owner-manager culture

innovation

entrepreneurship

franchise value

Summarised financial statements 2014

FIRSTRAND

CONTENTS

FirstRand's objective is to build long-term franchise value and the diversified portfolio of the Group has delivered strong growth in earnings, assets and dividends.

This track record has been achieved through a combination of organic growth, acquisitions, and creating extra sources of revenue through the start up and development of completely new businesses.

The Group has a portfolio branding strategy and there are a number of leading brands within the Group.

FNB First National Bank

RMB

WesBank

ASHBURTON INVESTMENTS

FIRSTRAND

1966/010753/06
Certain entities within the FirstRand Group are Authorised Financial Services and Credit Providers
This analysis is available on the Group's website:
www.firstrand.co.za
Email questions to investor.relations@firstrand.co.za

FINANCIAL HIGHLIGHTS

28%

Ordinary dividend per share

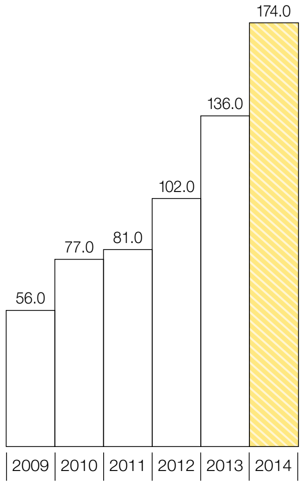
21%

Diluted normalised earnings per share

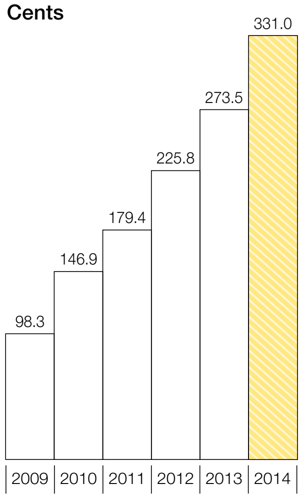
12%

Normalised net asset value per share

Ordinary dividend per share
Cents



Diluted normalised earnings per share
Cents



FIRSTRAND'S SUSTAINABILITY FRAMEWORK

FirstRand has carefully considered the principles and objectives of integrated reporting. The Group's objective is to apply best practice, in so far that it supports the Group's interpretation of the sustainability of its strategy and operations. It does not seek to tick all the boxes but rather provide stakeholders with enough relevant information to take an informed view on the quality of leadership's strategic thinking, execution of strategy and utilisation of operating platforms, financial resources and risk capacity. The approach is fundamentally designed to present substance over form.

Depicted below is FirstRand's sustainability framework which represents the five key pillars of the Group's approach to delivering superior and sustainable returns to its stakeholders. It indicates some key sections or pages in this report where the reader can find narrative and data that substantiates the statement of intent.

Core purpose

To be the African financial services group of choice through the creation of long-term franchise value.

- Chairman's statement
- CEO's report
- FNB, RMB and WesBank review of operations

Portfolio management

Build and actively manage a portfolio of businesses to deliver on this strategic focus; a dynamic process that is constantly measured with appropriate frameworks that balance risk, growth and returns.

- Deputy CEO's report
- CFO's report
- Risk and capital management report

Stakeholders

Create value for the providers of capital and for the benefit of all stakeholders – customers, regulators, staff and the communities the Group serves.

- Deputy CEO's report
- CFO's report
- FNB, RMB and WesBank review of operations

Sustainability

Deliver sustainable returns with acceptable levels of earnings volatility; manage the business on a through-the-cycle basis and utilise strategic and operational levers – capital, balance sheet and operating platforms – to minimise volatility.

- Highlights and key performance indicators
- Deputy CEO's report
- CFO's report

Values and culture

Build on the track record of generating organic growth, driven by entrepreneurial culture and dedication to innovation. This has created significant franchise value and is an underpin to sustainable growth going forward.

- Chairman's statement
- CEO's report
- FNB, RMB and WesBank review of operations

CORE PURPOSE

FIRSTRAND'S VISION is to be the African financial services group of choice, create long-term franchise value and deliver superior and sustainable economic returns to shareholders, within acceptable levels of volatility.

The Group seeks to achieve this through two parallel growth strategies:

1. become a **predominant player** in all of the financial services profit pools in South Africa, growing in existing markets and those where it is under-represented; and
2. **grow its franchise** in the broader African continent, targeting those countries expected to show above average domestic growth and which are well positioned to benefit from the trade and investment flows between Africa, India and China.

These strategies are executed through its portfolio of operating franchises, within a framework set by the Group. An overview of progress on these strategic objectives and the financial and operational performance of each franchise can be found on pages 56 to 64 of this report.

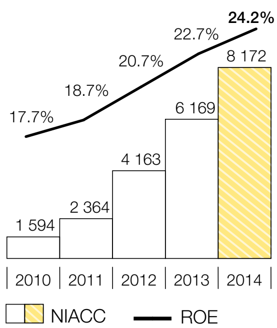
MEASURING PERFORMANCE

The Group measures its performance against strategy in many ways, below are a few examples.

Core purpose

The Group believes that the true measures of value creation are return on equity (ROE) and net income after capital charge (NIACC). The Group's ROE target range for normal economic cycles is 18% to 22% and it believes that this range is sustainable going forward.

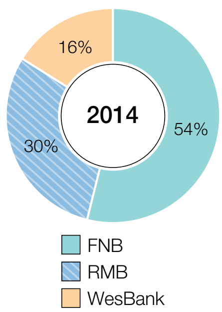
NIACC and ROE



Portfolio management

The Group seeks optimal diversification from its portfolio, from a franchise, segment, geographical and product perspective. This chart demonstrates the current franchise diversification which the Group believes represents an appropriate mix of activities.

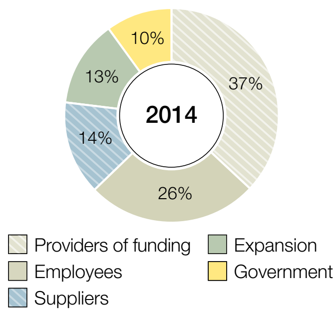
Franchise diversification (normalised earnings)



Stakeholders

The Group manages its business for a broad range of stakeholders, this chart indicates the economic value distribution to the different stakeholders of the Group.

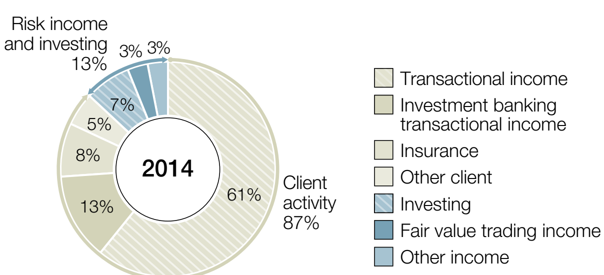
Economic impact



Sustainability

The Group believes its client franchise is key to sustainability and therefore analyses the proportion of revenues generated from client activities as this represents the highest quality of earnings. This chart shows that 87% of NIR emanates from client activities. If NII is included, 94% of gross revenue is generated from the client franchise.

NIR breakdown

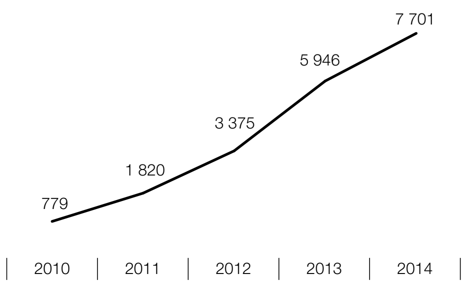


Values and culture

One of the key drivers of the Group's growth has been its ability to leverage a culture of innovation across its business. This chart indicates the growth in number of innovations implemented since 2010.

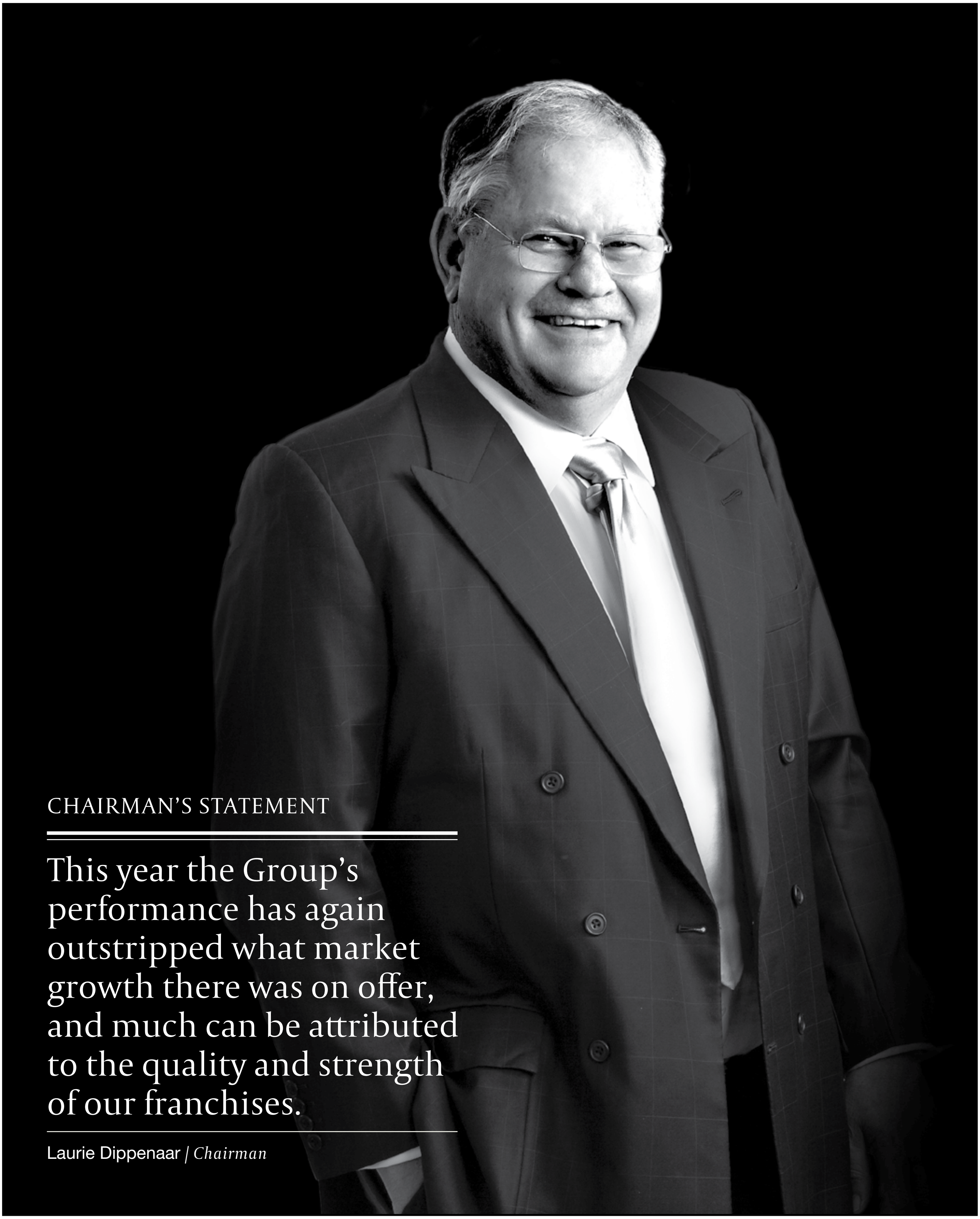
Cumulative innovations implemented

CAGR 23%



INTEGRATED HIGHLIGHTS

R million	2014	2013	% change
Financial highlights			
Attributable earnings to ordinary equityholders	**18 440**	14 785	25
Headline earnings	**18 671**	15 327	22
Normalised earnings	**18 663**	15 420	21
Diluted headline earnings per share (cents)	**336.8**	276.2	22
Diluted normalised earnings per share (cents)	**331.0**	273.5	21
Ordinary dividend per share (cents)	**174.0**	136.0	28
Normalised return on equity (%)	**24.2**	22.7	
Normalised net asset value per share (cents)	**1 447.2**	1 289.4	12
Non-financial highlights			
Economic value added to society	**79 635**	67 762	18
Total workforce (number)	**38 542**	37 231	4
South African workforce (number)	**33 143**	32 363	2
% ACI employees (SA operations)	**72**	71	
Skills development investment	**451**	345	31
BEE procurement spend (%)	**94**	84	
Carbon emissions (tonnes)	**269 455**	271 259	(1)



CHAIRMAN'S STATEMENT

This year the Group's performance has again outstripped what market growth there was on offer, and much can be attributed to the quality and strength of our franchises.

Laurie Dippenaar | *Chairman*

In his preface to the Centre for the Study of Financial Innovation's 2014 publication of *Banking Banana Skins,* Andrew Hilton remarks that bank bashing may be emotionally satisfying but banks are there to perform a socially useful function. He goes on to say that unless they are given a bit of leeway, banks cannot do what we need them to do – to keep the economic wheels turning.

The reason he raises this is that the 2014 *Banking Banana Skins* research indicates that fear of regulation (particularly over-regulation) has re-emerged as the most severe concern for bankers worldwide, with political interference the second most cited concern. The research covers 656 respondents from 59 countries, both developed and developing, so it is probably a fair reflection of how the global financial services industry is feeling.

What is also interesting about the research is that it shows some interesting contradictions in the industry. On the one hand bankers complain about regulatory interference but at the same time they stress about reward systems that incentivise risk taking. I can't understand why the one thing banks don't seem to be able to do better is self-regulate – particularly given the legacy we face following the global financial crisis.

The industry's propensity for taking on too much risk to deliver "growth" continues to damage its credibility. Here in South Africa, since the year-end we have seen a systemically important bank go into curatorship, supported by the Reserve Bank and a consortium of large domestic banks, including ourselves. The main reasons for the event related to the bank's impairment and provisioning policies, rapid credit growth and the vulnerabilities of its business model (a mono-line). The fall out has seen blame laid at the doors of management (poor credit decisions in pursuit of book and earnings growth), the board (poor transparency for shareholders), the shareholders (not asking the tough questions in time) and the regulators (allowing possible reckless lending and not acting earlier).

This is an example of how accountability for the behaviour of banks lies in the hands of many parties, but clearly management has to take the most responsibility. They have the clearest line of sight of what is happening in their business and even the most rigorous regulator cannot second guess the appropriateness of risk management processes. What I am basically getting at is that if bankers fear more regulation – what are we doing to prevent it? Are we proving to regulators that we can be trusted to make the right decisions to keep our business sustainable? Banks are systemically critical to the economies they serve; management and boards, therefore, have an even greater accountability particularly as bank rescues erode the savings of the nation and the tax base in the process. We look after people's savings – we must never forget that.

If we don't prove that we can self-regulate, we will face the inevitable consequences. It's actually depressing that the fear of increased regulation topped the *Banana Skins* reports in 2005 and 2006. In nearly ten years, with billions of shareholder value wiped off the face of the earth, we appear to have learnt nothing.

RISK IS ON THE INCREASE BUT OUR FRANCHISES CONTINUE TO OUTPERFORM

The operating environment generally remained difficult characterised by ongoing uncertainty in the global macroeconomic arena combined with subdued domestic demand growth. This was exacerbated by protracted industrial action in the South African platinum sector, and there is absolutely no doubt this will have a significant knock-on effect on GDP in the current year.

Statements about quantitative easing from the US Fed continue to impact on foreign capital flows to emerging markets. South Africa is particularly vulnerable to slowing capital flows due to its large current account deficit, and this has translated into rand weakness and higher domestic inflation and has triggered the start of an interest rate hiking cycle. Constrained by its fiscal deficit, government spending has remained subdued.

One basic truth of banking is "macros matter" and growth in profits is inextricably linked to growth in GDP. This year the Group's performance has again outstripped what market growth there was on offer, and much can be attributed to the quality and strength of our franchises. We get more than our "natural share" of growth available in the system and this is because we go out and hunt for opportunities; it's one of the benefits of our entrepreneurial culture.

Innovation continues to flourish in all of our businesses. Our retail franchises, WesBank and FNB, have continued to outperform on the back of their differentiated customer propositions, which proves the point that in challenging times there is a flight to quality. WesBank is fundamentally a retail credit business, (albeit with growing diversification), and its fortunes are closely aligned to the domestic credit cycle. However, its credit books are proving extremely resilient, and are still trending below our through-the-cycle view; as a result we expect WesBank to weather this cycle much better than the previous one. FNB had another excellent year, on the back of its strategy to grow its customer base and transaction volumes. They have also deployed their balance sheet judiciously, with the credit tightening actions taken in the unsecured lending space as early as 2011, standing them in good stead.

RMB continued to perform extremely well, in a very difficult environment for corporates. There is still a great deal of work required to build the corporate transactional piece of the business, but the investment banking franchise remains a clear market leader. In terms of lending, most of the action has been in the rest of Africa, where significant infrastructure projects are underway. Here in South Africa we need further government expenditure, public/private partnerships and foreign direct investment to kick start the corporate sector.

There are, however, some worrying signs. For instance, the current land reform proposals could have an extremely negative impact on agri-lending and this is a significant driver of domestic GDP. Although the mechanics are yet to be worked through, it is important to remember that many farms are bonded and one has to question whether the state plans to take over the outstanding debt should they take over the farm? There are risk dynamics here that hopefully the government will think through very carefully. However, I do also recognise that the land reform proposals are a part of the government's strategy to address one of South Africa's most difficult challenges – income inequality.

INCOME INEQUALITY – A STRATEGY OF REDISTRIBUTION

On a relative basis globally, South Africa is an upper-middle-income country with a per capita income similar to that of Botswana, Brazil, Malaysia or Mauritius. However, despite this relative wealth, the experience of many South African households is still either one of outright poverty, or of continued vulnerability to becoming poor. The distribution of income and wealth in South Africa has been described as the most unequal in the world particularly on the basis of Gini research data. This has been the source of much public debate between local economists who believe that the Gini calculation with reference to South Africa is seriously flawed.

Notwithstanding the mathematics, the government has recognised that such inequality is unacceptable over the long term, as it can ultimately undermine both the social and political stability of South Africa. In theory, system-wide capital accumulation can only be achieved in two ways, namely, a net addition to existing wealth or a redistribution of wealth. With regards to the former, certainly government is focusing on important grass roots drivers of capital accumulation such as education, inward investment and job creation; these will however take decades to deliver. Therefore the past decade has seen significant focus on a strategy of redistribution of wealth.

It is a basic truth that if more wealth is produced than there was before, a society becomes richer as the total stock of wealth increases. However, if some accumulate capital only at the expense of others, wealth is merely shifted from Peter to Paul. It is also possible that some accumulate capital much faster than others or that a few people or organisations accumulate capital and grow richer, yet the total stock of wealth of society actually decreases.

I have to own up that I haven't got the answer as to which of these scenarios applies to South Africa, I would hope that our society has become richer, and that the total stock of wealth has not decreased. Certainly many of the BEE transactions that are beginning to vest have created massive value. FirstRand's BEE deal comes to an end on 31st December 2014 and I will cover it in more detail next year, but what is clear now is that the value created (assuming a share price of around R40) will be in the region of R18 billion. This is a very significant number and we structured the transaction to deliver this value to an extremely broad base of beneficiaries. This transaction alone should over time allow for meaningful additional capital formation across many organisations and individuals.

I acknowledge that those tasked with remuneration oversight have a duty to explain themselves, and no industry should be more aware of that than banking where historically excessively risky incentive structures have negatively impacted entire economies.

However, whilst well-structured BEE transactions should contribute meaningfully to narrowing the income inequality gap, they cannot compensate for the other drivers I mentioned earlier – education and job creation.

We all recognise that unemployment is a major reason for inequality and World Bank data shows South Africa has the 11th lowest participation rate in the world and less than half of all working age men in South Africa actually work. Part of the reason for this is our low skill levels, with about 61% of the labour force unskilled. This indicates that education must play a big role in any solution as the level of education is also a big driver of the level of income.

Recent research from Stellenbosch University has also shown the importance of tertiary education as a predictor of income. Differential quality of school education is a major cause of unequal labour market earnings and children of more educated parents progress better in school and fare better in the labour market once they leave school.

My personal view is that receiving a quality education from the state is a basic human right and it's extremely sad that so many children in South Africa are being denied this. My colleague, Sizwe Nxasana, is spending a great deal of his time and energy on the National Education Collaboration Trust project, which he is deeply passionate about. Whilst it is a complex project where the obstacles are huge and have been around for a long time, it is absolutely non-negotiable that we work to improve South Africa's education system, for the future of our children and our country.

INCOME INEQUALITY CANNOT BE FIXED THROUGH REMUNERATION PRACTICES

Whilst the unemployment rate in South Africa remains at unacceptable levels, a recent UBS report on earnings and spending around the world showed that since the 1970s, South Africans who do work get paid in purchasing power parity terms better than workers in Athens or Rome. Maybe not New York or London, but certainly more than 90% of developing cities and quite a few developed ones too.

The reason I find this statistic interesting is because of the increasing demands from lobbyists and other pundits for management of large listed companies to be "transparent" on the gaps between the lowest paid and the highest paid employees. I have been trying to work out in my own mind what this disclosure would actually achieve. It certainly won't help improve income inequality.

As I have described above, this is a structural issue that requires a highly complex set of responses. What the UBS research does show is that South Africans are, on average, well paid for what they do, which in turn suggests that company remuneration is not completely out of whack with value creation.

I honestly can't see the value of comparing what a bank teller earns compared to the CEO of our investment bank. Comparative pay is not a simple formula; reward must be commensurate with the volume of work, responsibility, complexity of role and a myriad of other considerations. That's why we run a balanced scorecard when assessing the performance and remuneration of a prescribed officer. Comparative numbers on a page, which are impossible to put proper context to, simply stoke emotional responses.

I acknowledge that those tasked with remuneration oversight have a duty to explain themselves, and no industry should be more aware of that than banking where historically excessively risky incentive structures have negatively impacted entire economies. I would welcome any shareholder to engage with me on this topic as I think the Group has a good track record of ensuring management and shareholder interests are appropriately aligned.

ALIGNING COMPENSATION WITH SHAREHOLDER VALUE CREATION

The remuneration committee at FirstRand focuses heavily on aligning remuneration with employee performance as it translates into the creation of shareholder value over and above the cost of capital deployed – we plot this alignment extremely diligently – and when I refer to shareholders I mean all stakeholders who benefit from the success of the business. After all it's important to remember that our institutional shareholders are managing the money of "the man on the street" through pension funds, unit trusts and other savings products.

On this point I would like to mention that if people want to properly understand this year's remuneration, they should be careful not to add the value of the prescribed officers appreciation rights (APRs) to 2014's compensation. These APRs were awarded in 2008 when the FirstRand share price was R10.48 and now finally vest at a share price ranging from R33 to over R35. Yes, the value unlock for management has been significant, but the team has delivered a five-year period of outperformance for shareholders. There is a graph on page 80 that shows the Group's share price and dividend have grown at way above 20% over the past five years. It is appropriate that the management team share in this value creation but it is also important to remember that if, during the five years, the Group's targets were not met, the APRs would not have vested (as when the 2007 APRs did not vest in 2012).

