supremacy seminars for tellers to engage on areas of potential challenge and improvement
- Employee submissions of art work, a story or poem that reflects service supremacy at its best

SUPPLIERS

We operate in an increasingly changing environment which requires us to ensure that we improve our business operations and maintain procurement discipline. We do this to contribute toward the economic transformation of our suppliers.

Supplier performance indicators

	2009	2008	2007
Procurement spend (R million) ¹	108	104	60

MATERIAL ISSUES

We engage with our supplier stakeholders on a regular basis. From this we determined the following issues to be of material importance to our suppliers:

- Local procurement and enterprise development opportunities
- Prompt settlement of invoices within agreed terms

Local procurement

Approximately 80% of our goods and services are procured through our South Africa operation in line with Group procurement guidelines. We do however also procure from local suppliers for items such as unbranded stationery, cleaning and security services to support local enterprise development, wherever possible, provided that our supply requirements are met at an acceptable quality standard. FNB Botswana has taken enterprise development a step further by splitting up a number of procurement contracts to enable SMEs to receive a share of our procurement spend and in some cases partnerships between large suppliers and SMEs were facilitated.

We take into account individual country requirements to be in line with industry targets. For example, FNB Namibia has begun accelerating procurement spend from Namibian businesses in line with the Namibian Financial Sector Charter to promote local procurement. To this end potential local suppliers have been identified and their BEE status verified.

Invoice settlements

Procurement departments are in the process of being established in subsidiaries where none are in place to create opportunities for local suppliers in a more focused manner and to achieve efficiencies. While specific targets have not been set in this regard we will continue to extend our engagements with local suppliers as a business imperative. Tendering processes are also being standardised in respect of procurement for all goods and services. An enterprise resource planning (ERP) system is also being developed at FNB Namibia to expedite the procurement process by way of electronic requisitioning, supplier selection and ordering.

In FY 09, our procurement spend amounted to R108 million. We are mindful of our suppliers need for prompt payment of goods and services supplied, particularly in the case of South African-based suppliers. FNB Moçambique places particular attention to this in view of Mozambican exchange control regulations requiring oversight of documents and approval of all payments in excess of \$5 000. We are engaging with our suppliers to ensure the effective resolution of this process.

COMMUNITIES

We operate within communities that are faced with significant socio-economic challenges such as poverty, unemployment and high HIV/Aids prevalence rates. Addressing the challenges posed by these issues is one that requires stakeholder partnership approaches and one that we are focused on investing in. This is based on our belief that corporate social investment (CSI) is about helping people in less fortunate circumstances to lead more productive lives.

We engage with a number of community stakeholders to build enduring, rewarding relationships at grassroots level where social upliftment is needed most. This enables us to contribute towards socio-economic development objectives on the African continent by providing a holistic solution to community support through financial giving and extending a helping hand through our staff volunteers.

Community investment indicators

R million	2009	2008	2007
CSI spend	8	7	7

MATERIAL ISSUES

We report our activities in providing meaningful community support through two vehicles: the FNB Foundations in the respective subsidiaries and our staff volunteer programmes. We report on progress made as follows:

Social upliftment

The need for social support in communities is vast. We therefore stretch our CSI spend to reach as wide a spread of worthy causes as possible to support non-profit organisations working towards the development, empowerment and social progress of the broader communities in which we operate. Through our Foundations we convene Corporate social responsibility committees to assess and approve funding applications for worthwhile grassroots projects undertaken by organisations that can effectively reach communities most in need. Applications considered favourably are carried forward and are driven by the local branch network in the area where the funding will be applied. This is an important component of ensuring sustainable application of funding since branch staff are best positioned to follow the progress of projects and keep the foundations informed. In some cases, we adopted a programmatic approach such as in FNB Namibia to support a smaller number of projects and extending multi-year funding up to 3 years for greater reach and impact.