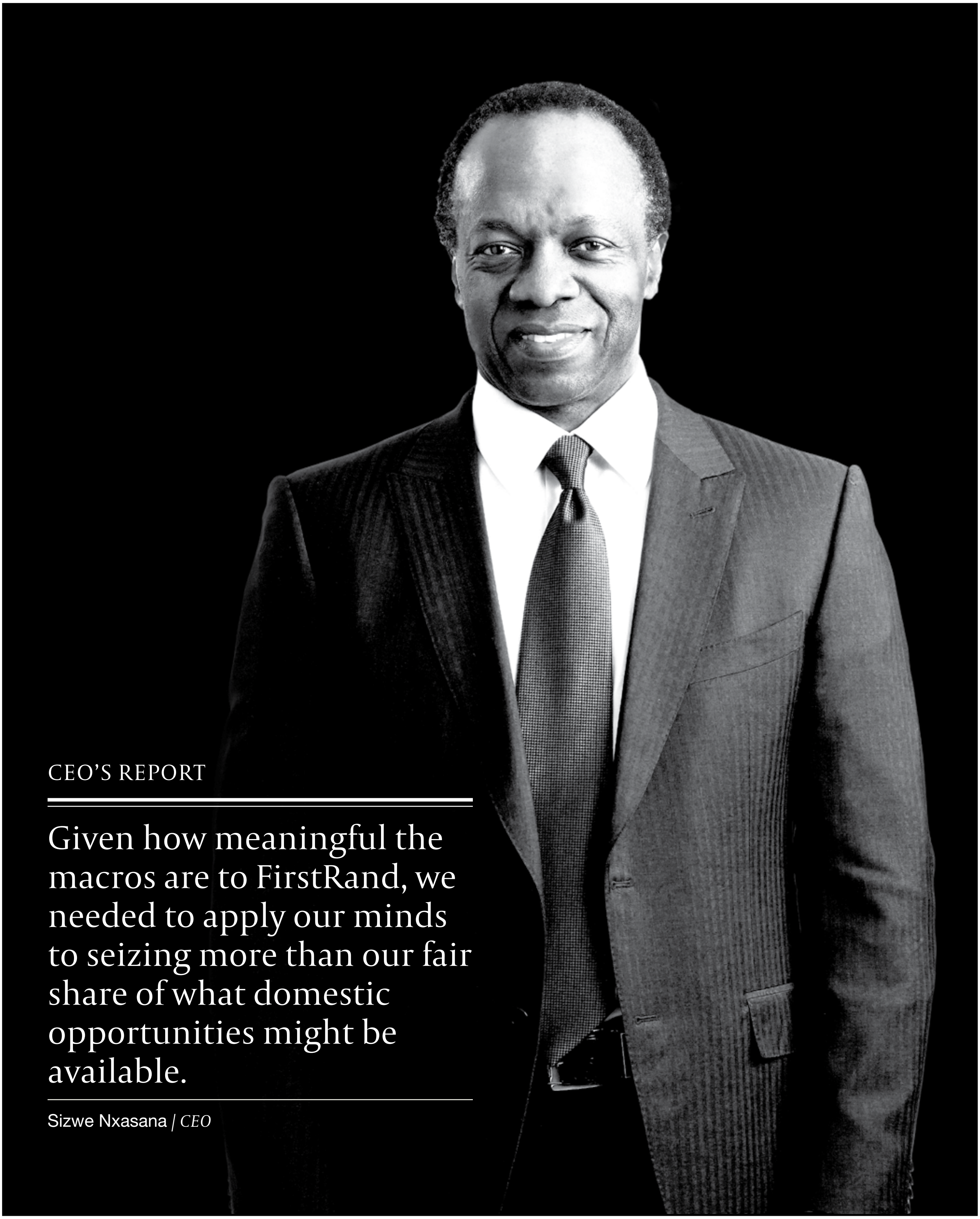
LOOKING FORWARD WE SEE MORE HEADWINDS ON THE HORIZON

South Africa is currently in an interest rate hiking cycle which will place further pressure on the consumer. Economic headwinds are increasing and growth in the system looks sluggish. I do believe however that, despite this deteriorating operating environment, FirstRand has a set of very robust strategies to continue to generate good organic growth.

The Group is well positioned to weather the difficult retail credit cycle as it emerges over the next 12 to 18 months thanks to our early counter-cyclical actions; our balance sheet is strong in that we are well capitalised and very well provided.

In closing, I would firstly like to thank Bruce Unser, the Group's long-serving company secretary, who retired during the year. I also want to thank the management team and every staff member of the Group for another year of strong profitability and superior shareholder returns. It is a team effort, and as a collective the "FirstRand team" has continued to demonstrate it can outperform the macros, the market and its competitors. Well done, but please stay humble – it gets harder from here.

Laurie Dippenaar
Chairman



CEO'S REPORT

Given how meaningful the macros are to FirstRand, we needed to apply our minds to seizing more than our fair share of what domestic opportunities might be available.

Sizwe Nxasana | *CEO*

As the chairman has pointed out in his statement, the Group's banking franchises all produced very strong operational performances in the year under review. These performances are a direct result of FNB, RMB and WesBank consistently executing on specific strategies designed to take more growth from the system than our competitors.

This has been a very deliberate objective across the Group's entire portfolio following a recognition, around five years ago, that South Africa's GDP would come under pressure, and given how meaningful the macros are to FirstRand, we needed to apply our minds to seizing more than our fair share of what domestic opportunities might be available. Yes, it is true that the rest of Africa provides growth opportunities as well, and we have not deviated from our strategic objective to grow on the broader continent. However, given that nearly 90% of our profits are generated from South Africa and our unwillingness to rush out and "buy" earnings (and associated goodwill at the same time) on the broader African continent, we had to continue to focus on becoming the pre-eminent domestic franchise. It is our firm view that this has allowed us to attack many of the profit pools we were largely absent from five years ago, gain market share in the segments we identified as priorities and allocate capital to certain business lines over and above credit extension (with the resultant benefit to ROA and ROE).

We must also recognise that in order to stay ahead of the competition, we have to deploy a large array of strategic responses and we are very fortunate that many of the appropriate responses are already deeply embedded in our business philosophy; in particular our owner-manager culture and our ability to innovate.

I have written extensively on both of these topics in past reports, however I think another angle to how these elements of our business philosophy benefit us is that innovation creates differentiation, and we have found this to be key to growth.

Every company would like to think that it stands apart from the competition in the eyes of its customers. A company that employs a differentiation strategy does so with the intention of creating a product or service that is valued and perceived by its customers as unique and better than the competition.

I recently came across a quote that stated "companies that succeed in implementing a differentiation strategy have one or a combination of the following attributes: leading research and development, highly skilled and creative product-development personnel, a strong sales force and a reputation for quality and innovation."

This really resonated with me when I read it as I believe that the Group and its franchises can lay claim to most of these attributes.

A recent example would be FNB's differentiated value proposition that has allowed it to capture a large share of core transactional accounts through offering innovative products and channels at an acceptable cost, supported by rewards programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards, the first banking app in South Africa, cellphone banking and eWallet.

This proposition was unlike anything else in the market at the time and was backed up with a strong and effective marketing message (for those of you who remember Steve). The success of this strategy will stand FNB in good stead as we enter a tougher operating environment as a "sticky" customer base provides stable revenues and can mitigate the impact of a market downturn.

WesBank's core proposition, of dominating point of sale through alliances with motor manufacturers, is so unique that through the cycle it is able to capture and retain a significant amount of market share without sacrificing credit quality.

Another example of how we aim to grow through differentiation is our organic investment management initiative, Ashburton Investments. What is unique about this strategy is that we have created a vehicle that by accessing the origination capabilities of the banking franchises (particularly RMB), we can offer new and unique investment and asset classes to retail and institutional investors in the form of both alternative and traditional products. For example, we will provide investors with opportunities to participate in debt financing, private equity and credit investments alongside the Group, on the same commercial terms. This is a very different strategy to other domestic asset management businesses, either those within banks or standalone.

What is also important to the success of this strategy is the highly innovative culture of our investment banking franchise; the track record of RMB is a key building block to Ashburton Investments. Without RMB we would not be in a position to offer such a proposition.

There are many, many examples of differentiation within the Group, and we are very focused on transferring these strategies into other businesses. FNB's business and commercial segments are currently growing customers at above market levels following the rollout of the retail value proposition into those segments.

Having said all of that, we must guard against arrogance or complacency. In many cases our competition has come back strongly to protect market share. A company that succeeds in implementing a differentiation strategy must worry about competitors copying its business methods and luring customers away. It is also difficult to maintain differentiation for an indefinite amount of time because of competition.

When I consider the banking landscape going forward, I certainly think our ability to innovate and differentiate will help us navigate what is expected to be a difficult cycle. In addition, there are future scenarios playing out in the sector that we have to take serious notice of.

A recent piece of research by PwC, *The Future Shape of Banking*, makes for sobering reading. It describes banking as an industry facing "irresistible forces for change" mainly driven by technology, consumerism and regulation. The research foresees massive disruption and potential disintermediation for banks particularly from digitisation, which is ultimately possible given the intangible nature of banking services.

I guess what this says to bankers is "adapt or die". At FirstRand we have always believed in the adage "rather shoot yourself in the foot than get shot in the head", in other words don't be scared of cannibalising your own business, it's better than someone doing it to you. Certainly the Group has a track record of disrupting traditional markets; the creation of Discovery and OUTsurance are perfect examples of that. Ashburton Investments is a more recent example and as a management team we constantly look to execute on such ideas.

What I am clear about is that innovation and differentiation will be key to success in our chosen territories for expansion in the rest of Africa. It is unlikely that FirstRand will take a "me too" proposition to new markets, it's just not in our DNA.

As an organisation I believe we have seen both the dangers and the opportunities represented by rapid changes in technology. Certainly in many cases FNB embraced technology earlier than its peers; it was the first retail bank to deliver cellphone banking on scale and the first South African bank to provide customers with a banking app. It was also voted the most innovative bank in the world in 2012.

Another interesting point PwC makes is that banking services will increasingly migrate away from physical distribution into technology-enabled channels and that, as banking service models become more digitally enabled, the value of brand will rise.

On the first point, as a driver of its topline FNB's strategy to move its customers to electronic and online platforms has resulted in above average growth in transactional volumes, which has been key to the business's outperformance over the past few years. This, over time, will also result in a structural downward shift in cost structures as electronic channels are cheaper for both banks and their customers. We are seeing early signs of this, on page 56 of this report, FNB lists some operational highlights which clearly indicate the migration of customers onto electronic channels drives up volumes and drives down costs, particularly in relation to the branch network.

On the second point, despite the financial crisis, I still believe that banking brands have retained a reasonable level of credibility. The harder we work to ensure our brands represent trust, security, fair treatment of customers and quality of service, the more valuable they will become and therefore a key differentiator going forward. It almost seems contradictory that as transactions become more commoditised, brand becomes more important, but that is the unique nature of banking, trust is non-negotiable.

FirstRand is in the unique position of being a multi-branded business. We don't have one brand to stretch across the financial services universe; we have four primary customer-facing brands, and this provides for powerful differentiation at a product offering level, particularly as our brands are leaders in their respective markets. However, this also means that it is even more critical to retain our credibility.

Where technology is likely to play out strongly in financial services is on the broader African continent. Recent international research by the MEF, a UK-based mobile content and commerce trade association, indicates that globally mobile banking is the highest in Africa, led by Nigeria, South Africa and Kenya.

There is much debate about the value of a large physical footprint given the rapid penetration of mobile technology. However, there is no simple answer. On the one hand, yes physical footprints come with massive cost structures and it seems to make sense that branches could be redundant in the digital era. However there are a few important things to consider; firstly, many emerging economies remain predominantly cash based so branches still perform an important function for the depositing and storing of cash. This will take many decades to change. Secondly, smart devices remain unaffordable for hundreds of millions of people on the continent, this too will take a long time to change.

So whilst basic mobile transactions are growing strongly (we see this playing out in Kenya and Tanzania with players such Mpesa), it is coming off a very low base. Full digitisation of banking services is not yet on the horizon. Also, a functioning deposit franchise is critical to any bank growing a universal model on the continent and branches are key to gathering retail and commercial deposits.

What this all points to is that bricks and mortar will still be required as part of any broader African growth strategy. The key considerations will be the location, structure and efficiency of a physical network and to what extent we can build viable electronic platforms off the back of it – much like we have in South Africa.

What I am clear about is that innovation and differentiation will be key to success in our chosen territories for expansion in the rest of Africa. It is unlikely that FirstRand will take a "me too" proposition to new markets, it's just not in our DNA.

Sizwe Nxasana
Chief executive officer

DEPUTY CEO'S REPORT

FirstRand's results for the year ended 30 June 2014 reflects a high level of resilience in earnings, growth and returns and the Group has managed to further strengthen its balance sheet.

Johan Burger | *Deputy CEO*

FirstRand's franchises have consistently executed on a set of strategies which are aligned to certain Group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength and an appropriate risk/return profile. Ultimately the Group seeks to create long-term sustainable franchise value and believes it is currently delivering this through the operating franchises, all of which have strong market positioning, unique customer value propositions, efficient platforms, a relentless focus on innovation and a proven entrepreneurial culture.

These deliverables are underpinned by the application of critical financial discipline through frameworks set at the centre, such as;

RISK MANAGEMENT FRAMEWORK

- assess the impact of the cycle on the portfolio;
- understand and price properly for risk; and
- originate within cycle-appropriate risk appetite and volatility parameters

PERFORMANCE MANAGEMENT FRAMEWORK

- allocate capital appropriately to capital-light or capital-intensive activities;
- ensure an efficient capital structure with appropriate/conservative gearing; and
- ensure earnings exceed cost of capital, i.e. positive net income after capital charge (NIACC).

BALANCE SHEET FRAMEWORK

- execute sustainable funding and liquidity strategies;
- protect the credit rating; and
- preserve a "fortress" balance sheet that can sustain shocks through the cycle.

The consistent application of these financial strategies and frameworks has over time allowed FirstRand to deliver the financial metrics the Group targets on behalf of its shareholders, namely earnings growth of nominal GDP plus 3% – 5% and an ROE of 18% – 22%.

FirstRand's results for the year ended 30 June 2014 reflect a high level of resilience in earnings, growth and returns and the Group has managed to further strengthen its balance sheet. The chart below outlines how the Group looks at ensuring resilience of earnings, growth, returns and balance sheet strength and each of these topics will be discussed in more detail below.

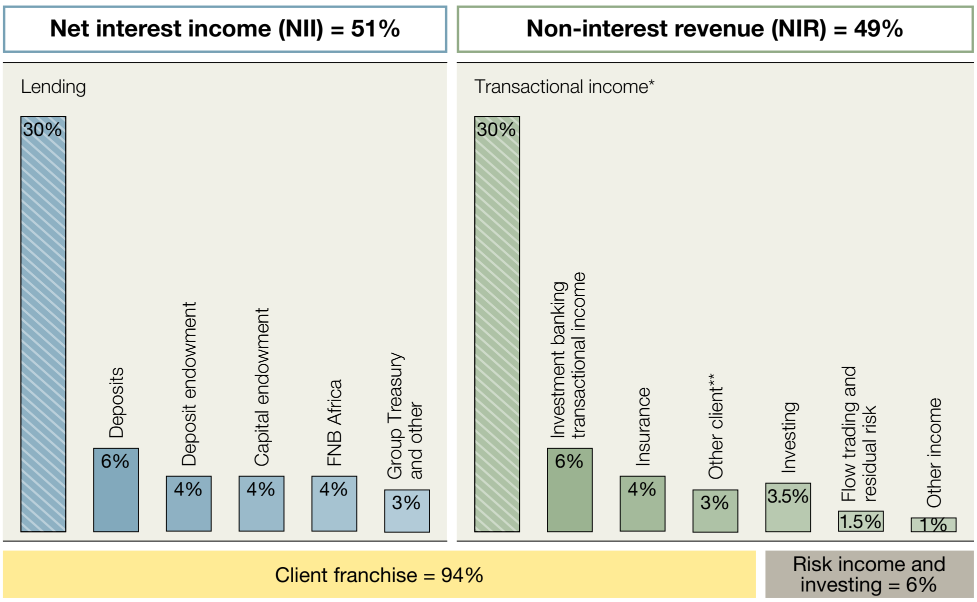
RESILIENCE OF EARNINGS, GROWTH, RETURNS AND BALANCE SHEET STRENGTH

Franchise value	Financial strength and disciplined capital allocation
Client businesses	Balance sheet structure • Economic view of the balance sheet • NPLs and coverage • Off-balance sheet reserves • Funding and liquidity strategies
Diversification	
Growth opportunities • South African financial services profit pools • Rest of Africa	
Efficiencies	Gearing and returns
Understanding risk and reward through the cycle	Capital position and dividend strategy

CLIENT BUSINESSES

Since 2007, franchise strategies have been adjusted to focus on building and growing client businesses. The chart below illustrates the success of this focus with 94% of revenues generated from client-related activities. It also shows that the Group has achieved a good balance between capital-light and capital-intensive businesses with lending and transactional activities each representing 30% of gross revenue. The strength of the Group's NIR franchise is reflected in its 49% contribution to gross revenue and it is also encouraging to see that the deposit franchise is making a meaningful contribution.

Gross revenue analysis



* *From retail, commercial and corporate banking.*
** *Includes WesBank associates.*

DIVERSIFICATION

The Group constantly evaluates the inherent value within its business model and portfolio as a whole and there are specific filters through which it makes these assessments. A key consideration is the level of diversification that exists in the portfolio and the Group considers this in the context of its strategy, performance targets and against the macroeconomic environment. Key diversification measures relate to the relative contribution to earnings from each franchise, market segment, product and geographic footprint.

FirstRand's portfolio provides good diversification and represents the appropriate mix of business activities, at both a franchise and segment level. The Group believes that it is well represented in all segments, but not necessarily all profit pools, e.g. corporate transactional banking, insurance and investment management. These provide further opportunities for growth and there are clear strategies in place to address these gaps. These opportunities are discussed in more detail under the *growth opportunities* section on page 19.

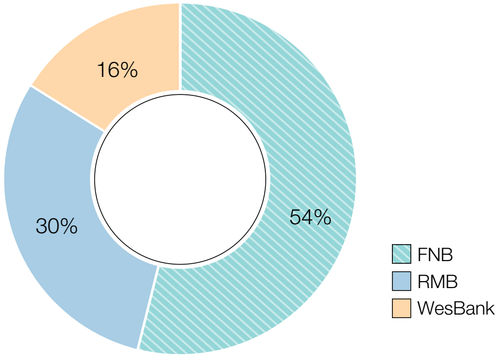
Franchise diversification

Normalised earnings (R million)	2014	2013	% change
FNB	**9 462**	7 998	18
RMB	**5 342**	4 383	22
WesBank	**2 830**	2 774	2
FCC (incl. Group Treasury) and other*	**1 029**	265	>100
Group normalised earnings	**18 663**	15 420	21

* *Other comprises FirstRand company, consolidation adjustments and dividends paid on NCNR preference shares.*

** *FCC (which includes Group Treasury) is excluded from franchise contribution analysis chart.*

Franchise contribution to normalised earnings**



The Group believes that the relative contribution from each franchise is appropriate given the cycle. FNB represents the largest contribution at 54% (2013: 53%). RMB's contribution has increased slightly year-on-year from 29% to 30% and WesBank's contribution has reduced to 16%, which reflects the current negative vehicle and credit cycle.

Segment diversification

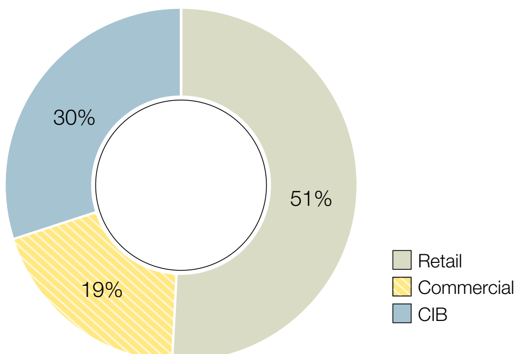
Normalised earnings (R million)	2014	2013	% change
Retail	**8 905**	7 868	13
Commercial*	**3 387**	2 904	17
Corporate and investment banking	**5 342**	4 383	22
FCC (incl. Group Treasury) and other**	**1 029**	265	>100
Group normalised earnings	**18 663**	15 420	21

* *Includes FNB commercial and WesBank corporate.*

** *Other comprises FirstRand company, consolidation adjustments and dividends paid on NCNR preference shares.*

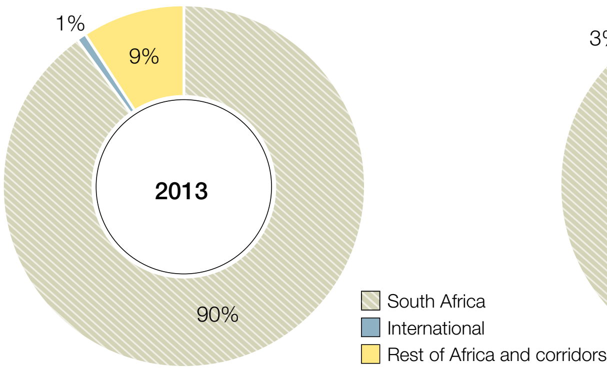
FCC (which includes Group Treasury) is excluded from the segment contribution analysis chart.

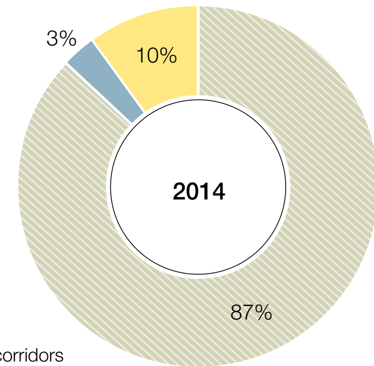
Normalised earnings mix#



FirstRand's segment diversification reflects the structure of the domestic growth profile and the relative positioning of the Group's franchises. Retail represents 51% of normalised earnings and the 19% contribution from commercial reflects good progress made in rebalancing the portfolio and growing in the commercial and business segments. The increase in CIB's contribution (to 30%) is a result of the Group's deliberate strategy to grow lending and transactional banking in the corporate segment and reflects that the investment bank is entering a period of investment realisations.

Geographical diversification



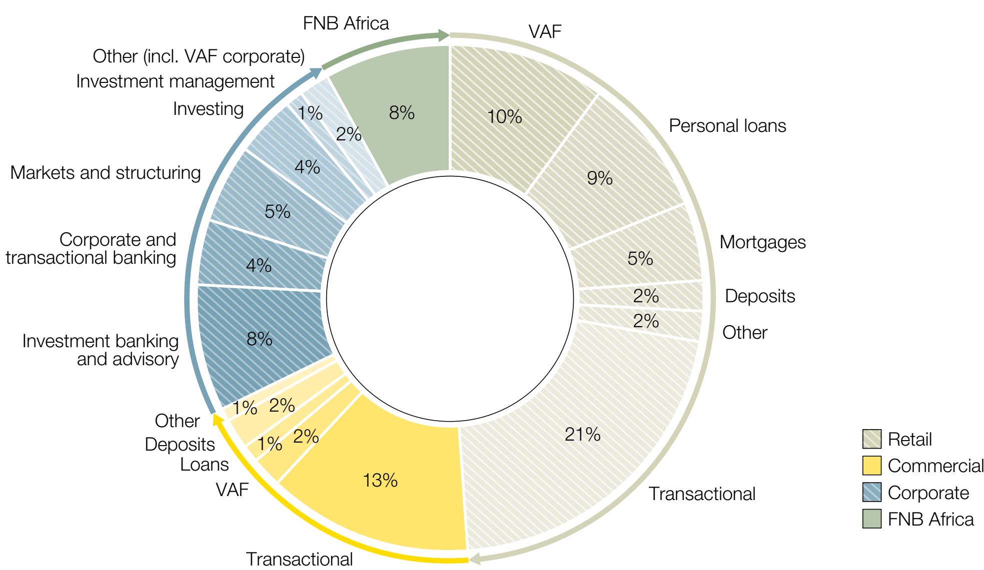


Based on gross revenue, excluding FCC (which includes Group Treasury).

From a geographical diversification perspective, on a relative basis, the South African franchise still dominates earnings at 87% (2013: 90%). As the domestic franchise is still outperforming the market, the relative contribution has not changed materially even though the rest of Africa is growing strongly.

The Group remains disciplined in its deployment of capital in the rest of Africa.

Product diversification



FCC (which includes Group Treasury) excluded from product split, which is based on gross revenue.

The Group has deep product diversification across its various segments, which further underpins its objective to mitigate earnings volatility.

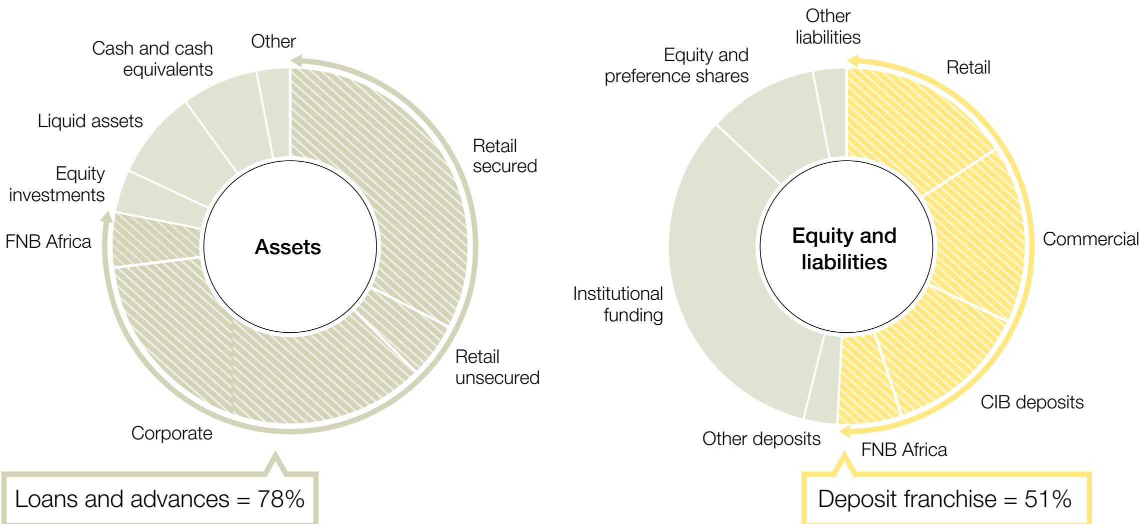
GROWTH OPPORTUNITIES

South African financial services profit pools

Deposit franchise

As shown by the chart below, the Group's balance sheet structure – with the deposit franchise representing 51% of liabilities whilst loans and advances constitute 78% of assets – reflects the structure of SA Inc but does provide a growth opportunity. FirstRand believes it can gain market share as its deposit franchise growth initiatives are gaining traction. The launch of various innovative, differentiated savings and investment products has enabled the Group to grow these balances at a compound annual growth rate of 59% over the past three years to R60 billion at 30 June 2014. These deposit strategies further assist the Group in improving its funding and liquidity profile.

FirstRand's balance sheet structure



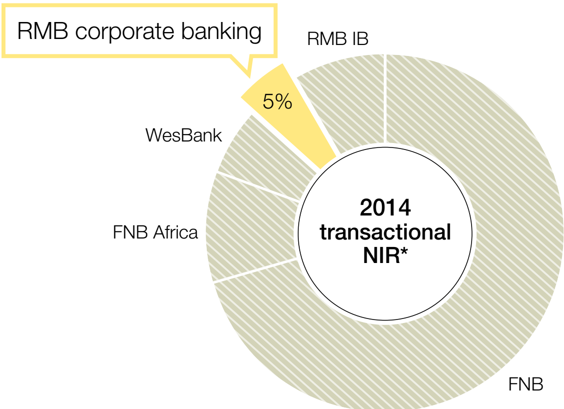
Note: Economic view of the balance sheet reflected above. Non-recourse-, derivative-, securities lending- and short trading position assets and liabilities have been netted off.

> The Group remains disciplined in its deployment of capital in the rest of Africa.

Corporate transactional banking

The Group is under-represented in corporate transactional banking, which, as illustrated in the chart below, currently represents only 5% of transactional non-interest revenue.

Franchise split of transactional NIR



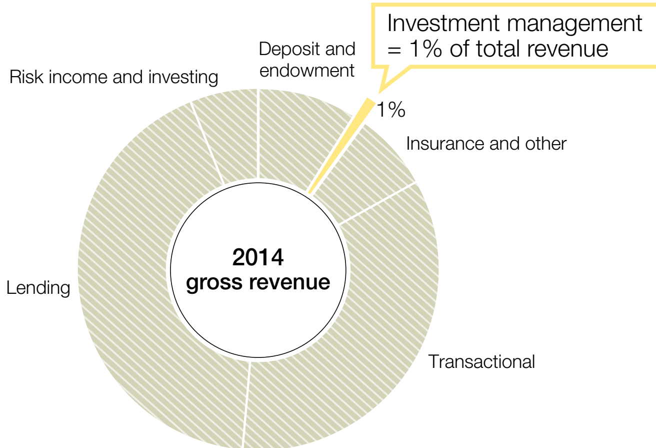
* *FCC (which includes Group Treasury) excluded from franchise NIR split.*

The Group has strategies in place to become a more meaningful player in this space, however, this will take time. It is encouraging to see some signs of significant progress both domestically and in the rest of Africa, such as:

- 18% PBT increase (based on operational performance) year-on-year;
- 51% growth in deposits delivered by the liability acquisition strategy;
- significant market share gains in trade finance and working capital;
- unlocking the benefits of relationship pricing;
- improving client service levels; and
- building out of new product capabilities in close partnership with FNB.

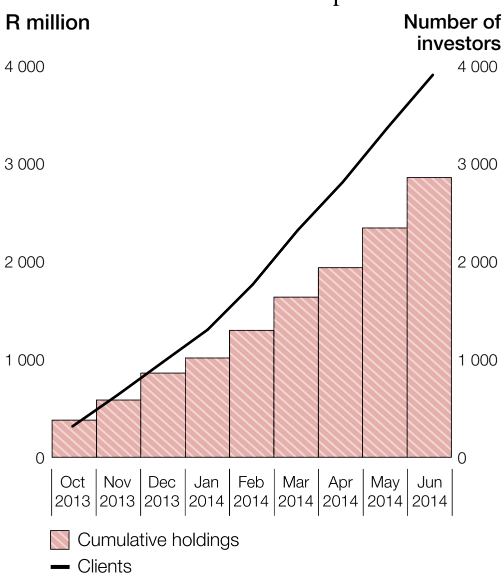
The Group considers investment management to be a very attractive new revenue pool.

Activity split of revenue

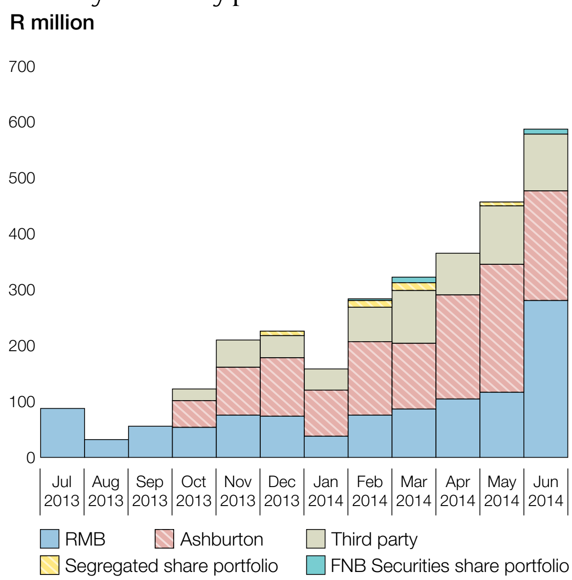


Investment management currently only contributes 1% of total revenue. The Group considers this to be a very attractive revenue pool and it launched Ashburton Investments in 2013 to address this gap in its portfolio. In the year under review, Ashburton Investments launched its own LISP platform to the Group's internal channels. The charts below illustrate the success achieved in growth in numbers of investors and monthly flows on the platform. It is also pleasing to see the strong growth in both the Group's traditional offerings (provided by Ashburton) and its non-traditional, differentiated products (originated by RMB).

Ashburton Investments LISP platform

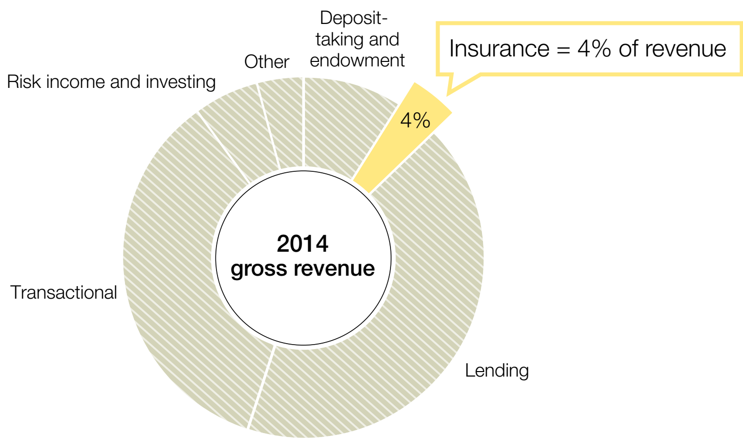


Monthly inflows by product



The Group remains convinced that investment management can become a meaningful contributor over the next three to five years.

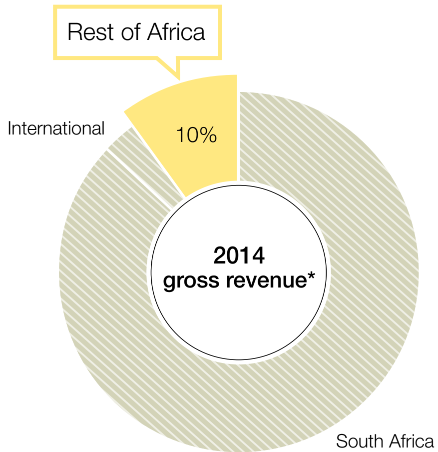
Revenue split by activity



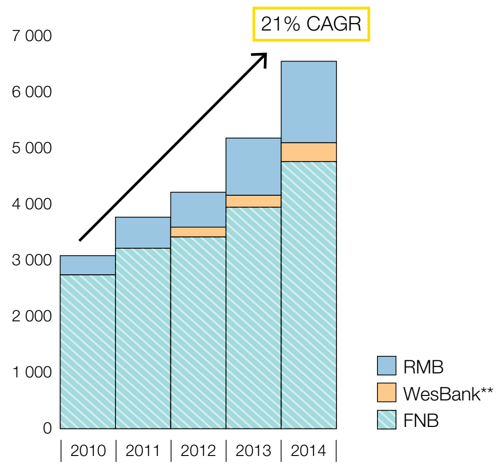
The chart above shows that insurance activities currently contribute only 4% of gross revenue. The Group has a proven track record in providing credit life and vehicle insurance and believes that given its brands, distribution capability and client insights, it has all the building blocks to grow insurance profits more aggressively in South Africa by expanding its product range.

> There has been material success in the deployment of the balance sheet and intellectual capital in the rest of Africa by both RMB and FNB.

Geographical revenue split



Rest of Africa gross revenue*
R million



* *Excludes FCC (including Group Treasury).*
** *WesBank 2010 and 2011 rest of Africa revenues included in FNB figures in the graph above.*
Note: All WesBank rest of Africa profits reported under FNB Africa in the reported results.

The Group is showing a promising track record in the rest of Africa and is producing good growth and returns. Revenues have grown at a compound annual rate of 21% since 2010 with FNB, RMB and WesBank all contributing to the growth.

The Group remains comfortable that its approach to growing outside of South Africa is appropriate, given its stated intention to protect its return profile. With regard to expansion into the rest of Africa, there are three pillars to its execution:

- utilise the capabilities of the South African franchise, particularly the domestic balance sheet, intellectual capital, international platforms and the existing operating footprint in the rest of Africa;
- start an in-country franchise and grow organically; and
- small-to medium-sized acquisitions where it makes commercial sense.

There has been material success in the deployment of the balance sheet and intellectual capital in the rest of Africa by both RMB and FNB. In addition, the established subsidiaries continue to generate good growth in earnings and strong ROEs whilst the newer subsidiaries are also gaining momentum in terms of customer acquisition, product and platform rollout (particularly digital) and deposit gathering.

FirstRand has been disciplined in limiting dilution of the return profile in line with its strategic framework. Overall the subsidiaries in the rest of Africa achieved an ROE of 19.4% underpinned by a very strong ROE of 30.9% delivered by the established businesses.

The Group is considering accelerating the deployment of capital into the rest of Africa given the growth momentum it has achieved in the region.

EFFICIENCIES

FirstRand does not target a cost-to-income ratio as it believes this to be an outcome of its ability to utilise its business model effectively in order to deliver on its growth strategies. The Group rigorously assesses cost structures at both a franchise and business unit level, but will always consider costs incurred to run the business versus costs incurred to build the business.

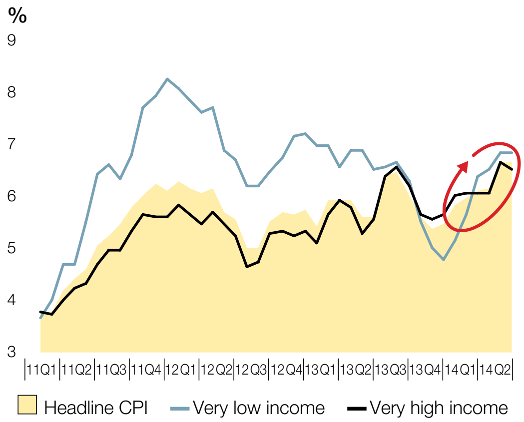
The Group continues to focus on achieving positive operating jaws and, as revenues grew faster than costs in the year under review, the cost-to-income ratio improved to 51.1% (2013: 51.5%).

UNDERSTANDING RISK AND REWARD THROUGH THE CYCLE

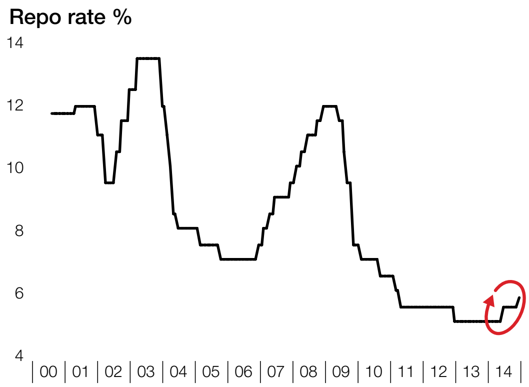
The Group aims to be countercyclical with respect to origination strategies. Given the duration of its lending products it is necessary to act ahead of the cycle. A good understanding of macros is therefore critical to identify emerging risks in order to achieve this objective. From the charts below it is clear that the credit cycle has turned.

Household nominal income growth slowed

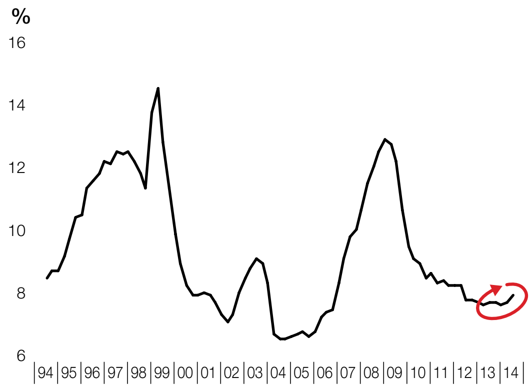
Consumer price inflation increased



Interest rates bottomed

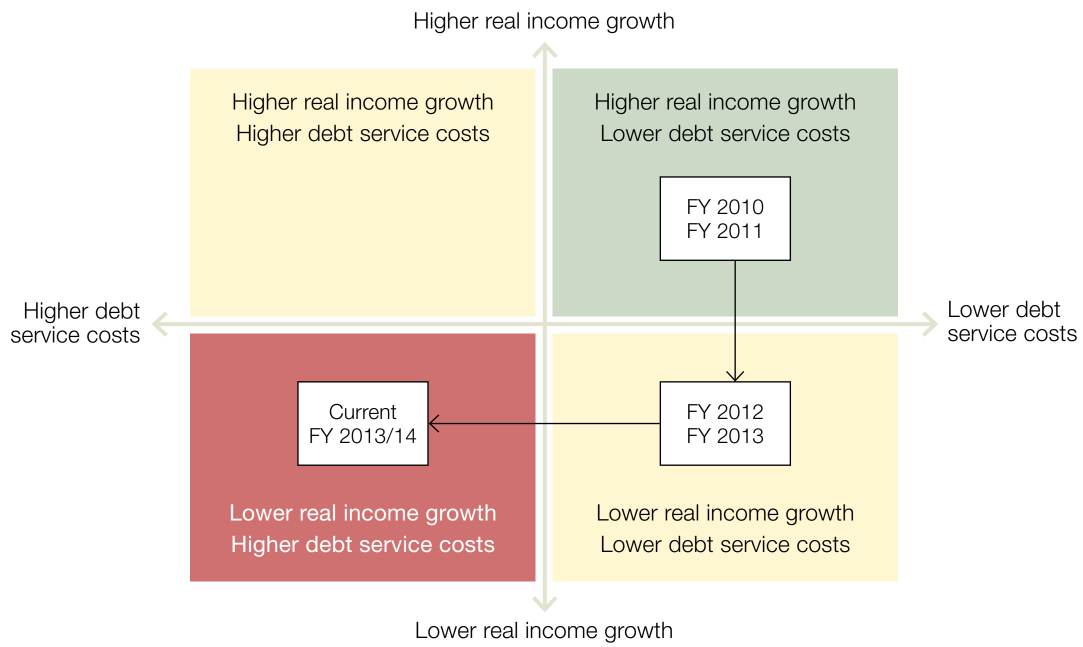


Debt service costs bottomed



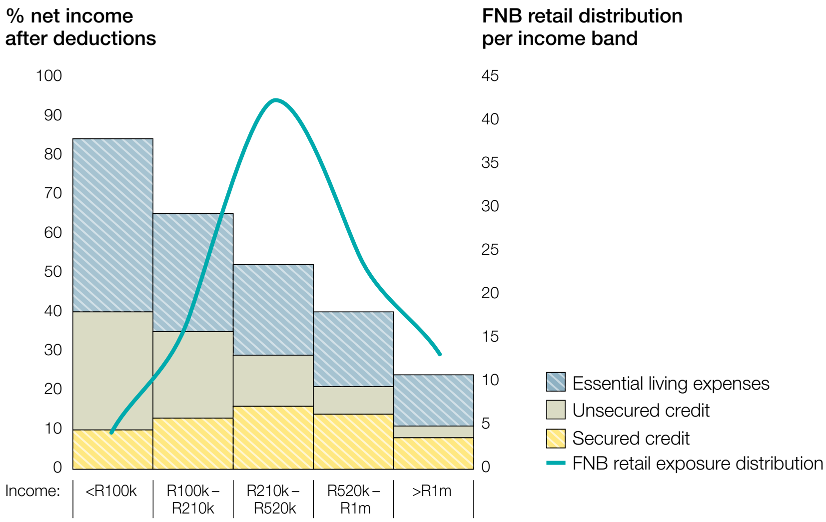
The Group therefore continues to adjust its origination strategies accordingly.

The following schematic illustrates how the Group maps its origination strategies to the macros. The top right quadrant represents the most favourable origination conditions (relatively higher income growth and lower debt service costs), whilst the bottom left quadrant represents the most challenging origination conditions (relatively lower income growth and higher debt service costs).



The Group started cutting back origination in certain retail portfolios in late 2011/early 2012 as consumers moved into a period of lower income growth whilst debt servicing costs still remained relatively low, however, debt levels in certain subsegments had stronger growth. In the Group's view, South African consumers are now moving into a period of lower income growth and higher debt service costs as interest rates have started to increase, therefore it continues to cut back on origination, especially in retail.

The Group believes it is critical to understand the affordability dynamics of the underlying consumer segments and not to only consider averages. The chart below depicts gearing levels per income band using FNB's client base as a proxy. It is clear that the consumers at the lower end of the market have considerably more pressure on disposable income with high commitments to debt and non-discretionary expenses. This picture further informs the Group's origination strategies in the subsegments.



Analysis based on Stats SA Income and Expenditure Survey 2010-2011, credit bureau data and proxies based on FNB data/analysis. FNB retail distribution calculated using FNB-banked customers as a proxy.

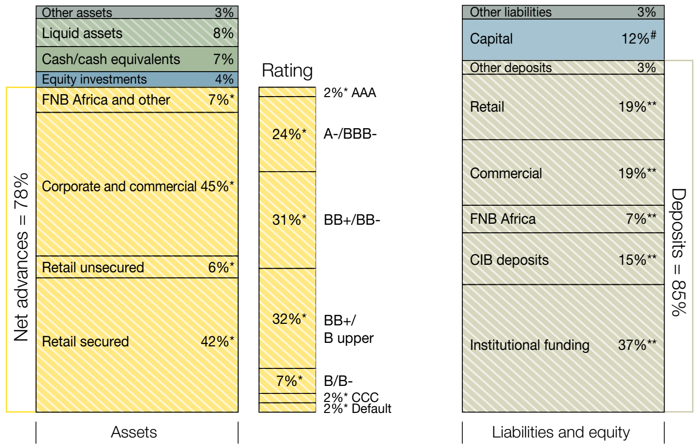
FNB's retail credit exposure has been plotted across the various income categories and it is clear that FNB's exposure is weighted more to the middle-to-upper income bands where there is less pressure on affordability.

This analysis also explains the Group's decision to cut back origination at the lower end as early as 2011 and why it continues to cut back in certain high risk consumer buckets.

> The Group has continued to reduce its reliance on institutional funding and further improve the term profile.

ECONOMIC VIEW OF THE BALANCE SHEET

The chart below depicts an economic view of the Group's balance sheet, i.e. it shows the balance sheet by risk type. Non-recourse-, derivative-, securities lending- and short trading position assets and liabilities have been netted off.



* *As a proportion of loans and advances.*
** *As a proportion of deposit franchise.*
\# *Ordinary equity and non-controlling interests (10%) and NCNR preference shares and Tier 2 liabilities (2%).*
Note: Non-recourse-, derivative-, securities lending- and short trading position assets and liabilities have been netted off.

When assessing the underlying risk in the balance sheet, the Group's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets and 57% of advances are rated BB- or better reflecting a quality loan portfolio which has been originated across different segments.

Cash/cash equivalents and liquid assets represent 7% and 8% respectively of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low and the Group's equity investments stem primarily from RMB's investment activities.

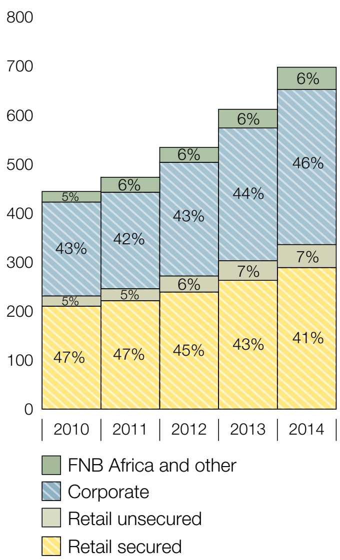
FirstRand's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the Group has continued to reduce its reliance on institutional funding and further improve the term profile from a weighted average remaining term of 12 months in 2009 to 27 months in 2014.

The Group's capital ratios remained strong with the CET1 ratio at 13.9%, Tier 1 ratio at 14.8% and total capital adequacy ratio at 16.7% whilst financial gearing remained conservative and reduced to 11.8 times (2013: 12.0 times).

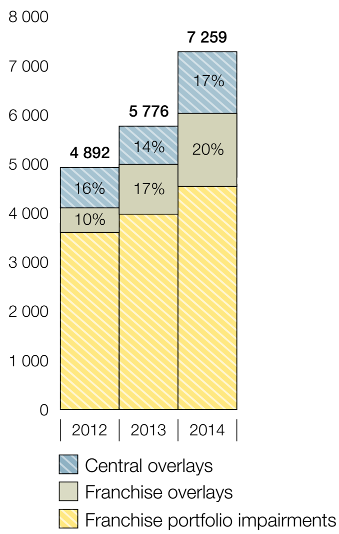
CREDIT PORTFOLIO

The chart below on the left illustrates that the Group has achieved a better balance between retail and corporate assets and that these portfolios are now similar in size (retail/corporate = 48%/46% (2010: 52%/43%). This is a result of the Group's deliberate strategy to rebalance its advances portfolio to increase exposure to the wholesale market, not by shrinking its retail exposure, but by growing the corporate book faster.