In FY 09 we supported 73 community organisations to the value of R 8 million. In the coming year, we will focus on ensuring greater alignment between the focus areas of the respective Foundations and the staff volunteer programmes, wherever possible, ensuring that beneficiary organisations access both Foundation support and the time and expertise of our volunteer staff. Examples of key initiatives supported include the following:

- BWP 240 000 donated by FNB Botswana to the SOS Children's Village

- Investing nearly N\$1,3 million towards skills development by FNB Namibia in support of the Namibian Government's objectives of Vision 2030
- E350 000 directed towards 18 non-governmental and community-based organisations to support social upliftment projects in Swaziland such as the Save the Children fund

Other initiatives undertaken in FY 09 include FNB Botswana Foundation conducting a field study amongst all its beneficiaries to ascertain the level of satisfaction with the funding support received from the Foundation. The feedback obtained indicated that the majority of organisations were of the opinion that the Foundation took a genuine interest in their activities and goals of their organisations over and above the specific funding request. In the coming year greater attention will be placed on longer-term engagements based on the feedback received and the dearth of funding assistance.

Employee volunteers

We encourage our employees to participate and play an active role in community initiatives. The aim is to create a more empathetic workforce who will, through participation, better understand the daily challenges faced by our customers and the communities that they come from. Our Volunteers Programme is a staff-driven initiative that focuses on donations of time, materials and expertise. Our staff are encouraged to identify and submit a brief for a community project they would like to undertake. We provide funding for approved projects, while staff contribute their time and effort in delivering assistance to communities on a voluntary basis. Employee volunteer initiatives have focused on community care, orphanages, education, early childhood development, sports and the disabled. During the last year we contributed R1 163 919 to volunteer projects initiated by staff.

NATURAL ENVIRONMENT

As FNB Africa we operate primarily in the SADC region, an emerging environment that is prone to the negative impact of climate change. We are an employer of 3 292 staff based in multiple locations and are mindful of our direct and indirect impact on the environment. We therefore maintain focus on our behaviour to reduce our environmental footprint for the greater good. We have offices, branches and agencies in countries on the African continent outside South Africa, which contribute to our environmental impact.

Our environmental performance is evaluated independently on an annual basis via FirstRand's listing on the JSE Socially Responsible Investment (SRI) index. During the last year the SRI index classed FirstRand as a low environmental impact company.

Our environmental impacts can be categorised as direct impacts and indirect impacts. Both direct and indirect impacts are regulated through application of relevant legislation, subscription to voluntary external regulations and ongoing internal self regulation. We report on our activities in these two domains as follows:

Direct impact

Our operations consume resources such as water, electricity, cleaning materials, paper and other office consumables. We maintain focus on managing the efficient use of these resources and reducing consumption. We do this by instituting the following measures in a phased manner:

- Driving customer behaviour towards more environmentally-friendly service options such as cellphone and internet banking to reduce paper consumption
- Maintaining water storage facilities at branches that experience regular supply disruptions
- Installing energy efficient light bulbs

- Where branches are upgraded, disposing of computers, furniture and other office equipment through donations or as sale items to staff
- Installing central switches for air-conditioning systems and auditing shutdown procedures at some of our business units to ensure reduced energy wastage
- Introduced the eReg card, a solution that enables customers to view their bank statements on a safe platform through the "Digi Tag" security code device. Customers have the option not to print their statements, an option that we strongly encourage

Indirect impact

Our consideration for the environment also extends to our indirect impact. This includes engaging with key stakeholders such as our staff to promote environmental awareness and the reduction of resource use at work and in their home environment. As a provider of financial services, we are also mindful of our role in enabling the development and consumption of goods and services. We therefore have a role to play in ensuring that growth and local economic development is enabled in a responsible manner. For us this translates into both risk management and business opportunity development. We will increasingly utilise our position to engage with our suppliers and commercial clients, in particular those who offer goods and services that may have both positive environmental benefits such as clean energy production and negative impacts such as printing operations.

We also consider the various risk implications of our lending practices through the FirstRand Environmental Management System (EMS), which outlines practices with respect to responsible lending and business development. Our responsibility to positively influence the environmental behaviour of our clients is exercised through dialogue, application of the EMS and ensuring Environmental Impact Assessments are undertaken where it is necessary.

CASE STUDY: Solar energy financing solutions at FNB Namibia

Namibia receives the bulk of its energy supply from Eskom in South Africa. Amid a looming electricity shortage, the usage and advantage of renewable energies is gaining momentum in Namibia. We responded to this challenge by extending the first-to-market financing options of alternative energy solutions such as solar panels for homes, farms, schools and businesses. Customers are offered the option of an

instalment sale or lease agreement through our asset management business at negotiated fixed or variable interest rates. Financing for longer periods can also be provided through a further bond or re-advance home-loan facility. A list of suppliers and installation companies for added convenience is also provided to customers.