Gross advances
R billion



Portfolio impairments
R million



Appropriate provisioning against both the performing and non-performing books is important given the inherent bad debts in the Group's credit businesses which are expected to emerge over time. As can be seen in the chart on the right above, the Group created portfolio provisions in anticipation of the credit cycle in 2012, 2013 and in the current year with total portfolio provisions amounting to R7.3 billion. This reflects the Group's proactive countercyclical provisioning approach and represents a coverage ratio 44.6% against NPLs, which, when added to a specific coverage ratio of 40.8% against NPLs, results in a total coverage ratio of 85.4%, which is the highest in the peer group.

The Group believes that expressing portfolio provisions as a percentage of the performing book is a more meaningful measure than as a percentage of the non-performing book. On this basis, the coverage has increased from 0.76% in 2011 to 1.06% in 2014 and represents more than one year's bad debt experience (2014 bad debt charge was 0.84%).

	2014	**2013**
Portfolio impairments as % of performing book	**1.06%**	0.97%
Portfolio impairments as % of non-performing book	**44.6%**	33.5%
Bad debt charge* (%)	**0.84%**	0.95%
Portfolio impairments (R million)	**7 259**	5 776

* *2013 figure excludes impact of merchant acquiring event.*

In summary, the Group has a high quality advances portfolio which is well balanced between retail and corporate and is prudently provided going into the negative credit cycle.

Refer to the *CFO's report* for more detail relating to origination appetite actions across the various portfolios and detailed credit risk disclosures can be found in the credit risk section of the *risk and capital management report* on pages 179 to 211 in the annual integrated report.

INVESTMENT PORTFOLIO

Equity investment risk stems primarily from RMB's investment activities. The Group's private equity portfolio is diversified across different investment teams, industries and counters and the Group follows a conservative accounting approach for the portfolio. The portfolio is held at cost on balance sheet and only reductions (not increases) in valuations per counter are brought to balance sheet. Therefore the significant unrealised value of approximately R3.9 billion (2013: R1.7 billion) is not accounted for on-balance sheet and provides a significant buffer against risk and mitigates earnings volatility. Refer to pages 231 to 233 of the *risk and capital management report* in the annual integrated report for more detail.

TRADING ACTIVITIES

RMB continues to assume market risk in relation to its client activities (market making in local markets, hedging and client facilitation). Market risk exposures are strictly monitored and managed with risk appetite and limits set in relation to the size of the earnings and capital base. VaR and ETL limits are dealt with in more detail on pages 222 to 227 of the *risk and capital management report* in the annual integrated report.

FUNDING AND LIQUIDITY PROFILE

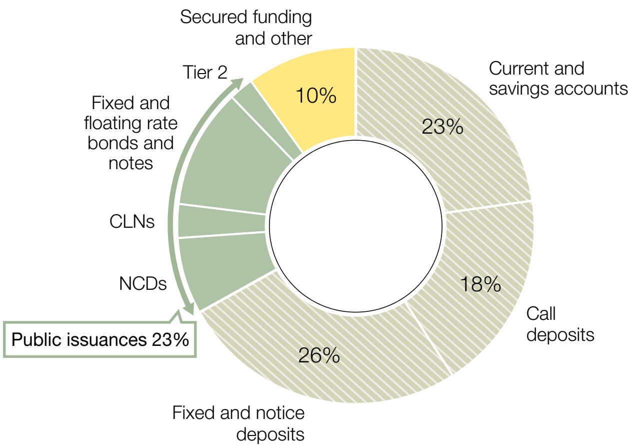
Proactive funding and liquidity management is becoming increasingly critical and FirstRand's objective is to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements.

On the back of a deliberate strategy to grow retail deposits, FirstRand now generates a larger proportion of its incremental funding from the deposit franchise in comparison to the SA aggregate, and emphasis is placed on lengthening the term profile of institutional funding.

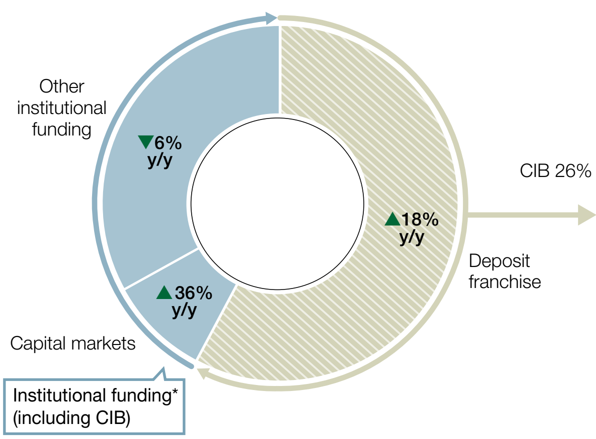
The Group has achieved a better balance between retail and corporate assets and these portfolios are now similar in size.

The charts below shows that the Group's funding is diversified across instruments and that growth can be attributed to better source and term. The deposit franchise has grown 18% and capital markets issuance increased 36% resulting in a reduction in the Group's reliance on other institutional funding, which declined 6%. The deposit franchise is also well diversified across segments.

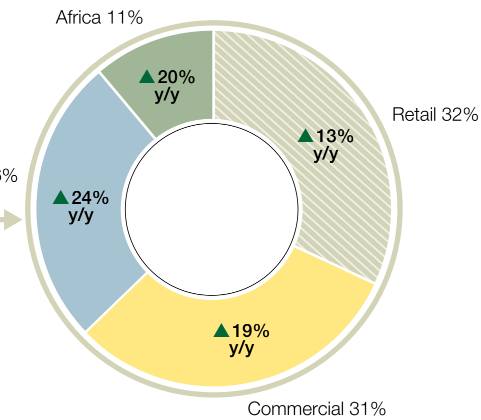
Funding diversified across instruments



Liability growth attributed to better source and term



Deposit franchise diversified across segments



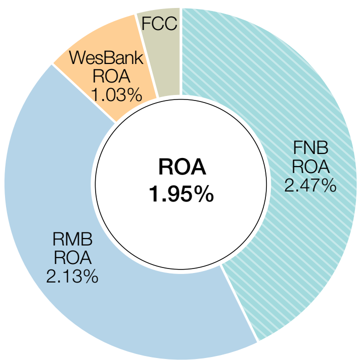
* *Weighted average remaining term = 27 months.*

From a liquidity risk perspective, FirstRand Bank (FRB) already complies with the 60% minimum LCR requirement (which comes into effect in 2015) and the Group targets a buffer of 10% above the regulatory minimum. FirstRand has identified a number of strategies relating to both sides of the balance sheet to improve its liquidity profile to minimise reliance on the contingency liquidity facility (CLF) provided by the SARB.

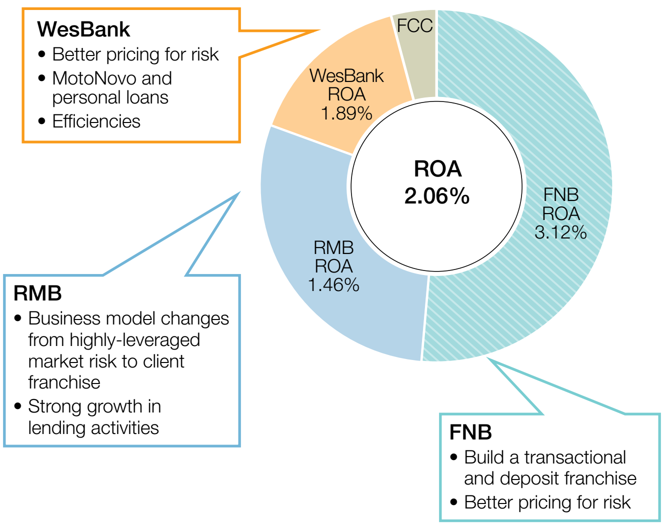
GEARING AND RETURNS

The financial strategies and frameworks are also focused on ensuring that the Group extracts the maximum quality of returns by focusing on ROA to achieve this and not excessive financial gearing. The following chart reflects that the Group's strategy has resulted in a structurally different ROA of 2.06% compared to 1.95% in 2007.

2007 normalised earnings split



2014 normalised earnings split



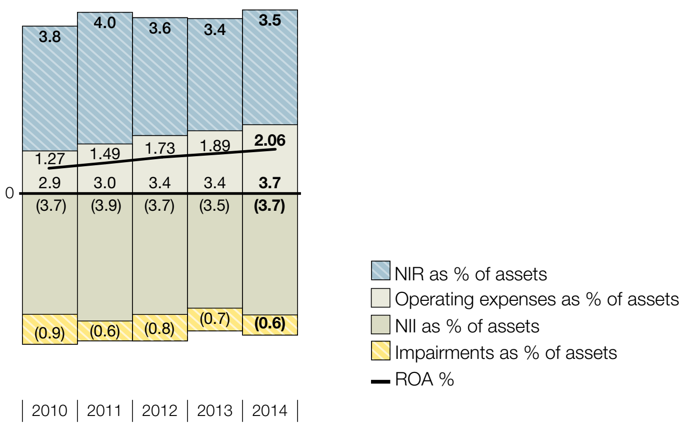
The improvement in FNB's ROA from 2.47% in 2007 to 3.12% in 2014 can be attributed to the strong growth in its transactional and deposit franchise. In addition, where FNB uses its balance sheet, it prices appropriately for risk. In this regard, mortgages have seen a meaningful improvement in ROA.

WesBank's ROA increased from 1.03% to 1.89% since 2007, reflecting better pricing for risk and a higher proportion of fixed-rate business. The growth of higher yielding businesses, such as MotoNovo and personal loans, and its focus on efficiencies have also contributed.

RMB is the only franchise where the ROA has declined since 2007 from 2.13% to 1.46%. This is the result of RMB's deliberate strategy to move away from highly leveraged market risk activities towards more client-linked activities, including increased lending. RMB remained disciplined in pricing appropriately for credit. All of these actions, whilst resulting in a lower ROE, ensures a less volatile, higher quality and sustainable return profile.

The Group's strategy has resulted in a structurally higher ROA.

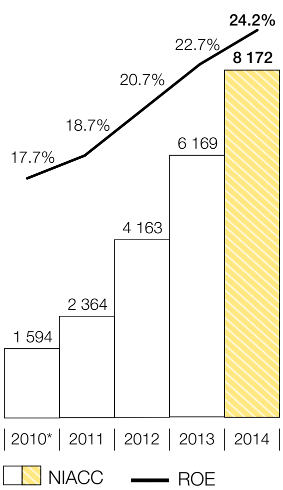
The chart below depicts a decomposition of the Group's ROA, which reflects better quality of earnings. It is important to note that the ROA is at a cyclical high as the bad debt charge has remained below the average long-run expected underwriting credit losses. This can be attributed to the slower-than-expected emergence of the credit cycle as interest rates have remained lower for longer.



The graph shows each item before taxation and non-controlling interests as a percentage of average assess. ROA reflects normalised earnings after tax and non-controlling interests as a percentage of average assets.

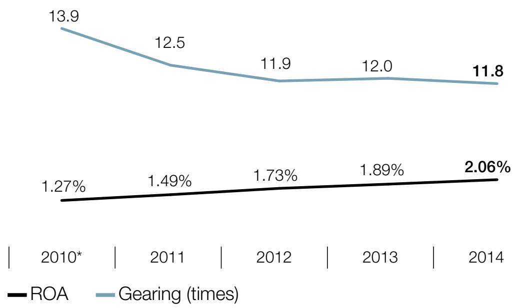
The Group fundamentally believes that net income after capital charge (NIACC) provides the best measure of shareholder value creation. The chart below shows the strong growth in economic profits (the premium above cost of equity) since 2010.

NIACC and ROE



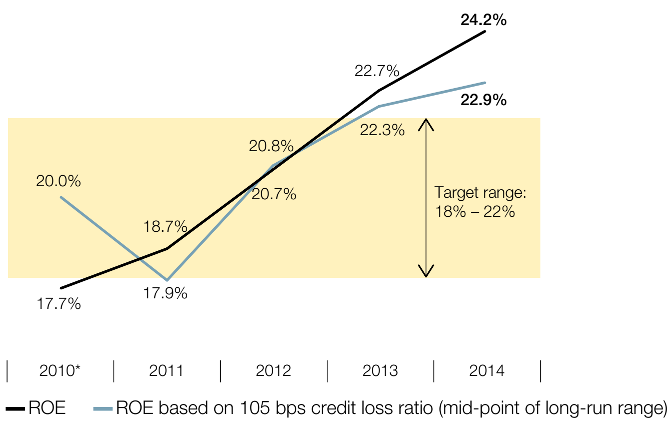
* *Comparatives prior to 2011 are for FirstRand Banking Group.*

The chart below shows that ROA, not gearing, is driving the improvement ROE.



* *Comparatives prior to 2011 are for FirstRand Banking Group.*

As mentioned before, ROA is now at what the Group believes to be a cyclical high. To illustrate this point, the chart below shows the actual ROE and the ROE calculated assuming the midpoint of the long-run average credit loss ratio of 105 bps. This adjusted ROE is consistent with the Group's communicated long-term target range of 18% to 22%. The Group expects ROE to trend downwards back into the long-run target range as the bad debt cycle continues to emerge.



* *Comparatives prior to 2011 are for FirstRand Banking Group.*

The Group believes that NIACC provides the best measure of shareholder value creation.

CAPITAL AND DIVIDEND STRATEGY

Current targeted capital ranges and actual ratios are summarised in the following table. The Group has maintained its very strong capital position with CET1 at 13.9%, well above the SARB's minimum requirement of 5.5% and the Group's own target range of 10-11%.

Capital ratios and targets

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
FirstRand actual	**13.9**	**14.8**	**16.7**

* *Excludes the bank-specific individual capital requirement.*

If volatile reserves (which relate mostly to foreign currency translation and available-for-sale reserves) and ring-fenced capital are excluded, the Group's adjusted CET1 ratio would be 12.8%, which is still comfortably above regulatory requirements and internal target ranges.

The Group has previously stated that it has set aside a R10 billion capital buffer currently allocated to its expansion strategy. Given the strong capital generation from the business in the year under review and the cautious approach to deployment outside South Africa to protect the return profile, this buffer has remained in place. However, given the momentum achieved in growing outside of South Africa over the past two years, the Group is now more comfortable to accelerate the deployment of capital to these activities. Any increased deployment will remain disciplined to ensure the Group maintains its targeted return profile.

It is still the Group's philosophy to return excess capital to shareholders should it not find the appropriate opportunities, however, it believes that the next 12 to 18 months will determine whether an acceleration of deployment in the rest of Africa can deliver the level of return the Group seeks. The Group will remain disciplined in deployment to ensure required returns can be generated on invested capital.

The Group will continue to seek to protect shareholders from any unnecessary volatility in dividend.

It will, going forward, consider the level of payout within a range of 1.8x to 2.2x cover. The Group will annually assess the appropriate level and in the process take into account the following factors:

- actual performance;
- forward-looking macros;
- demand for capital; and
- potential regulatory changes.

For the year to June 2014, the Group believes 1.9x is the appropriate dividend cover.

FINANCIAL RESOURCE MANAGEMENT

The management of financial resources is critical to ensure the Group achieves its overall strategic objectives, namely to:

- deliver long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The Group sets quantitative measures and targets outlined below (for various business cycles within a defined confidence level) to ensure the appropriate balance between growth, return and earnings volatility and to deliver on its commitments to stakeholders (e.g. providers of financial resources):

- earnings growth, returns and volatility;
- minimum capital and leverage ratios;
- funding and minimum liquidity ratios; and
- its desired credit rating.

Refer to page 159 of the *risk and capital management report* in the annual integrated report where these quantitative measures are outlined for normal business cycles.

The management of the Group's financial resources resides in the corporate centre (FCC), represented by Group Treasury, and is independent of the operating franchises and comprises capital, funding and liquidity. To ensure that business units price for these financial resources appropriately in their underlying activities, Group Treasury:

- determines the level of capital, capital structure and gearing;
- allocates capital and cost of capital to business units and sets required hurdle rates; and
- decides on the availability and pricing of funding and liquidity to business units.

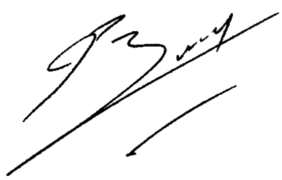
FirstRand's capital, funding, liquidity and volatility targets are set with reference to its desired credit rating and the franchises' growth, return and volatility targets are aligned to ensure that the Group meets its overall objectives.

Quantitative targets and limits are augmented by a number of qualitative principles that serve to provide guidelines on boundaries for risk taking activities.

The risk/reward framework is cascaded down to the operating franchises to ensure that the Group's portfolio can deliver on stakeholder commitments. It also enables the Group to identify any gaps in the portfolio.

CONCLUSION

When assessing the results for the year to June 2014 it is pleasing to note that FirstRand continues to deliver on its strategic objectives and will measure, monitor and refine these objectives on a continuous basis. FirstRand believes that the increased focus on integrated financial resource management will allow it to further optimise the financial, strategic and operational levers required to deliver on its commitments to all stakeholders.



Johan Burger
Deputy CEO

CFO'S REPORT

The banking franchises, FNB, RMB and WesBank, delivered strong operational performances and continued to outperform the market.

Harry Kellan | *CFO*

FirstRand produced good results for the year to 30 June 2014, achieving normalised earnings of R18 663 million, an increase of 21% year-on-year and a normalised ROE of 24.2%, which in the Group's view remains at a cyclical high given the slower than expected emergence of the credit cycle.

The Group's banking franchises, FNB, RMB and WesBank, delivered strong operational performances and continued to outperform the market. The key drivers of that outperformance are as follows.

FNB benefited from:

- its proactive workout strategy in residential mortgages, resulting in lower NPLs, together with good advances growth in line with property price increases and repricing benefits;
- ongoing customer acquisition in targeted segments and increased cross-sell;
- migration of customers to electronic channels continued to drive growth in volumes;
- counter-cyclical origination actions taken in personal loans in 2011 has paid dividends in that bad debts have materially reduced; and
- strong growth across the African footprint with both established and new subsidiaries performing well.

RMB benefited from:

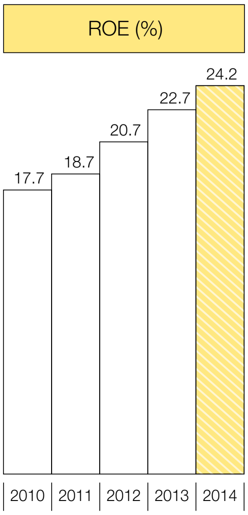
- its positioning as the leading advisory and origination franchise in South Africa;
- strong growth in corporate advances, both in South Africa and cross border, whilst further improving overall portfolio quality;
- very strong earnings from underlying investments in private equity including the benefit of a significant investment realisation; and
- a growing contribution from activities in the rest of Africa.

WesBank benefited from:

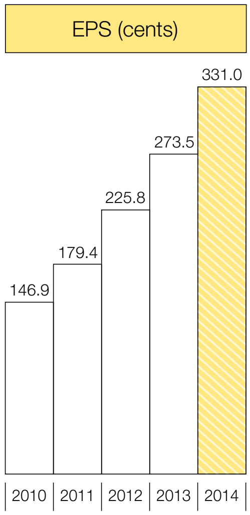
- its consistent point of sale presence and partnership model, which ensured resilient new business volumes;
- an excellent performance from MotoNovo, which grew strongly in GBP terms; and
- discipline in origination which resulted in better than expected cost of credit.

FirstRand uses the following key financial performance indicators to measure the Group's performance against its core purpose to create long-term franchise value.

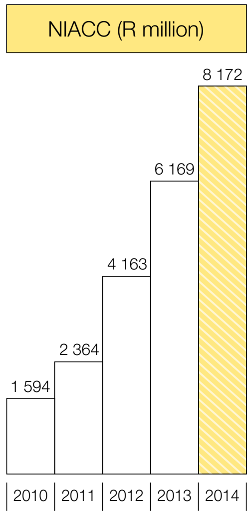
Key performance indicators



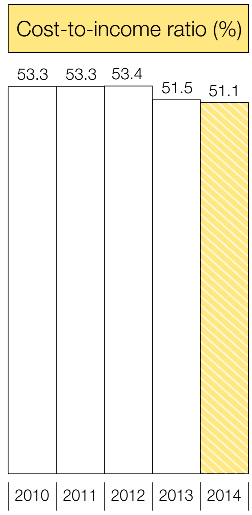
When the Group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The Group's long-term ROE target range is 18% to 22% for normal economic cycles.



The Group targets earnings growth of 3% to 5% in excess of nominal GDP growth over the long term, as this will vary from year-to-year dependent on economic cycles.



Growth in NIACC is the Group's internal benchmark for assessing performance.



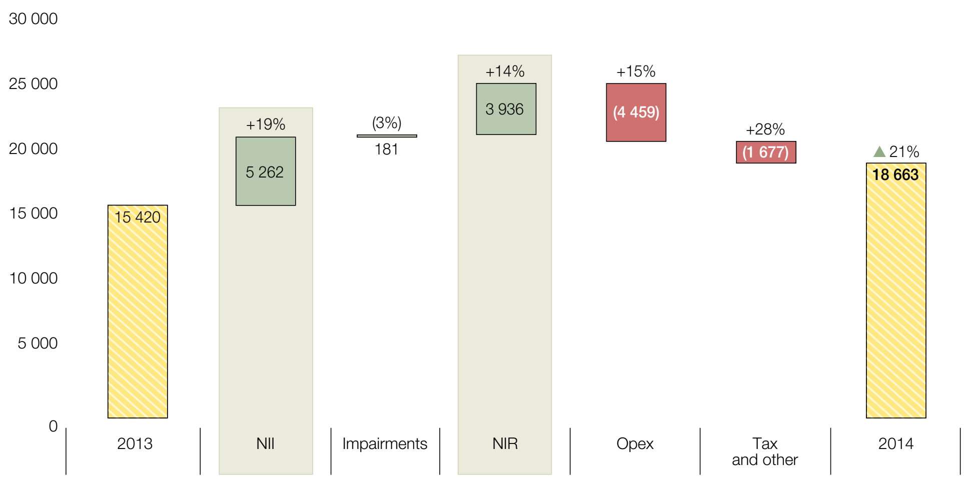
The Group monitors efficiency through the cost-to-income measure. Whilst the Group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

The Group measures its performance against its core purpose which is to create long-term franchise value.

STRONG TOPLINE DRIVES EARNINGS GROWTH

The following chart illustrates that the Group's performance was underpinned by strong topline growth with net interest income (NII) increasing 19% and non-interest revenue (NIR) up 14%.

Normalised earnings
R million



NET INTEREST INCOME

Net interest income grew 19% on the back of good advances and deposit growth and margin expansion. There was also a marginal endowment benefit resulting from the 50 bps increase in interest rates in January 2014.

The table below shows that both the lending and deposit franchises contributed to growth in NII. There was a large shift in the contribution from Group Treasury year-on-year as a result of certain strategies to hedge capital, investment risk and liquidity risk which further positively impacted NII.

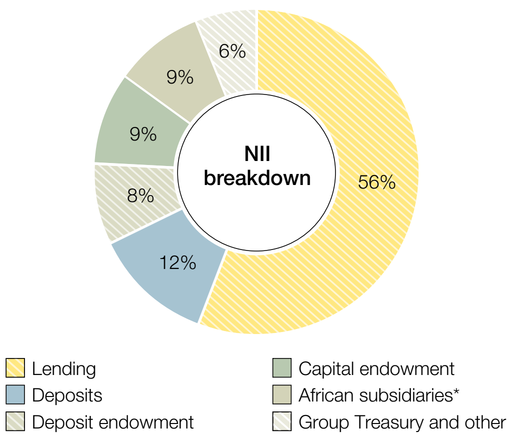
Breakdown of NII by activity

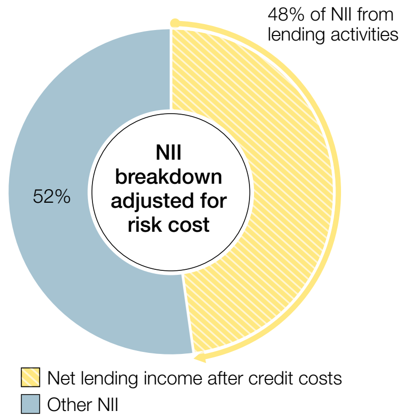
Net interest income* (R million)	**2014**	**2013**	**Movement**	**% change**
Lending	**18 830**	16 153	2 677	17
Deposits	**4 046**	3 748	298	8
Deposit endowment	**2 704**	2 295	409	18
Capital endowment	**2 833**	2 463	370	15
African subsidiaries**	**2 858**	2 335	523	22
Group Treasury and other	**2 091**	1 106	985	89
Total net interest income	**33 362**	28 100	5 262	19

* *After taking funds transfer pricing into account.*
** *Reflects legal entity view.*

The chart below illustrates that lending still dominates NII, contributing 56%, however, the picture is more balanced after adjusting for bad debts.

Net interest income breakdown





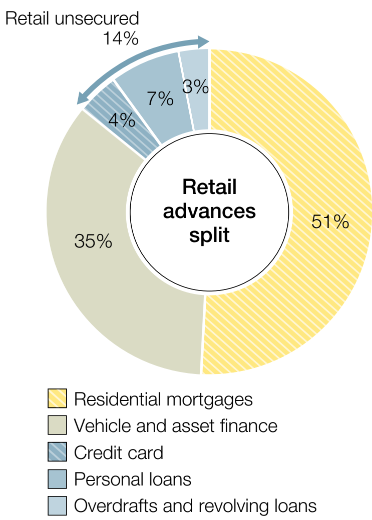
** Reflects legal entity view.*

Retail advances growth

Retail advances growth of 11% was robust year-on-year with good new business volumes in WesBank's VAF portfolio and in the transaction account-linked overdrafts and revolving term loans on the back of client acquisition and cross-sell. Secured lending, which comprises of residential mortgages and VAF, still represents 86% of the retail book. Personal loans growth was muted at 7% driven by the reduction in mass segment advances.

Retail advances breakdown

R million	2014	2013	% change
Residential mortgages	**170 677**	163 046	5
Vehicle and asset finance	**119 120**	100 565	18
Credit card	**14 634**	13 001	13
Personal loans	**21 670**	20 185	7
– Mass segment (FNB)	**4 219**	4 987	(15)
– Consumer segment	**17 451**	15 198	15
FNB	**8 297**	7 898	5
WesBank	**9 154**	7 300	25
Transactional account-linked overdrafts and revolving term loans	**10 596**	6 909	53
Retail advances	**336 697**	303 706	11



The table below provides insight on risk appetite and certain actions the Group took, which explain below- or above-market trend growth in the underlying retail products.

Risk appetite actions in the retail portfolios

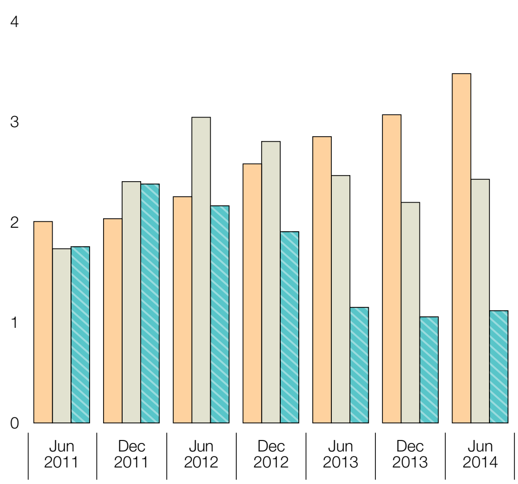
Retail			
Mortgages	**Affordable housing**	**SA VAF**	**UK VAF (MotoNovo)**
→	↗	→	↑
Remaining conservative with focus on low-risk FNB customers; gradual improvement in demand	Continued strong demand and credit performance	Gradual reduction of higher-risk with volumes tracking vehicle sales and coming off a high base	Strengthening market position and benefiting from economic recovery
Card	**Personal loans**	**Rest of Africa**	**Other**
→	↓	↗	→
Conservative, but growing in line with FNB customer base and transactional spend growth	Cut back risk in 2011 and 2012 and tightened affordability as lower-income segment is highly geared	Strong growth across all markets focusing on FNB-banked customers	Risk neutral, strongly targeting FNB customer base as currently under-represented

The Group's personal loan portfolio consists of a number of subsegments and each segment behaves differently through the cycle. As such, there are different origination strategies for each segment.

The graph on the left below shows the new business origination across the Group's three different personal loans portfolios on a six-monthly basis whilst the chart on the right reflects how NPL balances have reacted to the various origination strategies.

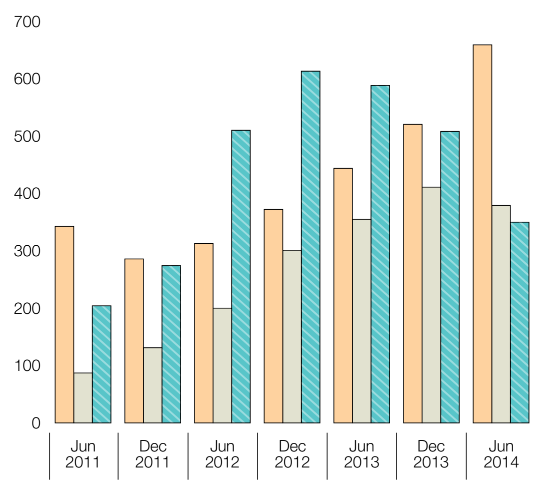
New business origination

R billion



NPLs

R million



WesBank consumer loans FNB consumer loans FNB mass loans

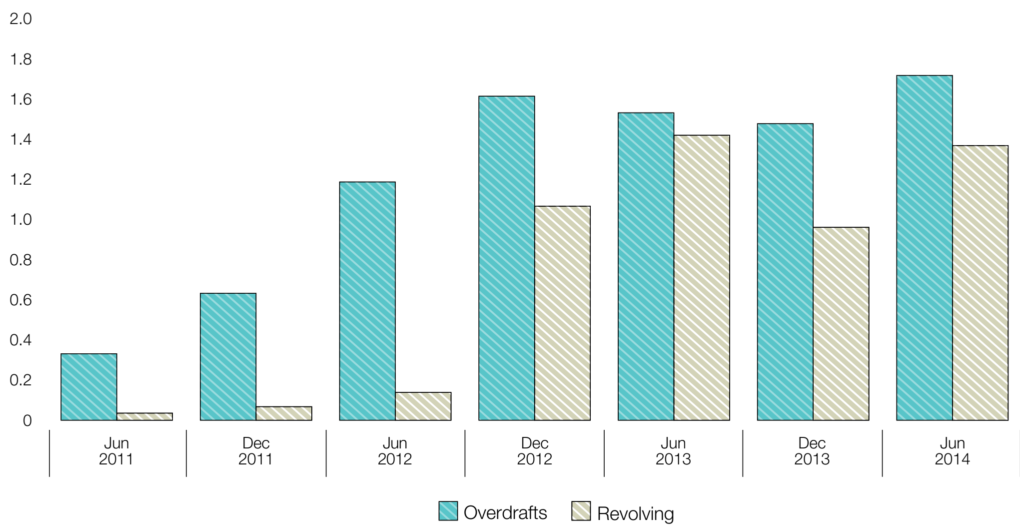
The impact of the pull-back in late 2011 in the higher-risk mass segment loans can be clearly seen, with production in this segment starting to decline from June 2012 onwards. Since January 2012, the Group tightened affordability criteria and this is also evident in the FNB Consumer loans portfolio.

Origination in WesBank consumer loans is based on the same credit criteria and appetite, however, the growth in this portfolio reflects market dynamics as customers have been pre-scored and proactively selected and as WesBank has had access to new customer bases given alliances concluded recently.

In line with FNB's retail strategy to capture the transactional account and then offer credit, overdrafts and revolving loans also showed strong growth. The chart below shows new business origination since January 2011. The size of this portfolio has grown to approximately R10 billion at 30 June 2014.

New business origination

R billion



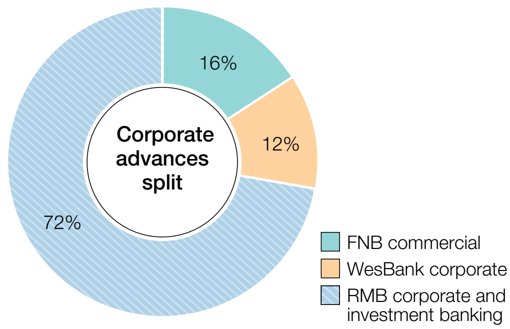
RMB and FNB have delivered good growth in corporate and commercial advances.

Corporate and commercial advances growth

Successful lending strategies in RMB corporate and investment banking (CIB) and FNB commercial have delivered good growth of 17%. CIB is the largest component of the portfolio at 72%. Growth has been achieved whilst maintaining credit quality.

Corporate advances breakdown

R million	2014	2013	% change
RMB core South Africa	**160 509**	129 941	24
RMB core cross-border	**28 502**	19 121	49
RMB core advances	**189 011**	149 062	27
Repurchase agreements	**32 753**	40 502	(19)
RMB investment banking	**221 764**	189 564	17
RMB corporate banking	**6 441**	5 101	26
WesBank corporate	**38 763**	34 293	13
FNB commercial	**50 642**	42 834	18
Corporate advances	**317 610**	271 792	17



RMB core advances were up 27% with substantial growth in cross-border advances, although the actual growth rate has reduced in the last six months given the higher base.

Both WesBank corporate and FNB commercial produced good advances growth. The largest contributor to the commercial portfolio came from the growth in overdraft loans, which, as previously mentioned, is aligned to FNB's transactional strategy.

The following table again illustrates risk appetite and certain actions taken in the corporate and commercial portfolios, which provides insight on the asset growth numbers.

Commercial

Commercial property finance	**Agri finance**	**Asset-backed finance**	**Small businesses (SMEs)**	**Rest of Africa and India**
→	→	→	↗	↗
Focus remains on banked owner-occupied and selective multi-tenanted deals	Continued to diversify exposure across commodities and geographically	Growth focus on banked customers across targeted industries	Cross-sell to relationship base (low credit product penetration)	Continue to target Africa-India corridor clients and introduce specialised product offerings

Corporate

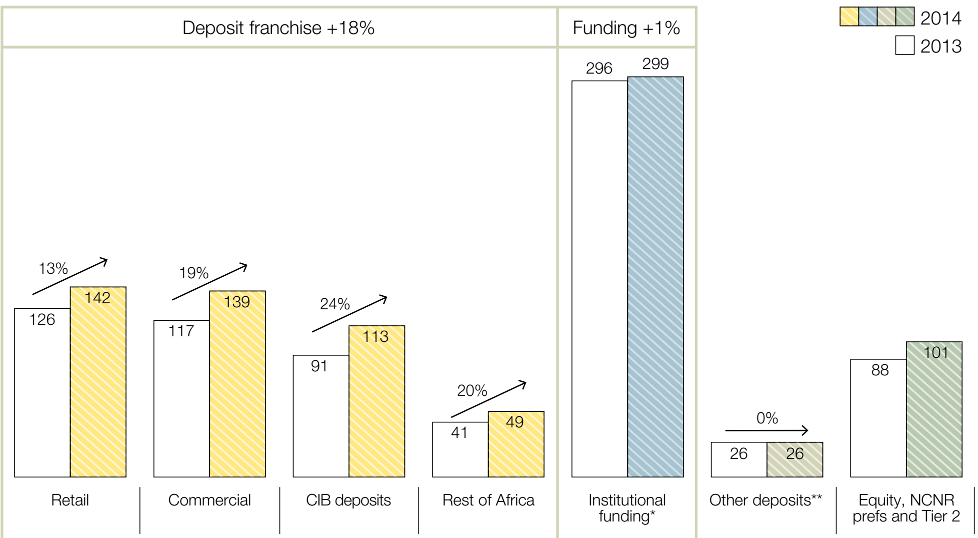
Working capital finance	**Infrastructure finance**	**Cross-border rest of Africa**	**South African corporates**
→	↗	↗	→
Tracking nominal SA GDP	SA renewable energy projects with strong drawdown pipeline projected	Primarily resource finance and structured financing in hard and soft commodities in strategic countries in the rest of Africa	Lead arranger of the larger acquisition, leveraged finance and listed property transactions

For more detail on the credit portfolio, refer to pages 179 to 211 of the *risk and capital management report* in the annual integrated report.

Deposit franchise growth

NII also benefited from solid deposit growth of 18% across the deposit franchise. This ultimately resulted in only a marginal increase in institutional funding over the year.

Equity and liabilities
R billion



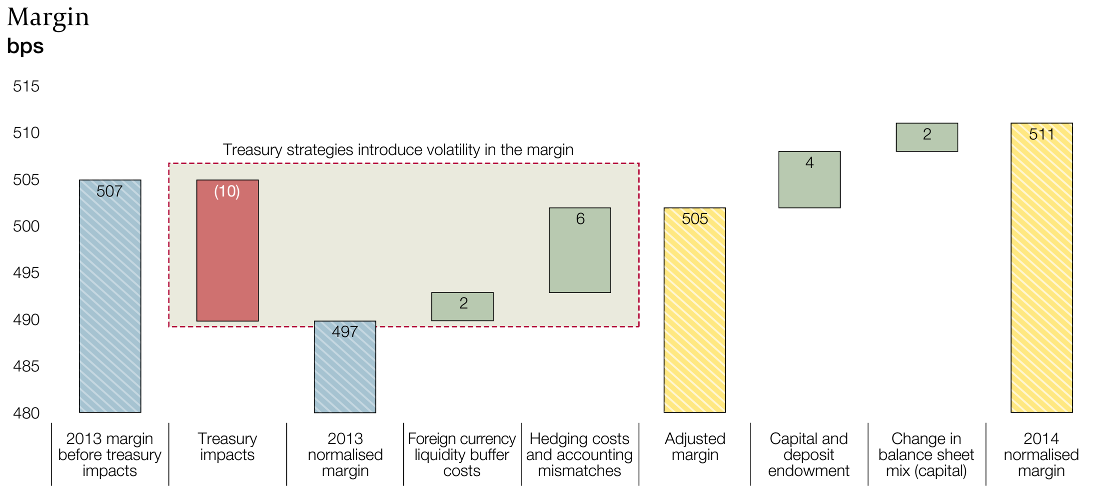
* *Includes CIB institutional funding.*
** *Includes liabilities relating to conduits and securitisations.*

Margins

Net interest margin improved from 4.97% to 5.11% year-on-year. The positive endowment on capital and deposits was the main driver of the margin expansion from an operational perspective.

The chart on the following page illustrates that the Group's treasury strategies introduce volatility in the margin with the significant negative impact on last year's margin largely reversed this year. The 8 bps improvement in the current year margin compares to a 10 bps decline in the prior year and relates to:

- the non-repeat of hedging costs of R215 million associated with the capital investment in RMB Nigeria in 2013;
- the unwind of the majority of the mark-to-market losses in 2013 of R304 million on fair value term funding instruments relating to the narrowing of term funding spreads in the prior year, as these instruments pull to par (the result of accounting mismatches relating to different treatment of assets and liabilities (fair value vs accrual); and
- reduced dollar funding carry costs associated with dollar excess liquidity compared to the prior year.

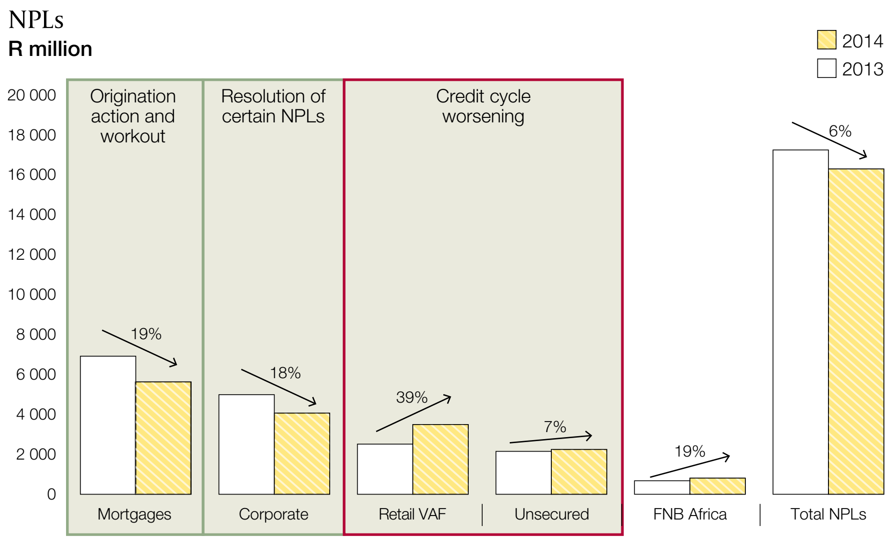


IMPAIRMENTS

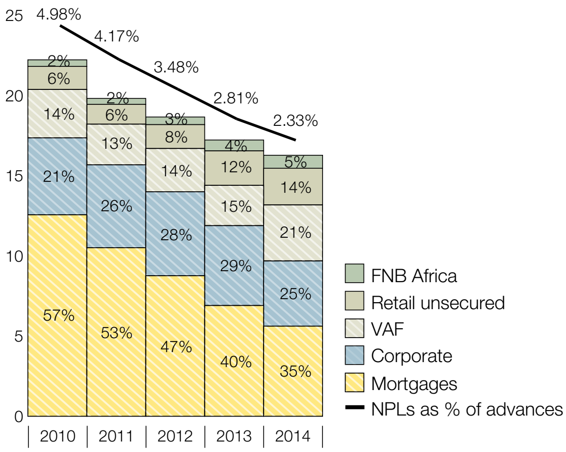
Bad debts continued to trend down from 95 bps (excluding the impact of the merchant acquiring event in 2013) to 84 bps, however, NPLs showed a mixed picture.

The following charts show that lower mortgage and corporate NPLs offset new inflows in other portfolios driving a continued reduction in overall NPLs.

- Mortgage NPLs declined further this year by 19% clearly benefiting from workout actions and origination strategies, whilst the decline in corporate NPLs was the result of the resolution of a number of NPL accounts.
- VAF NPLs increased 39% and unsecured NPLs are up 7%. Personal loan NPLs benefited from the pull-back in the mass segment in FNB. Whilst the increase in VAF and personal loan NPLs remains within expectations, it is an indication that the credit cycle is turning negative.
- Strong book growth resulted in an increase in NPLs in the FNB Africa portfolio.



NPLs
R billion



Coverage ratios (%)	2014	2013
Retail – secured	**24.0**	25.3
Residential mortgages	**19.9**	21.7
VAF	**30.6**	35.0
Retail – unsecured	**68.7**	75.5
Credit card	**73.0**	71.9
Personal loans*	**65.9**	74.5
Retail – other	**73.1**	80.8
Corporate	**63.3**	52.9
FNB Africa	**37.5**	39.1
Specific impairments	**40.8**	40.1
Portfolio impairments**	**44.6**	33.5
Total coverage ratio	**85.4**	73.6

* *Includes FNB and WesBank loans.*
** *Includes portfolio overlays.*

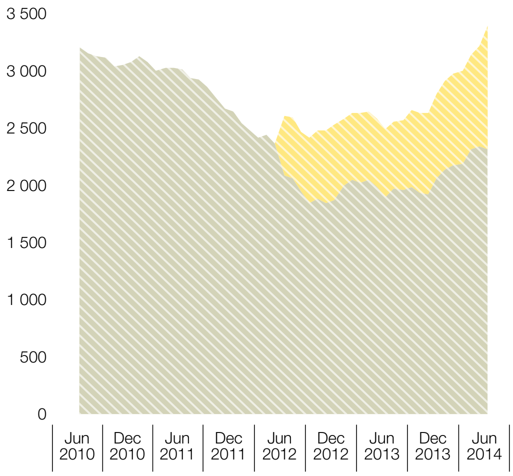
Absolute levels of NPLs decreased 6%, however, total coverage increased from 73.6% to 85.4% driven by a slight increase in specific coverage reflecting the change in mix of NPLs, but the bulk can be attributed to higher levels of portfolio impairments which resulted from the Group's proactive provisioning approach.

Portfolio overlays at a franchise level increased 40% year-on-year. This reflects the Group's view that the negative retail credit cycle will continue to emerge, already reflected in the higher levels of arrears being experienced in the VAF, WesBank personal loans and card books. In addition, portfolio overlays increased on the back of deteriorating macroeconomic indicators, resulting in the creation of an additional R450 million of central portfolio overlays.

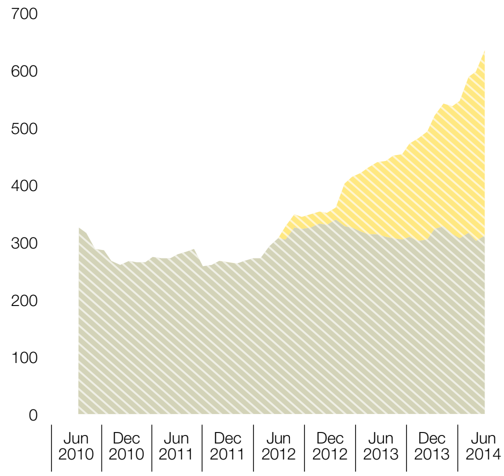
The reduction in the specific coverage ratios for VAF and personal loans is explained by the charts on the following page, which provide some insight as to why this is appropriate. The graphs reflect the growing proportion of restructured debt review accounts in NPLs. This conservative treatment is in line with Group practice to not reschedule paying NPLs to performing unless all outstanding arrears have been paid up. 33% of NPLs are currently under debt review (compared to 23% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when they went into debt review, which results in lower coverage.

Increased portfolio overlays reflect the Group's view that the negative retail cycle is emerging.

Local retail VAF NPLs
R million



WesBank personal loans NPLs
R million



The income statement impairment charge per product is outlined in the table below:

- the 9 bps impairment charge for residential mortgages is at a cyclical low and is expected to normalise going forward;
- the card impairment charge is still benefiting from high levels of post-writeoff recoveries; and
- a further R450 million portfolio overlay at the centre added 9 basis points to the charge.

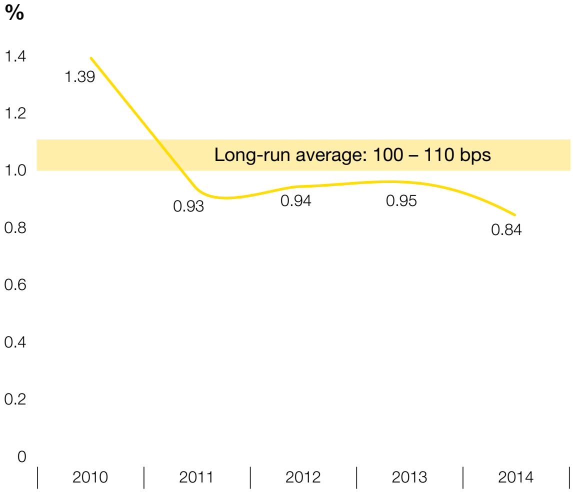
The Group believes that provisioning is appropriate given the continued emergence of the credit cycle.