Regulatory changes

We present a summary of the most significant regulatory changes impacting our business in the last year.

FNB BOTSWANA

The Financial Intelligence Act, 2009: The Act provides for the establishment of the Financial Intelligence Agency, the reporting of suspicious financial transactions and provides for mutual assistance with comparable bodies outside Botswana in relation to financial information and matters connected thereto.

The Competition Bill No 9 of 2009: The Bill regulates matters such as the increasing dominance of foreign companies in the economy, the need to promote the growth and development of citizen-owned businesses, and government initiatives such as the diversification of the economy. The Bill was presented to the National Assembly and is pending parliamentary approval.

FNB LESOTHO

Money Laundering and Proceeds of Crime Act of 2008: Requires financial institutions to take prudent measures to combat money laundering.

The Act is not yet in force. We are however fully compliant with the Act's requirements in anticipation of its promulgation.

National Payments Systems Bill 2009: The Bill proposes the introduction of an automated clearing house and will facilitate the modernisation of current systems to bring them in line with regional business trends.

The Bill has been circulated for comment. The impact of its introduction could be significant in terms of the manner in which banks process clearing and settlement transactions.

Land Bill 2009: The Bill seeks to modernise land tenure conditions and related economic activity.

The Bill has been circulated for comment.

FNB MOÇAMBIQUE

Regulation of bank fees: The Central Bank, Banco de Moçambique aims to introduce initiatives to regulate fees charged by commercial banks in the market as well as a national switch to centrally facilitate point-of-sale and interbank payments.

The initiatives are expected to impact us in the new financial year and at this stage, are not quantifiable.

FNB NAMIBIA

Localisation of core banking systems: The project is aimed at the localisation of core banking systems to address cross border flows of data, security of information and disaster recovery plans.

The implementation date has been brought forward to December 2009. We will adhere to the requirements of this regulation without service delivery interruption.

Financial Intelligence Act (FIA) 2007: The Act establishes with the Bank of Namibia a Financial Intelligence Centre to combat money laundering in the Namibian financial sector.

The Act came into force in April 2009 and we are fully compliant with its provisions as per the stipulated implementation timeframes.

Income Tax Amendment Act: The Act deals with the introduction of a 10% withholding tax on interest income.

The Act became operational in March 2009. We provided training to staff and information to customers in adhering with this statute.

Financial Services Charter: The Charter is a voluntary guide to the transformation of the financial sector which seeks to "Namibianise" the sector and diversify the participation therein.

The Charter came into effect in April 2009.

Labour Act of 2007: The main changes to the Act relate to the incorporation of constitutional rights into labour relations, leave calculation, as well as the abolishment of labour hire companies. We have prepared an HR manual, which is pending Board approval, to incorporate the provisions of the Act into our policies and procedures.

The Banking Institutions Bill of 2006: The Bill seeks to repeal the Banking Institutions Act of 1998 and contains provisions that would facilitate the introduction of foreign bank branches in Namibia, prohibit pyramid schemes and revise capital requirements of banks.

The Bill has been circulated for comment.

The Financial Institutions and Markets Bill: The Bill seeks to align Namibia's financial services laws with best international practices.

The Bill is scheduled for tabling in parliament in latter 2009.

The Competition Act: The Act aims to regulate competition in the Namibian market.

The Act came into force in March 2008 but has not yet been operationalised pending the appointment of the Secretariat and the establishment of an operational framework.

FNB SWAZILAND

The Competition Act 2007: The Act is aimed at encouraging competition in the economy of Swaziland by controlling anti-competitive trade practices.

The Competition Commission was established in April 2008 and the Act has been in operation since then.

The Retirement Funds Act 2005: The Act is aimed at regulating retirement funds in Swaziland.

The main requirement is that 30% of all retirement fund investments should be placed in local assets by October 2009. This has already had a major positive impact on the bank's deposits liabilities.

The Income Tax (Amendment) Act 2008: The amendment is primarily to revise tax rates and thresholds.

The company tax rates remained at 30%, while the 10% withholding tax on residents' interest income earned on investment accounts was repealed.

The Revenue Authority Act 2008: The Act is aimed at consolidating the revenue collection (Customs & Excise and Income Tax) by the Government into one agency. The Act is effective August 2009.

The National Clearing and Settlement Systems Bill 2009: The Bill is aimed at providing the recognition, operation, regulation and supervision of systems for clearing instructions between banks.