Credit loss ratio ratios (%)	2014	2013
Retail – secured	**0.54**	0.62
Residential mortgages	**0.09**	0.32
VAF	**1.22**	1.14
Retail – unsecured	**5.20**	6.19
Credit card	**0.64**	0.19
Personal loans*	**7.56**	9.67
Retail – other	**6.76**	7.47
Total retail	**1.18**	1.32
Corporate and commercial	**0.31**	0.58
FNB Africa	**0.72**	0.65
Franchise impairment charge	**0.75**	0.95
Central portfolio overlay	**0.09**	–
Total credit loss ratio**	**0.84**	0.95

* *Includes FNB loans and WesBank loans.*
** *2013 credit loss ratio excludes impact of merchant acquiring event.*

As can be seen from the following chart, impairments are still below the long-run average of 100 to 110 bps, however, bad debts are expected to move into and/or above the long-run average going forward.

Credit loss ratio*

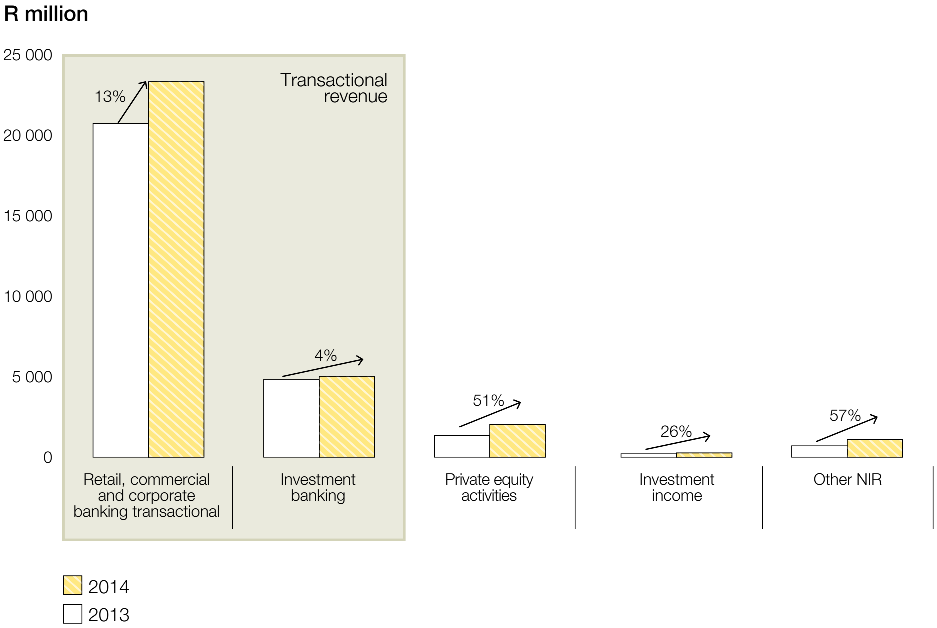


* *Excluding the impact of the merchant acquiring event.*

NON-INTEREST REVENUE

NIR growth continues to be driven by client-franchise strategies, which is reflected in the chart below.

Activity breakdown of non-interest revenue



Total non-interest revenue (NIR) increased 14% year-on-year, with another strong contribution from FNB, which grew NIR 10%. This performance was driven by both the retail and commercial segments and resulted from increases in fee and commission income. FNB's ongoing strategy to encourage customers to migrate onto electronic platforms continued to produce good growth in electronic volumes of 15% year-on-year.

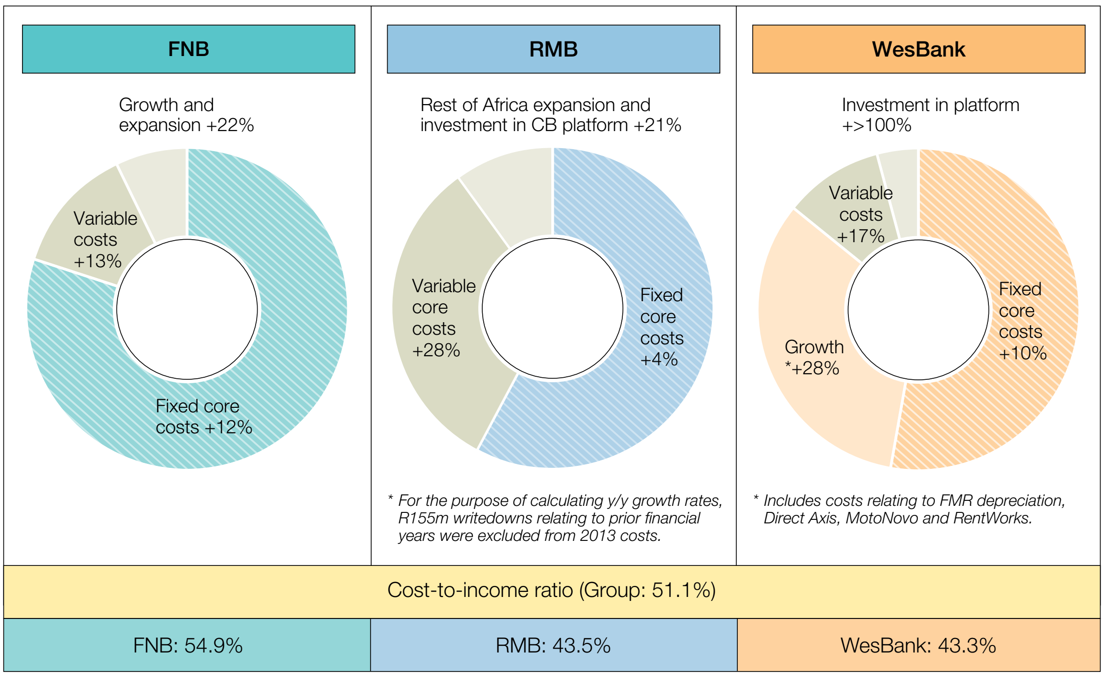
NIR growth was also driven by RMB's client franchises, particularly in the rest of Africa. In addition, RMB's investing activities produced an excellent performance, with good growth from equity-accounted income generated by the private equity portfolio. Investment income was boosted by realisations, including a significant investment realisation emanating from a debt restructure in prior periods.

WesBank's NIR (including share of profits from associates and joint ventures) increased 13%, in line with new business volumes and benefited from continued growth in the full maintenance rental (FMR) book.

For more insight on the individual franchises' strategies to grow NIR, please refer to the *review of operations*.

OPERATING EXPENSES

Overall operating expenses increased 15%, reflecting the continued investment in platforms and the Group's operating footprint in the rest of Africa. Core costs increased 12%.



FNB's core costs grew 12% on the back of salary increases and additional staff. Variable costs which are linked to revenue grew 13% and costs related to growth and expansion initiatives were up 22%.

RMB's core costs were up 4% year-on-year, with variable costs (directly linked to revenue) up 28% and costs associated with the investment related to the expansion rest of Africa and the corporate banking platform up 21%.

A major portion of WesBank's cost growth can be attributed to growth initiatives, such as FMR, MotoNovo, RentWorks, etc. as well as ongoing investment in its IT platform.

FirstRand does not target a cost-to-income ratio as it believes this to be an outcome of its ability to utilise its business model effectively in order to deliver on its growth strategies. The Group rigorously assesses cost structures at both a franchise and business unit level, but will always consider costs incurred to run the business versus costs incurred to build the business.

The Group believes that should topline come under pressure, costs could be flexed if required given the level of expenditure linked to revenue and the current levels of investment.

TAXATION

The effective tax rate increased to above 21% which was driven by a change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.

CONCLUSION

The Group delivered resilient, high quality earnings on the back of strong topline growth, which has translated into a strong return profile and it is well-positioned for the continued emergence of the credit cycle.

Harry Kellan
CFO

headline and normalised earnings

STATEMENT OF HEADLINE EARNINGS – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Profit for the year (refer page 117)	**19 786**	15 954	24
Non-controlling interests	**(1 058)**	(872)	21
NCNR preference shareholders	**(288)**	(297)	(3)
Earnings attributable to ordinary equityholders	**18 440**	14 785	25
Adjusted for:	**231**	542	(57)
Loss on disposal of investment securities and other investments of a capital nature	**27**	13	
Gain on disposal of available-for-sale assets	**(69)**	(33)	
(Gain)/loss on disposal of investments in associates	**(61)**	24	
Gain on disposal of investments in joint ventures	**–**	(23)	
Gain on disposal of investments in subsidiaries	**(18)**	(63)	
Loss on the disposal of property and equipment	**32**	77	
Fair value movement on investment properties	**–**	(7)	
Impairment of goodwill	**128**	438	
Impairment of assets in terms of IAS 36	**151**	283	
Gain from a bargain purchase	**–**	(14)	
Other	**–**	(138)	
Tax effects of adjustments	**26**	(35)	
Non-controlling interests adjustments	**15**	20	
Headline earnings	**18 671**	15 327	22

* *Refer to restatement of prior year numbers on pages 126 to 130.*

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Headline earnings	**18 671**	15 327	22
Adjusted for:	**(8)**	93	(>100)
IFRS 2 Share-based payment expense	**182**	43	>100
Treasury shares**	**97**	33	>100
Total return swap and IFRS 2 liability remeasurement	**(198)**	85	(>100)
IAS 19 adjustment	**(104)**	(110)	(5)
Private equity subsidiary realisations	**15**	42	(64)
Normalised earnings	**18 663**	15 420	21

* *Refer to restatement of prior year numbers on pages 126 to 130.*
** *Includes FirstRand shares held for client trading activities.*

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

FirstRand believes normalised results more accurately reflect the economic substance of the Group's performance. The Group's results are adjusted to take into account non-operational items and accounting anomalies. This normalised information has been reviewed and reported on by the Group's auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their unqualified reasonable assurance report thereon is available for inspection at the company's registered office.

EQUITY-SETTLED SHARE-BASED PAYMENTS AND TREASURY SHARES: CONSOLIDATION OF STAFF SHARE TRUST

IFRS 2 Share-based Payments requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005.

In 2005, the Group concluded a BEE transaction. As part of this transaction, rights were granted to the Group's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. The Group hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying, in the open market, the FirstRand shares required to settle these schemes. These shares are held in various share trusts. In addition to the 2005 grants, the staff share trusts received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI.

IFRS 10 Consolidated Financial Statements requires certain of these share trusts to be consolidated by the Group. FirstRand shares held by the staff share trusts are, therefore, treated as treasury shares. MMI shares held by the staff share trusts are treated as available-for-sale equity instruments.

From an IFRS perspective the following expenses are recognised:

- IFRS 2 cost for the FirstRand shares granted to employees based on the grant date fair value; and
- IAS 19 expense for the movement in the fair value of MMI shares expected to vest.

When calculating normalised results, the following adjustments are made in respect of the staff share trusts to reflect the economics of the scheme:

- FirstRand shares held by staff schemes are treated as issued to parties external to the Group and loans to share trusts are recognised as external loans;
- the IFRS 2 expense is reversed; and
- the IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the Group's relationship with these entities.

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

The Group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the Group.

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

In addition, in terms of *IAS 28 Investments in Associates*, upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, the Group's portion of the fair value change in FirstRand shares is, therefore, deducted from equity-accounted earnings and the investment recognised using the equity accounted method.

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the Group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the Group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the Group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

ECONOMIC INTEREST RATE HEDGES

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

FAIR VALUE ANNUITY INCOME – LENDING

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

When calculating normalised results, the Group reclassifies the margin relating to the annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of the income earned on these assets. The corresponding impairment charge is reallocated from NIR to impairment of advances. Fair value advances are adjusted to reflect the cumulative adjustment.

IAS 19 REMEASUREMENT OF PLAN ASSETS

In terms of the revised *IAS 19 Employee Benefits*, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. Therefore, to the extent that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

In terms of *Circular 2/2013 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The Group includes gains or losses on the sale of private equity subsidiaries in normalised earnings to reflect the nature of these investments.

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

The Group entered into a total return swap (TRS) with external parties in order to economically hedge itself against the exposure to changes in the FirstRand share price associated with the Group's share option schemes.

In terms of *IAS 39 Financial Instruments: Recognition and Measurement*, the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR.

In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

When calculating normalised results, the Group defers the recognition of the fair value gain or loss on the hedging instrument for the current year to the period in which the IFRS 2 impact will manifest in the Group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the Group.

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.

HEADLINE EARNINGS ADJUSTMENTS

All adjustments that are required by *Circular 2/2013 Headline Earnings* in calculating headline earnings are included in normalised results.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 52. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

review of operations

FNB REVIEW OF OPERATIONS

FNB represents FirstRand's activities in the retail and commercial segments in both South Africa and the broader African continent. **It is growing its franchise strongly in existing and new markets on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms.**

18%
normalised earnings

37.4%
return on equity

10%
core advances

Jacques Celliers / *CEO*
FNB

Jacques Celliers / *CEO*
FNB

EXECUTION ON STRATEGY

FNB's performance in the year under review can be attributed to its primary strategy to grow and retain core transactional accounts through offering a compelling value proposition to the customer; innovative products and channels at an acceptable cost, supported by rewards programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards. The banking app, cellphone banking and eWallet innovations also continued to attract and retain customers.

Following several years of strong customer growth, FNB is now focusing on cross-selling to this expanded customer base, with the objective of increasing the average products per customer. This is expected to deliver good growth in deposits and transactional volumes going forward, particularly on the back of the deliberate strategy to drive customers onto electronic platforms.

Innovation remains central to FNB's growth strategy, with the internal innovation programme producing 1 755 innovations implemented during the period, all of which have contributed to earnings.

The four strategic drivers to FNB's innovation remain the same, namely to;

- gain new customers and migrate customers onto low cost electronic channels;
- retain and increase cross-sell to existing customers;
- drive operational efficiencies and reduce fraud; and
- return value to customers through rewards.

Examples of how particular innovations arising from these drivers have directly impacted FNB's performance include:

- increased cross-sell from 2.13x to 2.34x with more take-up to come from the existing base;
- lower credit card fraud writeoffs despite higher card turnover;
- 14% reduction in customers teller cash volumes while ADT cash deposits are up 17%;
- branch cost increases are below inflation for another year whilst card swipes are up 22%; and
- manual transactions have dropped 4% and electronic transactions have increased 15%.

FNB's technology continues to provide a safe and secure way for customers to bank online and through smart devices and cellphones. Savings and economies of scale generated from the use of electronic channels are passed on to customers through lower fees and attractive rewards, hence total NIR growth is lower in percentage terms to that of volume growth.

PERFORMANCE COMMENTARY

FNB produced excellent results for the period, increasing pre-tax profits 20%, driven by increased NII and NIR and a decrease in bad debts, particularly in residential mortgages. The business delivered an ROE of 37.4%. This performance was achieved despite pressures from an worsening credit cycle and continued investment in systems, platforms and footprint both locally and in the rest of Africa.

NII was driven by a reduction in NPLs, targeted balance sheet growth and margins benefited from repricing strategies and some endowment. NIR resulted from solid growth in banking fees and the businesses in the rest of Africa grew strongly on the back of good volumes and customer growth.

	FNB SA			FNB Africa			Total FNB		
R million	**2014**	**2013**	**%**	**2014**	**2013**	**%**	**2014**	**2013**	**%**
Net interest income	**15 052**	13 161	14	**2 865**	2 375	21	**17 917**	15 536	15
Non-interest revenue	**17 419**	16 075	8	**2 240**	1 791	25	**19 659**	17 866	10
Operating expenses	**(17 766)**	(15 950)	11	**(2 876)**	(2 353)	22	**(20 642)**	(18 303)	13
Income before indirect tax	**12 584**	10 461	20	**1 968**	1 625	21	**14 552**	12 086	20
Indirect tax	**(488)**	(387)	26	**(69)**	(55)	25	**(557)**	(442)	26
Income before direct tax	**12 096**	10 074	20	**1 899**	1 570	21	**13 995**	11 644	20
Normalised earnings	**8 712**	7 303	19	**750**	695	8	**9 462**	7 998	18
Advances	**259 065**	238 675	9	**40 202**	32 720	23	**299 267**	271 395	10
Total deposits	**281 083**	242 572	16	**49 245**	40 771	21	**330 328**	283 343	17
NPLs (%)	**3.3**	4.2		**2.0**	2.1		**3.1**	4.0	
Cost-to-income ratio (%)	**54.7**	54.5		**56.3**	56.5		**54.9**	54.7	
Credit loss ratio (%)	**0.86**	1.25		**0.72**	0.65		**0.85**	1.18	
ROA (%)	**3.44**	3.15		**1.51**	1.57		**3.12**	2.91	
Advances margin (%)	**3.38**	3.20		**5.23**	4.83		**3.61**	3.39	

FNB's strategy to grow core transactional banking accounts and drive activity across its electronic platforms resulted in strong growth in transactional volumes (up 12%). Overall NIR increased 10% driven mainly by activity in the commercial and Africa business of 14% and 25%, respectively. NIR growth was impacted by lower growth in the retail business (up 6%) due to more electronic volumes and pricing adjustments

FNB's overall operating expenditure increased 13%, which includes investment costs in the operating footprint, particularly in Africa, (costs up 22%).

FNB's NII increased 15% underpinned by good growth in both advances (+10%) and deposits (+17%). Deposit and advances growth was generated across all segments as indicated in the following table.

	Deposit growth		Advances growth	
Segments	**%**	**R billion**	**%**	**R billion**
Retail banking	13	**16.3**	6	**12.6**
FNB Africa	21	**8.5**	23	**7.5**
Commercial	19	**22.2**	18	**7.8**

Within the retail banking segment, residential mortgages grew 5%, in line with property prices and still reflective of FNB's deliberate strategy to only originate in low-risk categories. Card issuing grew 13% on the back of new customer acquisition. Personal loans declined 3% year-on-year reflecting adjustments in credit appetite in that segment dating back to 2011, particularly at the lower end of the market. NII was also positively impacted by the overall decrease in NPLs particularly in residential mortgages, commercial and personal loans.

FNB continues to exercise prudency and portfolio provisions increased 14%. Overall credit quality across all portfolios remains well within risk appetite.

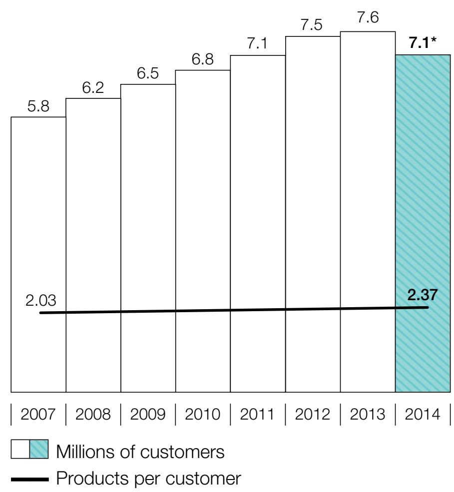
FNB's operations in the rest of Africa showed good profit growth of 21%. The established businesses grew profits 15%, particularly driven by Namibia and Swaziland. Botswana delivered a resilient performance despite a very difficult operating environment. Two of the newer subsidiaries, Zambia and Mozambique, turned profitable in the current period and future prospects remain positive. Customer numbers grew 14% and Africa now represents 18% of FNB's total client base.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- the 7-day notice deposit book growth of 40% year-on-year;
- eBucks and related rewards payout grew 34% to R962 million;
- properties in possession in SA reduced 46% year-on-year to 156 and are fully impaired;
- active banking app users increased 63% year-on-year to 875 000;
- Rest of Africa ATM devices rollout increased 15% year-on-year;
- 61% growth in cellphone banking prepaid purchases in rest of Africa;
- assets under execution in the FNB securities business grew 25% year-on-year;
- commercial property term loans achieved a record payout of R4.5 billion year to date; and
- 84% growth in eWallet transaction volumes.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

FNB believes that strong customer relationships are the key to the sustainability of its business. Two key measures of the business's success in building these relationships are growth in customers and improvements in cross sell.



* *Reflects closure of SASSA related accounts.*

As can be seen in the chart above, FNB has for several years consistently grown its customer base, particularly focusing on core transactional accounts. Whilst FNB believes that overall customer growth can continue in the medium term, its focus has shifted to growing an appropriate mix of customers to facilitate its cross-sell strategy.

In the current year the award of the government's social grant tender to a competitor resulted in a reduction of overall mass market customers.

Another measure of the sustainability of the client franchise is customer satisfaction and, to monitor this, FNB uses the internationally accredited and recognised South African Customer Satisfaction Index (SAcsi). The index provides information relating to:

- quality of specific service attributes of a channel in relation to customer expectations;
- complaints across the Bank in general as well as what percentage of total complaints can be attributed to a specific channel;
- overall satisfaction with FNB in general as well as specific channels;
- provide benchmark and comparative figures for all the major banks in the industry.

The index classifies FNB as a leader in customer satisfaction, in that the business scores significantly better than the industry average with a score of 77.2 compared to the industry's 72.9. With reference to complaints, FNB is on par with the industry receiving complaints from 27% of customers in the last six months.

FNB received a number of independent endorsements and awards during the year which are another indicator of the quality of the franchise and its ability to innovate for customers. Awards received by FNB SA in the year include:

- FNB HomeLoans was awarded the Top Home Loan Provider by Intellidex Bank of the Year Survey 2014.
- FNB "Steve" campaign was awarded the Grand Prix award at the Apex 2014 awards ceremony.
- FNB was awarded the "Coolest Bank in SA" by the Sunday Times.
- The FNB Blog was awarded the best Financial Blog in Africa at the African Blogger Awards.
- FNB was awarded the Zenith Mastery Award for Innovation in the Accenture Innovation Awards.
- FNB was awarded the Strongest Brand in the BrandFinance awards.
- FNB App was awarded Stuff Magazine's Gadget Award for best Smartphone App.

FNB's African subsidiaries also received recognition, including:

- FNB Botswana voted the Most Innovative Bank in Botswana by the Global Banking & Finance Review 2014 and the best Local Trade Finance Bank in Botswana by the Global Trade Review (GTR).
- FNB Namibia received the Banker of the Year Award for the best bank in Namibia for the fifth consecutive year.
- FNB Swaziland received the Three Diamond (1st overall) PMR awards for Business Banking, Personal Banking and Credit Cards.
- FNB Zambia received the following awards: Best Customer Service in the Financial Services Industry in Zambia and PMR diamond and gold award for best business banking and personal banking respectively.
- FNB Mozambique was awarded the PMR Silver Arrow Award for Business Banking and Bronze Arrow Award for Personal Banking.

FNB continued to increase its operating footprint in both South Africa and its African subsidiaries. FNB Mozambique opened two branches and extended its ATM network along with the launch of numerous new products. FNB Zambia grew its branch network from ten to sixteen branches year-on-year and point-of-sale devices by more than 200%, resulting in increases in customer numbers and balance sheet growth. During the period, FNB Zambia opened the first SLOW Lounge outside of South Africa. FNB Swaziland increased its ATM footprint adding eight new ATMs and now represents the largest ATM network in Swaziland. The purchase of prepaid electricity across all channels (ATM, cellphone banking and online banking) was also successfully rolled out.

	FNB – South Africa			FNB – Rest of Africa		
	2014	**2013**	**% change**	**2014**	**2013**	**% change**
Banking channels:						
Representation points (branches, agencies)	**744**	771	(4)	**132**	121	9
ATMs	**4 793**	4 582	5	**612**	534	15
ADTs	**1 326**	1 040	28	**–**	–	
Total ATMs (including ADTs)	**6 119**	5 622	9	**612**	534	15

RMB REVIEW OF OPERATIONS

RMB represents the Group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. RMB is recognised as **South Africa's leading investment banking franchise** and is one of the leading corporate and investment banking players on the broader African continent. RMB has a growing presence in the rest of Africa and India.

22%
normalised earnings

27.1%
return on equity

27%
core advances

Alan Pullinger / *CEO*
RMB

EXECUTION ON STRATEGY

The business continues to benefit from its strategy to manage the trade-offs between earnings volatility, profit growth and returns through actively managing the mix of client, investing and investment management activities. RMB seeks to generate most of its income from client-driven activities, such as investment banking and advisory, markets and structuring, and corporate transactional banking in all of its key markets. This strategy, coupled with steady investment returns and a growing focus on investment management products, is delivering a high quality and sustainable earnings profile.

During the year RMB continued to expand its activities in the rest of Africa by leveraging off FNB's operations in key African markets, using its market-leading product and sector expertise in key growth sectors on the broader African continent and capturing flows in the Asia-Africa trade and investment corridors.

RMB also continued to strengthen the balance sheet and consolidate market share in its more established business lines. It remains focused on building a meaningful corporate transactional business, by leveraging off its investment banking franchise, investing in platforms and offering clients holistic corporate and investment banking solutions.

In support of FirstRand's strategy to grow its investment management offering, RMB has developed products and platforms to introduce its markets and investment banking skills into structured product, ETFs and specialised funds. These alternative investment products are supplied to and distributed by Ashburton Investments and other Group franchises.

PERFORMANCE COMMENTARY

R million	Investment banking			Corporate banking			Total RMB		
	Year ended 30 June			Year ended 30 June			Year ended 30 June		
	2014	2013	% change	**2014**	2013	% change	**2014**	2013	% change
Income before indirect tax	**7 003**	5 673	23	**550**	570	(4)	**7 553**	6 243	21
Indirect tax	**(69)**	(60)	15	**(25)**	(33)	24	**(94)**	(93)	(1)
Income before direct tax	**6 934**	5 613	24	**525**	537	(2)	**7 459**	6 150	21
Normalised earnings	**4 964**	3 996	24	**378**	387	(2)	**5 342**	4 383	22
NCI	**63**	53	19	**–**	–	–	**63**	53	19
Normalised earnings including non-controlling interest	**5 027**	4 049	24	**378**	387	(2)	**5 405**	4 436	22
Total assets	**383 083**	349 427	10	**7 125**	5 331	34	**390 208**	354 758	10
ROE (%)	**26.86**	24.36	–	**30.64**	35.79	–	**27.1**	25.1	
ROA (%)	**1.37**	1.19	–	**6.67**	10.15	–	**1.46**	1.30	
Cost-to-income ratio (%)	**39.3**	38.72	–	**69.9**	65.01	–	**43.5**	42.4	

* *Includes headline earnings adjustments.*

RMB produced strong results for the year growing pre-tax profits 21% to R7.5 billion and continued focus on capital optimisation, growth and efficiencies yielded a further improvement in ROE to 27.1%.

This performance was achieved against a very challenging backdrop and can be attributed to strong growth in corporate advances whilst maintaining portfolio quality, a number of successful debt restructures which led to lower impairments, significant investment realisations profits predominantly off the back of a debt restructure in prior years, good growth in equity-accounted earnings from private equity portfolios and a growing contribution from activities in the rest of Africa.

Divisional results

Normalised PBT R million	Year ended 30 June		
	2014	2013	% change
Investment banking	**6 934**	5 613	24
– Global markets	**1 991**	1 757	13
– IBD	**4 083**	3 344	22
– Private equity	**1 208**	650	86
– Other RMB	**(348)**	(138)	>100
Corporate banking	**525**	537*	(2)
Operational performance	**525**	444	18
Normalisation adjustment (IT enablement for Dec 2012 period)	**–**	93	(100)
Total RMB	**7 459**	6 150	21

* *Includes normalisation adjustment of R248 million for December 2012 which carries through to June 2013 for IT enablement spend of which R155 million relates to years prior to and including June 2012.*

The investment banking division (IBD) delivered strong results, increasing pre-tax profits 22% to R4.08 billion. This performance was supported by good balance sheet growth, with advances up 27% for the year under review as IBD benefited from strong growth in bespoke investment grade lending on the back of client balance sheet restructures. The core loan book's risk profile remains robust. In addition, there was a significant increase in knowledge-based fee income, as the franchise continued to benefit from its market leadership position.

The global markets division delivered a solid performance for the year across all business lines. This was achieved in spite of challenging volatile market conditions, a subdued macroeconomic environment and increased competitive pressures. Good growth was reported from activities in the rest of Africa whilst the domestic performance was in line with the prior year, resulting in profit growth of 13% to R1.99 billion.

Private equity produced excellent growth with pre-tax profits 86% higher at R1.2 billion. It continues to benefit from the diversity of its portfolio, reporting good equity-accounted earnings despite the muted local economic climate. Earnings were also positively impacted by a significant investment realisation on the back of a debt restructure in prior years.

Corporate banking had a solid year growing normalised profits 18% to R0.53 billion. Total revenue grew as a result of gains in interest turn on both advances and deposits. Corporate liabilities experienced strong growth of 27%. Deriving further value from transactional banking activities through close alignment of the global markets and corporate banking businesses to better leverage both skill sets and client bases, and investment in these operations and platforms remains a priority.

Included in other RMB, the resources business and legacy portfolio reported losses for the year of R31 million and R183 million respectively, which is an improvement on the prior year. Overall results were down as results of provisions raised centrally and realisation profits in prior periods. Valuations remain subdued, market liquidity continues to be a constraint and the ability of companies to raise equity is limited. Investing limits remain in place for the resources business until conditions improve.

The strength of RMB's franchise is reflected in the number of major awards it received during the year, including:

African Banker Awards 2014
- Investment Bank of the Year

The Banker 2013 Investment Banking Awards
- Most Innovative Investment Bank from Africa

Euromoney awards for excellence 2014
- Best Investment Bank in South Africa

EMEA Finance 2014 Awards
- Best M&A House in Africa
- Best syndicated loan in EMEA

BESA Spire Awards 2013
- Best Fixed Income and Currencies House
- Best Interest Rate Derivatives (IRD) House
- Best Research House

also

- Best Debt Origination Team
- Best Structuring Team – Inflation/Credit/FX
- Best Market Making Team – Government Bonds
- Best Team – Inflation Bonds
- Best Repo Team
- Best Market Making Team – IRD
- Best On-Screen Market Making Team – IRD
- Best Sales Team – IRD
- Best On-Screen Market Making Team – FX
- Best Research Team – General Fixed Income
- Best Research Team – Credit
- Best Research Team – Quantitative Research
- Best Market Making Team – Cash Settled Commodity Derivatives

Risk Magazine SA 2013 rankings
1st – Fixed income
1st – Interest rates overall
1st – Interest rate options
1st – Interest rate exotics
1st – Inflation
1st – Commodities
1st – Risk Management Advisory

WESBANK REVIEW OF OPERATIONS

2%
normalised earnings

26.6%
return on equity

18%
core advances

Chris de Kock / *CEO*
WesBank

WesBank represents the Group's activities in asset-based finance in the retail, commercial and corporate segments in South Africa and the asset-based motor finance sector represented by MotoNovo Finance in the UK. Through the Direct Axis brand, WesBank also operates in the unsecured lending market in South Africa. WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers, distributors and dealer groups, strong point-of-sale presence as well as its innovative approach to doing business.

EXECUTION ON STRATEGY

WesBank continues to focus on growing its core business, while concurrently developing meaningful and sustainable earnings streams from businesses complementary to the core asset finance operation in South Africa. The retail motor business has seen further strengthening of its alliances with manufacturers and dealers. WesBank believes its point-of-sale presence, strong relationships and alliances, coupled with efficient acquisition processes, innovative customer and partner solutions, and competitive commission structures, allows it to originate high-quality business.

WesBank's corporate and commercial offering is gaining significant traction and now incorporates a full suite of products, including traditional instalment finance, leases and rentals (through its subsidiary RentWorks), auto card and fleet management services and full maintenance rental. The collaboration efforts between WesBank, FNB commercial and RMB are contributing to origination volumes, and efficient acquisition and risk management processes.

The MotoNovo Finance motor retail business, predominantly represented in the independent dealer used-vehicle sector in the UK, has also enhanced its presence in that market through growth in footprint and an enhanced product offering.

The unsecured lending business, marketed under a number of alliance brands, including Direct Axis, Sanlam CashPower, Telesure and Clientele personal loans, has also shown good new business and advance growth, bolstered by new alliances created in the prior year. This growth was achieved through the application of a consistent and disciplined credit appetite within the target market.

WesBank's insurance business, which spans the retail and corporate portfolios continues to deliver a meaningful contribution to NIR with plans to further expand the product range and improve penetration into the existing client base.

Given the cyclical nature of WesBank's domestic retail businesses, through strategies to diversify revenue streams, from a product sector and geographical perspective, coupled with more effective credit risk management, the franchise is expected to deliver sustainable growth and returns through the cycle.

PERFORMANCE COMMENTARY

WesBank's performance remained resilient despite its sensitivity to the motor retail market and the credit cycle. Notwithstanding higher credit and operating costs, new business volumes continued and pre-tax profits grew 2% to R4.06 billion. WesBank delivered an ROE of 26.6% and an ROA of 1.89%.

Financial performance

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Net interest income	**7 775**	6 853	13
Impairments	**(2 081)**	(1 649)	26
Non-interest revenue*	**3 505**	3 091	13
Operating expenses	**(4 886)**	(4 093)	19
Income before indirect tax	**4 313**	4 202	3
Indirect tax	**(253)**	(219)	16
Normalised profit before tax	**4 060**	3 983	2

* *Includes share of profits from associates.*

Other key performance metrics are incorporated in the table below.

Key ratios

	Year ended 30 June	
%	**2014**	**2013**
ROE	**26.6**	31.5
Cost-to-income ratio	**43.3**	41.2
Credit loss ratio	**1.35**	1.26
NPLs	**2.86**	2.76
ROA	**1.89**	2.20
Net interest margin	**5.05**	5.30

Profit growth continued in the corporate, MotoNovo and personal loans businesses, however, local retail vehicle and asset finance (VAF) was down on the prior year, which is expected given the current cycle. WesBank's operations in the rest of Africa grew strongly during the year, benefiting from increased new business volumes and improved margins. These results are currently reported as part of FNB's results as the activities currently reside within FNB's subsidiaries in the rest of Africa.

New business reflects a good risk profile across all portfolios, with systemic tightening continuing in credit appetite for higher risk segments. Production was up 15% year-on-year with local retail VAF, corporate, personal loans and MotoNovo origination volumes up 6%, 10%, 21% and 58% (GBP), respectively.

Interest margins remained resilient despite increased competition across all portfolios with origination well within agreed risk thresholds.

As corporate grows faster relative to local retail VAF, the average margin is expected to contract.

Bad debts are trending up but remain below WesBank's through the-cycle expectations. Given the macroeconomic outlook and the levels of indebtedness of consumers, WesBank expects impairments to continue to move up, however, it remains conservatively provided at this point in the cycle.

NPLs are 22% up year-on-year with local retail VAF increasing 39%. However, this is inflated by an increasing proportion of restructured debt review accounts, most of which are still paying according to arrangement. This conservative treatment is in line with Group practice. 33% of NPLs are currently under debt review (compared to 23% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when they went into debt review. Credit origination remains well within agreed risk appetite and vintage performance is very closely monitored. Systematic scorecard adjustments have been effected where early warning signs of underlying stress have been evident, and/or where warranted by changes in the macro environment.

NIR, including income from associates and joint ventures, increased 13% year-on-year, reflecting the growth in the advances book and in rental assets.

Core operating costs increased 10%, however, total expenses grew 19% when including the impact of the increase in profit share payments to alliance partners (which now total R510 million and are up 17% year-on-year), investment in platforms and strategic initiatives, and the increase in depreciation of full maintenance rental assets.

FINANCIAL AND OPERATIONAL HIGHLIGHTS

- Advances growth of 18% to R167 billion.
- New business growth of 15% to R91.6 billion; underpinned by
  - motor increased 6% to R57.3 billion;
  - corporate increased 10% to R14.7 billion;
  - unsecured lending increased 21% to R6.5 billion; and
  - MotoNovo increased 91% to R13.0 billion (58% growth in GBP).
- Strong growth continues within the newer established alliances in the unsecured lending portfolio.
- Introduction of online dealer self-help functionality to enhance service delivery to dealers.
- Implementation of iContract origination in the corporate business to increase service delivery and efficiency.
- Geographic and product expansion driving growth in the MotoNovo Finance business.
- Continued positive outcomes in respect of customers under debt review.

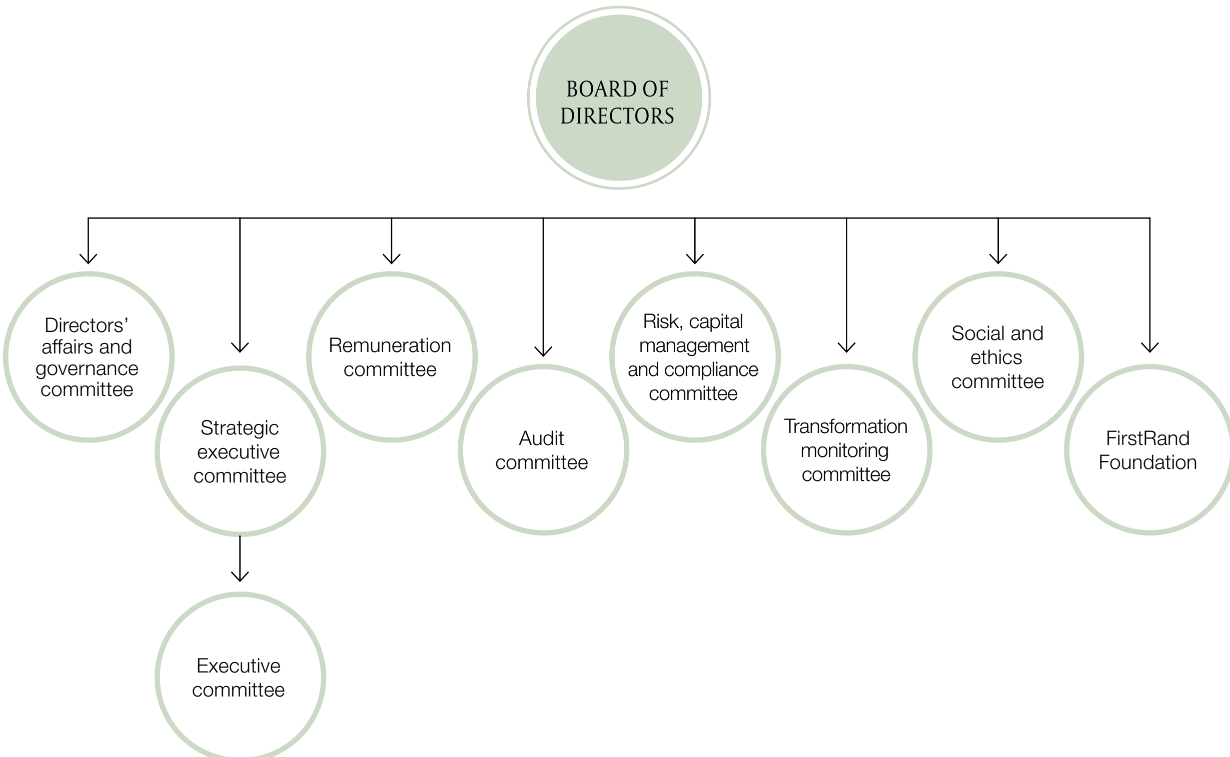
corporate governance

CORPORATE GOVERNANCE

FirstRand's board of directors oversees implementation of the highest standards of corporate governance in all operations. The board is ultimately responsible to shareholders and other stakeholders for the development and execution of a business strategy that successfully delivers sustainable value.

GOVERNANCE STRUCTURE

Each board committee has a clearly defined set of responsibilities supporting the long-term success of the FirstRand Group.

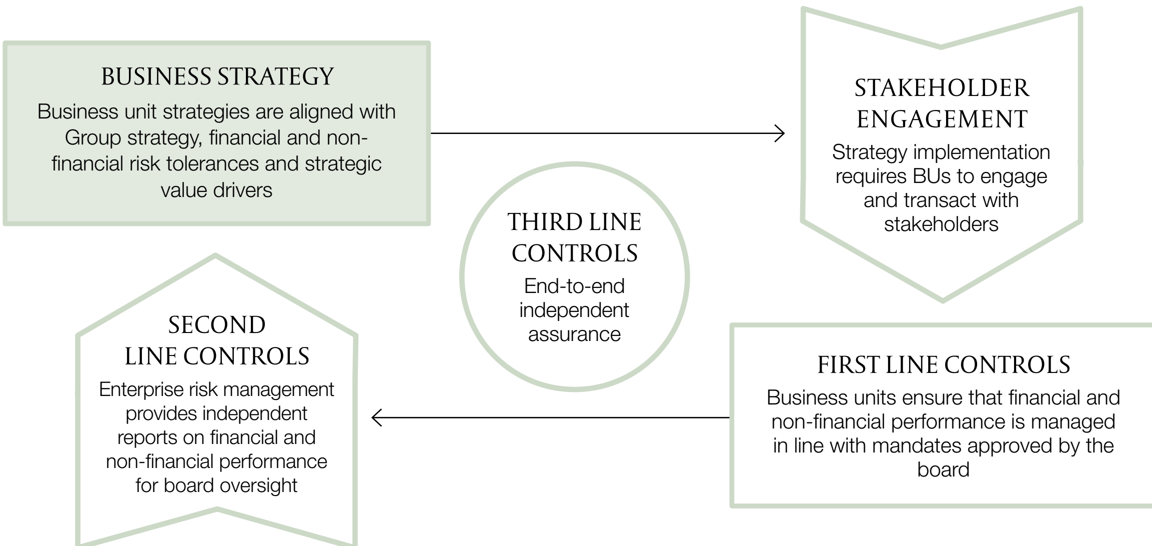


The board is assisted by FirstRand's strategic executive committee, which is the custodian of the Group's strategy and allocation of financial resources within the board-approved risk/reward framework. The committee is chaired by FirstRand's CEO and is composed of the deputy CEO, financial director and FCC CEO, and the CEOs of FNB, RMB and WesBank.

ECONOMIC IMPACT

During the year the board oversaw the creation of R79 635 million of economic value for the Group's stakeholders. Robust governance processes exist for overseeing the sustainability of this value creation.

FirstRand's integrated governance model allows for coherence between Group strategy implementation and the long-term interests of its stakeholders. This is achieved through ensuring that the Group's three lines of defence are appropriately aligned using a risk-based approach to identifying, monitoring and managing material issues.



In so far as there are social and environmental issues that potentially impact FirstRand's profitability a precautionary approach is applied to business decisions. Equal recognition is given to the importance of innovation, and trial and error for improving sustainable business processes.

Stakeholder engagement

FirstRand has defined its stakeholders as entities and individuals that are affected by its activities and can impact the Group's strategies and objectives.

	Engagement mechanisms			
Stakeholder group	**Transactional dialogue and official communiqués**	**Face-to-face *ad hoc* engagement**	**Line management/ relationship managers**	**Regulatory returns**
Government and regulators	✓	✓	✓	✓
Shareholders and analysts	✓	✓	✓	
Employees	✓	✓	✓	
Customers	✓	✓	✓	
Suppliers	✓	✓	✓	
Communities	✓	✓	✓	
Civil society		✓		

BOARD OF DIRECTORS

During the year ended 30 June 2014 FirstRand's board **comprised 21 members**. 17 of FirstRand's directors were non-executive, 10 of whom were independent. The roles of the chairman and CEO are separate and the **composition of the board** ensures a **balance of authority** precluding any one director from exercising **disproportionate powers** of **decision making**.

Board attendance

	Sep 2013	Nov 2013	Feb 2014	April 2014	May 2014
LL Dippenaar*	✓	✓	✓	✓	✓
SE Nxasana**	✓	✓	✓	✓	✓
JP Burger**	✓	✓	✓	✓	✓
HS Kellan** (appointed January 2014)	–	–	✓	✓	✓
VW Bartlett#	✓	✓	✓	✓	A
JJH Bester#	✓	✓	✓	✓	✓
MS Bomela*	✓	✓	✓	✓	✓
P Cooper*	✓	✓	✓	✓	✓
L Crouse*	✓	✓	✓	A	✓
JJ Durand*	✓	✓	✓	✓	✓
GG Gelink#	✓	✓	A	✓	✓
PM Goss#	✓	✓	✓	✓	✓
NN Gwagwa#	✓	✓	✓	✓	✓
PK Harris*	✓	A	✓	✓	✓
WE Jardine#	✓	✓	✓	✓	A
EG Matenge-Sebesho#	✓	✓	✓	✓	✓
AT Nzimande*	✓	✓	✓	✓	✓
D Premnarayen#	✓	✓	✓	✓	✓
KB Schoeman*	✓	✓	✓	✓	A
BJ van der Ross#	✓	✓	✓	✓	✓
JH van Greuning#	✓	✓	✓	✓	✓

* *Non-executive director.*
** *Executive director.*
\# *Independent non-executive director.*
A *Apologies tendered and accepted.*

Definition of independence

For the purpose of this integrated report directors are defined as follows:

- executive directors are employed by, or contracted to, FirstRand Limited or any company in the FirstRand Group; this includes directors participating in share incentive schemes;
- non-executive directors are those who represent FirstRand's BEE partners and those who are also directors of RMB Holdings or Remgro Limited and are not classified in that company as independent; and
- all other directors are classified as independent non-executive directors. This includes those directors who participate in the FirstRand black non-executive directors' share trust established as part of FirstRand's BEE transaction.

The board is satisfied that these classifications do not conflict with those of section 3.84(f) of the JSE Listings Requirements.

Lauritz Lanser (Laurie) Dippenaar (65)

Non-executive chairman

MCom, CA(SA)

Appointed July 1992

Sizwe Errol Nxasana (57)

Chief executive officer

BCom, BCompt (Hons), CA(SA)

Appointed January 2006

Johan Petrus Burger (55)

Deputy chief executive officer

BCom (Hons), CA(SA)

Appointed January 2009

Hetash (Harry) Surendrakumar Kellan (42)

Financial director

BCom, BCom (Hons), CA(SA)

Appointed January 2014

Vivian Wade (Viv) Bartlett (71)

Independent non-executive director

AMP (Harvard), FIBSA

Appointed May 1998

Jurie Johannes Human Bester (72)

Independent non-executive director

BSc Eng Elect (Pret), ISMP (Harvard)

Appointed July 2010

Mary Sina Bomela (41)

Non-executive director

BCom (Hons), CA(SA), MBA

Appointed September 2011

Peter Cooper (58)

Alternate non-executive director

BCom (Hons), HDip Tax, CA(SA)

Appointed July 2013

Leon Crouse (61)

Non-executive

CA(SA)

Appointed September 2008

Jan Jonathan (Jannie) Durand (47)

Non-executive director

BAcc (Hons), MPhil (Oxon), CA(SA)

Appointed October 2012

Grant Glenn Gelink (64)

Independent non-executive director

BCompt (Hons), BCom (Hons), CA(SA)

Appointed January 2013

Patrick Maguire (Pat) Goss (66)

Independent non-executive director

BEcon (Hons), BAccSc (Hons), CA(SA)

Appointed May 1998

Nolulamo Nobambiswano (Lulu) Gwagwa (55)

Independent non-executive director

BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)

Appointed February 2004

Paul Kenneth Harris (64)

Non-executive director

MCom

Appointed July 1992

William Rodger (Roger) Jardine (49)

Independent non-executive director

BSc (Physics), MSc (Radiological Physics)

Appointed July 2010

Ethel Gothatamodimo Matenge-Sebesho (59)

Independent non-executive director

MBA (Brunel), CAIB (SA)

Appointed July 2010

Amanda Tandiwe (Tandi) Nzimande (44)

Non-executive director

BCom, CTA (UCT), CA(SA), HDip Co Law (Wits)

Appointed February 2008

Deepak Premnarayen (68)

Non-executive director

BA Economics (Hons) India

Appointed January 2009

Kgotso Buni Schoeman (50)

Non-executive director

BA Economics, Advanced Financial Management Diploma

Appointed May 2008

Benedict James van der Ross (67)

Independent non-executive director

Dip Law (UCT)

Appointed May 1998

Jan Hendrik (Hennie) van Greuning (61)

Independent non-executive director

DCom (Economics), DCompt (Accounting Science), CA(SA), CFA

Appointed January 2009

DIRECTORS' AFFAIRS AND GOVERNANCE COMMITTEE

WR Jardine

Chairman

COMPOSITION

The directors' affairs and governance committee (DAG) comprises all FirstRand's non-executive directors and is chaired by Roger Jardine, an independent non-executive director.