The Bill is still pending parliament approval.

Electronic Records (Evidence) Bill 2009: The Bill is aimed at providing legal recognition of electronic records and for the admissibility in evidence of electronic records as original records in courts.

The Bill is still pending parliament approval.

The Securities Bill 2009: The Bill is aimed at promoting and facilitating the development of an orderly, fair and efficient capital market.

The Bill is still pending parliament approval.

The Financial Services Regulatory Authority Bill 2009: The Bill is aimed at establishing an Authority that will be charged with ensuring the country's financial system stability.

The Bill is still pending parliament approval.

Sustainability objectives for the coming year

In the coming year, we will continue to operate in line with the Group philosophy of empowerment and interface with a broad range of stakeholders as a good corporate citizen. In particular, we will place emphasis on the following objectives:

- Continue to invest in our people and have put in place a number of initiatives aimed at developing our human capital
- Provision of reliable and efficient customer service and the delivery of innovative solutions to meet our customers' needs
- Continue to promote financial inclusion and extend banking services to the unbanked by extending our infrastructure access points
- Extend procurement opportunities for our local suppliers to support enterprise development
- Contribute towards social development causes and increase our focus for funded organisations becoming more sustainable
- Continue to measure and report our progress on creating stakeholder value and managing risks centrally with assistance from the Group

Assurance and signoff

ASSURANCE

Assurance process

FirstRand has commissioned the following independent sources to provide assurance and commentary on its 2009 divisional Sustainability Reports:

- BEE transformation performance has been externally audited by SizweNtsaluba VSP
- FirstRand's carbon footprint data has been externally prepared by PricewaterhouseCoopers
- FirstRand Group Internal Audit performed a limited review of the statements and quantitative data contained in the divisional Sustainability Reports

Assurance statement

Based on the results of the work performed, this sustainability report:

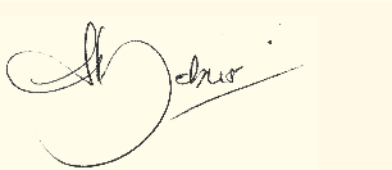
- provides confidence in the information presented within the report. The level of data accuracy was found to be within acceptable limits, but additional improvements were recommended to management to reduce potential for minor anomalies and mis-statements
- appropriately reflects environmental, social and economic performance achieved during the period
- represents a fair statement of FirstRand's corporate social responsibility initiatives
- contains quantitative data which is free from material misstatement

Notwithstanding that the data collection process is sufficiently transparent, FNB Africa shows continued improvement and refinement on its method of collecting data for the Sustainability Report to ensure an even more accurate result. All suggested changes were satisfactorily addressed by FNB Africa management prior to finalising the report.

Overall, FirstRand Internal Audit is satisfied that the report is an appropriate representation of FNB Africa's sustainability performance during the reporting period, based on the limited material sampling approach applied to the assurance engagement.

SIGNOFF

This report was compiled by Lesego Lebuso and was signed off by Jabu Khethe, CEO FNB Africa on 14 September 2009 at Johannesburg.



Lesego Lebuso



Jabu Khethe

Contact information

COMPANY INFORMATION

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STOCK EXCHANGES

JSE Limited ("JSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FirstRand Limited	FSR	ZAE 000066304

Non cumulative non redeemable preference shares

"B"	FSRP	ZAE 000060141
"B1"	FSP	ZAE 000070900

Namibian Securities Exchange ("NSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FirstRand Limited	FSR	ZAE 000066304
FNB Namibia Holdings Limited	FNB	NA 0003475176

Botswana Securities Exchange of South Africa ("JSE")

<i>Ordinary shares</i>	<i>Share code</i>	<i>ISIN code</i>
FNB Botswana Holdings Limited	FNBB	BW000000066

Bond Exchange of South Africa ("BESA")

Subordinated debt

<i>Issuer</i>	<i>Bond code</i>	<i>ISIN code</i>
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

<i>Issuer</i>	<i>Bond code</i>	<i>ISIN code</i>
FirstRand Bank Limited	FRBC21	ZAG000052283
FirstRand Bank Limited	FRBC22	ZAG000052390

For queries or comments regarding FirstRand's Sustainability programme, please email firstrand.sustain@fnb.co.za

For queries or comments regarding FirstRand's Transformation programme, please email transformation@firstrand.co.za