ROLE

The committee is responsible for overseeing the implementation of effective governance and assurance processes across the Group and ensures that FirstRand implements the highest standards of corporate governance in all operations.

During the year the chairman provided detailed reports to the board on issues addressed by the committee.

Highlights

Focus area	Actions
Governance effectiveness	Oversaw projects to further enhance links between governance oversight and executive assurance functions.
Board, board committees and executive succession planning	Reviewed the effectiveness of the board of directors and its subcommittees, and ensured sound and effective succession planning at both board and executive level.
Board and committee training	Oversaw the implementation of board training programmes for areas warranting specific or technical oversight. Detailed attention was paid to anti-money laundering and other key measures implemented to ensure the ethical performance of the Group.

DIRECTOR RESPONSIBILITIES

Directors have full and unrestricted access to management and all Group information and property. They are entitled to seek independent professional advice in support of their duties at the Group's expense. Directors may also meet separately with management without the attendance of executive directors.

In overseeing the performance of the Group, directors have a fiduciary duty to act in good faith and with due diligence and care in the best interests of the Group and all its stakeholders. All directors subscribe to the FirstRand code of ethics which can be found on the FirstRand website (www.firstrand.co.za) and forms part of FirstRand's board charter.

BOARD COMPOSITION

Each year one third of FirstRand's non-executive directors retire. Three of the directors, Mr Schoeman, Ms Bomela and Ms Nzimande, represent FirstRand's three BEE partners. These directors were nominated by the partners they represent and their appointments were subject to the standard approval processes applied in terms of the Banks Act and JSE Listings Requirements.

FirstRand's chairman is non-executive, but not independent in terms of the definitions. Mr Dippenaar is a major shareholder in RMB Holdings Limited, which owns 33.9% of the issued share capital of FirstRand. Mr Dippenaar retired as chief executive of FirstRand in November 2005. The board believes that his specialist knowledge of the financial services industry and of the FirstRand Group makes it appropriate for him to hold this position. In line with the JSE Listings Requirements and the King III code, a lead independent non-executive director was appointed for the year.

SUBSIDIARY BOARDS AND BOARD COMMITTEES

In exercising effective control of the Group, the directors are empowered to delegate to other board and executive management committees. Board committees assist the directors in their duties and responsibilities. FirstRand's board has committees to deal with directors' affairs and governance, compensation, audit, ethics, BEE transformation, and risk, capital management and compliance. These committees have formal charters and report to the board at regular intervals. With the exception of stratco and exco, board committees are chaired by independent non-executive directors. Reappointment to the committees is not automatic and is subject to the approval of DAG. When FirstRand directors retire by rotation they automatically retire from the committees on which they serve.

Additional board committees exist at divisional and operating franchise level which assist FirstRand Limited's board in overseeing the activities of FirstRand's operating franchises.

GOVERNANCE EFFECTIVENESS

Director and committee effectiveness

During the year the board and all of its committees measured their effectiveness and that of their individual members. The directors convey to the chairman any concerns they might have in respect of the performance and conduct of their peers. As part of these evaluations the independence of all independent non-executive directors is evaluated. This includes, in particular, those who have served continuously for up to nine years or more.

The evaluations include an appraisal of the chairman of the board or committee being evaluated. The performance of the chief executive is also formally evaluated at least annually against a balanced scorecard, which is described in the *remuneration committee report* on page 79. Evaluations conducted for the period under review identified no material concerns in respect of board, board committees or individual director performance.

Corporate governance rigorously monitored in all operations.

Succession planning

FirstRand benefits from an extensive pool of people with diverse experience and competence. The Group's non-statutory franchise boards are used as platforms for mentoring potential future executive and non-executive directors, and developing their knowledge of the FirstRand Group. During the year the Group's executive and board succession plans were updated to take cognisance of developments in the Group's talent pool and future skills needs.

Based on the measures in place, the board is confident that it is able to identify suitable short-term and long-term replacements from within the Group if and when the need arises.

APPOINTMENT OF DIRECTORS

There is a clear policy in place detailing procedures for appointments to the board. Such appointments are formal and a matter for the board as a whole, assisted by DAG. Prior to the appointment of a new director, a nominations committee is appointed by DAG. This committee is responsible for interviewing the nominees for the role and making recommendations to DAG as to his or her suitability.

The nominations committee is constituted exclusively of non-executive directors, the majority of whom are independent, and is chaired by the chairman of DAG, who is also an independent director.

When appointing directors, the board takes cognisance of its needs in terms of different skills, experience, cultural diversity, size and demographics.

The retirement age for non-executive directors is 70 and may be extended after an annual review process, if unanimous agreement is reached by the board that the skills and experience of a director warrant retention. There is no limit to the number of times that a director may be re-elected to the board. Non-executive directors are expected to ensure that appointments to boards outside of the FirstRand Group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest.

The appointment of all directors to the board requires the approval of shareholders at the annual general meeting. The directors are accountable and responsible for all the actions of board committees. This is emphasised during the induction training provided to new directors. Other ongoing training and education courses allow them to familiarise themselves with FirstRand's operations, the business environment, their fiduciary duties and responsibilities and the board's expectations in respect of their commitment and ethical behaviour.

In terms of South African banking regulations, all directors of a bank or a bank-controlling company must be approved by the South African Reserve Bank. During the year DAG oversaw the necessary actions for ensuring compliance with this requirement.

TRADING IN COMPANY SHARES

FirstRand has closed periods prohibiting trade in FirstRand shares by directors, senior executives and participants in the various share incentive schemes. The closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under cautionary or where participants have knowledge of price sensitive information. Similar prohibitions exist in respect of trading in RMB Holdings shares because of the relative importance of FirstRand in the earnings of RMB Holdings. All directors' dealings require the prior approval of the chairman and the company secretary retains a record of all such share dealings and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the Group's personal account trading rules.

DIRECTORS' INTERESTS

It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

According to the register of directors' interests, maintained by FirstRand in accordance with the provisions of Section 75 of the Companies Act, directors have disclosed the following interests in FirstRand at 30 June 2014.

Certain directors have also disclosed their effective interest in FirstRand as a result of their shareholding in RMB Holdings Limited, which holds 33.9% (2013: 33.9%) of the issued share capital of FirstRand.

Ordinary shares (audited)

Thousands	Direct beneficial	Indirect beneficial	Held by associates	Indirect via RMBH	Total 2014	Percentage holding	Total 2013
Executive directors and prescribed officers							
SE Nxasana	6 169	–	–	–	**6 169**	0.11	636
JP Burger	504	–	5 980	1 670	**8 154**	0.14	3 232
HS Kellan (appointed 1 October 2013)	653	–	115	–	**768**	0.01	–
A Pullinger	3 605	–	35	–	**3 640**	0.06	2 042
J Celliers (appointed 1 October 2013)	–	154	–	–	**154**	–	–
C de Kock (appointed 1 October 2013)	300	–	–	–	**300**	–	–
Non-executive directors							
VW Bartlett	3 193	–	–	–	**3 193**	0.06	3 193
JJH Bester	20	–	–	–	**20**	–	20
P Cooper	1 731	–	891	5 127	**7 749**	0.14	7 718
LL Dippenaar	–	3 100	6	101 942	**105 048**	1.86	115 035
GG Gelink	30	–	–	–	**30**	–	30
PM Goss	1	–	–	16 225	**16 226**	0.29	16 220
PK Harris	–	218	96	16 226	**16 540**	0.29	23 719
Total	16 206	3 472	7 123	141 190	**167 991**	2.97	171 845

Directors' interests remained unchanged from the end of the financial year to the date of this report.

B preference shares (audited)

Thousands	Indirect beneficial	Total 2014	Percentage holding	Total 2013
Non-executive directors				
VW Bartlett	16	**16**	0.04	16
LL Dippenaar	570	**570**	1.27	566
Total	586	**586**	1.31	582

Directors' interests remained unchanged from the end of the financial year to the date of this report.

PROCEEDINGS AND PERFORMANCE REVIEW

The committee met three times during the year. Attendance was as follows:

	Sep 2013	Nov 2013	Feb 2014	April 2014
VW Bartlett	✓	✓	✓	✓
JJH Bester	✓	✓	✓	✓
MS Bomela	✓	✓	✓	✓
P Cooper	✓	✓	✓	A
L Crouse	✓	✓	✓	A
LL Dippenaar	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PM Goss	✓	✓	✓	✓
GG Gelink	✓	✓	A	✓
NN Gwagwa	✓	✓	✓	✓
PK Harris	✓	A	✓	✓
WR Jardine – chairman	✓	✓	✓	✓
EG Matenge-Sebesho	✓	✓	✓	✓
AT Nzimande	✓	✓	✓	✓
D Premnarayen	✓	✓	✓	✓
KB Schoeman	✓	✓	✓	✓
BJ van der Ross	✓	✓	✓	✓
JH van Greuning	✓	✓	✓	✓

A – apologies tendered and accepted.

The chairman attends the annual general meeting.

Company secretary

FirstRand's company secretary assists the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the FirstRand Group and its stakeholders. Where necessary, the company secretary facilitates induction and training for directors and assists the CEO in determining the annual meeting timetable. An assessment of the performance of the company secretary is included in the annual director and board assessment process.

Following Mr BW Unser's retirement in December 2013, Ms Carnita Low was appointed as FirstRand Limited's company secretary in January 2014. She is suitably independent, qualified and empowered and generally maintains an arms length relationship with the board and its directors as far as reasonably possible. Ms Low is also the secretary to the board committees and subsidiary boards.

The board wishes to formally record its gratitude to Mr Unser for his service to the Group, first as the company secretary for First National Bank from 1992 and later as the company secretary of FirstRand Bank from 1998 and FirstRand Limited from 2010. The board and company wish Mr Unser well in his retirement.

LOOKING FORWARD

The directors' affairs and governance committee is satisfied that it, and all board committees, have complied with the requirements of their charters and that all reasonable measures have been taken to ensure that the highest standards of corporate governance are implemented at all operations.

WR Jardine
Chairman, directors' affairs and governance committee

8 September 2014

REMUNERATION COMMITTEE

Pat Goss

Chairman

COMPOSITION

The remuneration committee is chaired by an independent non-executive director and is composed of non-executive directors, the majority of whom are independent. Executives attending committee meetings do so in an *ex officio* capacity.

ROLE

Remco aligns the interests of the Group's employees with those of regulators, shareholders, depositors and other stakeholders. The committee provides oversight of all forms of compensation and reward to executive directors and senior management including fees, guaranteed pay and variable compensation, other benefits and long-term incentive awards. The committee is also responsible for reviewing proposals to the directors' affairs and governance committee and shareholders on non-executive director compensation.

During the year the Group implemented the following actions pertaining to compensation.

Highlights

Focus area	Actions
Outcomes-based compensation	Special attention was paid to promoting outcomes-based compensation at all levels of work, and within the framework of the Financial Stability Board's Principles for Sound Compensation Practices and the Financial Service Authority's compensation code of practice.
Aligning risk and reward	The chairman of the risk, capital management and compliance committee is a remuneration committee member and formally confirmed that the risk element of FirstRand's compensation policy has been duly considered, while ensuring appropriate compensation for risk managers and discouraging inappropriately risky behaviour.
Deferral of variable compensation	Between 20% and 40% of all performance payments above R1.5 million was deferred by a conditional award in terms of the FirstRand conditional incentive plan for two years. 40% applies to executive committee members and 30% to other employees earning bonuses in excess of R5 million. In certain circumstances the percentage of deferred variable compensation can increase.

MEASURING REMUNERATION AGAINST VALUE CREATION

Remco applies itself to achieving an optimal balance between operational stability, superior value creation and sustaining appropriate alignment of employee performance with the medium-to long-term interests of the Group's stakeholders. The committee aims to continually refine the Group's compensation practices based on the following core compensation principles:

Principles

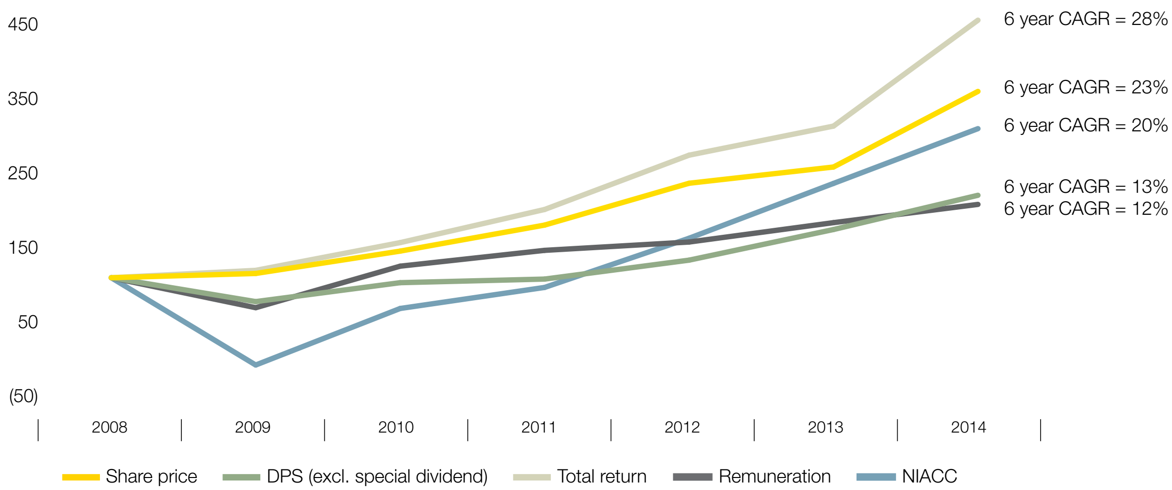
- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through incentive compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred in the course of business; and
- overseeing the implementation of long-term incentive awards subject to performance criteria that appropriately reflect sustainable value creation over the medium to long term.

> It is appropriate that the management team share in value creation but it is also important to remember that if, during the five years, the Group's targets were not met, the APRs would not have vested.
>
> *– Laurie Dippenaar, chairman's statement*

2014 prescribed officer compensation

During the year ended 30 June 2014 the Group produced excellent results with a 24.2%% ROE and a 32% increase in NIACC. Prescribed officer compensation increased by 14%. The committee believes that this increase and the underlying remuneration mix detailed on page 82, is consistent with its core compensation principles.

Total growth in shareholder return compared with growth in prescribed officer compensation



The graph above shows the relationship between prescribed officer pay and FirstRand's value creation over a six-year period. Importantly, the NIACC line shows normalised earnings after subtracting the risk-adjusted cost of capital for the Group. NIACC takes cognisance of the impact of a broad range of risks on the Group's required capital levels, thus underpinning the alignment of compensation and the sustainability of economic returns when used as a performance metric. This is a key principle because performance incentives have never been paid under circumstances where the Group has not been NIACC positive over a three-year period. In other words, the Group only pays performance incentives if it has generated economic returns exceeding its obligations towards providers of capital.

Outcomes-based compensation

FirstRand's NIACC metric applies across many compensation levels to enable alignment between pay and value creation broadly across the organisation. Stakeholders are referred to page 79 for a description of the actions overseen by the remuneration committee during the year to ensure the consistent application of its core principles appropriately and relative to individual, business unit and Group performance.

COMPENSATION POLICY

As a financial services group, FirstRand's most critical asset for delivering on its value proposition is its human resources. The compensation strategy is tailored accordingly towards:

- attracting, retaining and motivating people with the ability, experience and skills to successfully implement business strategy;
- creating recognisable alignment between rewards for employees and the risk exposure of shareholders and other stakeholders;
- incentivising employees to deliver consistent performance in line with strategic goals and risk tolerances;
- delivering compensation that is affordable and reasonable in terms of the value created for shareholders; and
- encouraging behaviour consistent with FirstRand's code of ethics, business philosophy and corporate culture.

FirstRand's compensation policy specifically addresses the following factors to achieve its compensation strategy:

- variable compensation pools shaped by Group profitability and performance metrics, divisional profitability, risk taken within risk appetite compared to realised returns and sustainable future profitability;
- individual performance measured against specific quantitative financial and non-financial performance criteria and individual behaviour;
- variable compensation which reduces or disappears in the event of poor Group, divisional, business unit or individual performance (in line with the claw back principle);
- no multi-year guaranteed incentives, substantial severance arrangements or compensation linked to revenue generation by formula;
- significant deferral of senior management's variable compensation in share-linked instruments for a period of two years; and
- transparency to enable stakeholders to make reasonable assessments of reward practices and underlying governance processes.

Review of compensation practices

Remco consults with local and international consultants to ensure that it obtains independent advice on both general and specific compensation practices.

During the year the committee reviewed a comprehensive gap analysis of the Group's compensation practices relative to international best practice, notably those recommended in Regulation 43 of the South African Banks Act and the Financial Stability Board's Principles of Sound Compensation Practices and Implementation Guidelines. Based on the outcome of this exercise, the committee is satisfied that the Group's compensation practices are in line with international best practice and the requirements of the Banks Act.

Material risk takers

Material risk takers are defined with reference to their influence over the activities of the Group or a part of it and the relationship between this and risk assumed in the course of conducting business. Remco defines material risk takers and control staff as the Group's executive officers as defined in the South African Banks Act and the Group heads of risk and control functions.

In terms of the Companies Act 71 of 2008, prescribed officers are defined as employees who exercise general executive control over and management of the whole, or a significant portion of the business activities of the Group. FirstRand defines its prescribed officers as members of the Group strategic committee: Group CEO, deputy CEO, financial director and the CEOs of the Group's operating franchises (FNB, RMB and WesBank) are so defined and their compensation is included as part of the emoluments table on page 87.

Compensation of risk, compliance and internal audit personnel

Risk and compliance personnel are compensated based on performance measures related to the achievement of risk management objectives.

Remuneration of employees in the risk and compliance functions is reviewed annually and benchmarked to ensure that it is market related and adequate to attract and retain qualified and skilled staff. The heads of Group enterprise risk management and Group regulatory risk management provide input into the compensation levels of risk managers across the Group.

A subcommittee of the remuneration committee, the risk and compliance remuneration committee, which has non-executive director representation, plays an independent oversight role of the remuneration of employees in the various risk and compliance functions at franchise level.

Forward looking measures

The chairman of FirstRand's risk, capital management and compliance committee has provided formal confirmation that the risk element of FirstRand's compensation policy has been duly considered and does not encourage risky behaviour.

In addition to the above, the committee ensures that total variable compensation does not limit the Group's ability to strengthen its capital base and compensation has been structured to account for all identified types of risk including credit and liquidity risk.

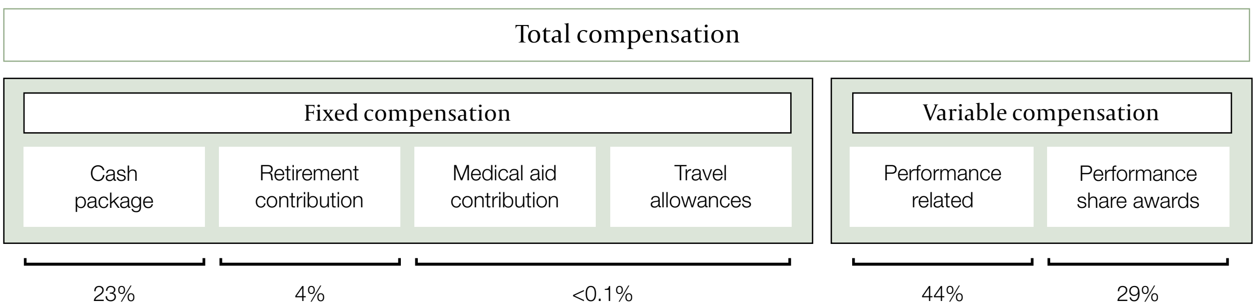
The size of the variable compensation pool and its allocation within the Group takes current and potential future risks into account. These include:

- cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conduct of business; and
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings.

COMPENSATION STRUCTURE

Remco recognises that performance drivers for successful implementation of business strategy may vary from year-to-year relative to the economic cycle, specific business and regulatory or market conditions. FirstRand's compensation practices are accordingly tailored to respond to such changes within the parameters of its mandate and policy.

Focus area	Business objective	Remco policy
Guaranteed pay	Compensation designed to attract and retain human resources in line with the skills requirements of the role.	In most cases benchmarked relative to skills, experience, performance and complexity of the role.
Retirement contribution	Ensure that employees have appropriate resources for their retirements.	Employer contribution matches employee contribution in line with the applicable tax legislation.
Medical aid and travel	Ensure that employees have appropriate medical aid and transport resources to fulfil their roles.	All staff are contractually obliged to belong to a medical aid.
Performance related	Rewards and incentivises achievement of individual, business unit and Group performance objectives.	Measured on a risk-adjusted basis against specific performance metrics.
Long-term incentive awards	Reinforces loyalty of key resources and aligns employee interests with those of shareholders and other stakeholders.	Subject to performance conditions set for, and measured over a three-year rolling period.



Three-year mean (prescribed officers)

Various compensation instruments are used for implementing different elements of the compensation policy and philosophy. Remco is ultimately responsible for ensuring that both the quantum and the mix applied are in line with the interests of the Group's stakeholders.

Remco is of the opinion that the balance between short-term incentives and long-term deferred incentives linked to share price performance represents a healthy mix which will encourage focus on sustainability of profits and performance against well-defined financial and non-financial objectives.

Guarantee pay and benefits

Salaries are reviewed annually in the context of individual and business unit performance, inflation and specific industry practices and trends. Reference is made to independent industry salary surveys on a regular basis.

Benchmarking forms the cornerstone of determining employees' guaranteed pay and is conducted against the financial services industry and other companies in the market with similar market capitalisation.

The following independent salary surveys are used to benchmark against the market:

- PwC Remchannel®;
- Global Remuneration Solutions; and
- other *ad hoc* salary surveys.

An individual's guaranteed pay is determined by:

- the appropriate salary range matched to the role using market benchmarks (pay for the role); and
- the value he/she adds to FirstRand (pay for the person) in relation to the expected outcomes for a specific position/role.

This approach ensures that guaranteed pay packages are competitive allowing FirstRand to attract and retain the right calibre of employee for the position.

Guaranteed pay for employees is reviewed annually by franchise remuneration committees and ultimately the Group remuneration committee. This review considers market trends (both in South Africa and globally) as well as the current economic environment, the Group's business strategy and growth forecasts.

In reviewing annual increases for executives and prescribed officers, the committee considers the percentage increase for all other employees, but ultimately makes a decision in this regard based on the Group business strategy and executive resources required to execute this strategy.

New employees become members of a defined contribution pension and/or provident fund scheme operated under the control of the relevant governing legislation. All schemes are regularly valued by independent actuaries and are financially sound. Should the actuaries advise of any deficits within the old defined benefit schemes, such deficits are funded to ensure the ongoing soundness of the fund concerned. Retirement funding contributions are charged against expenditure when incurred.

The assets of retirement funds are managed separately from the Group's assets. Boards of trustees of the pension and provident funds include staff and pensioner representatives who oversee the management of the funds and ensure compliance with the relevant legislation.

All full-time employees are required to belong to a medical aid scheme. On retirement, facilities exist for retired employees to join medical aid schemes in their individual capacities. When, as a result of past practice, the Group is required to contribute to post-employment medical aid costs, the present value of such contributions is calculated and provided for. Current employment practice excludes post-employment medical aid contributions.

Compensation is determined on the basis of risk-adjusted profits, subject to claw back provisions for deferred compensation in the event of poor individual, business unit or Group performance.

Internal pay differentials

Remco has placed specific attention on compensation differentials across levels of work within the organisation. Measures have been taken to ensure consistent application of the following core principles for all levels of work:

- guaranteed pay commensurate with the volume of work, the level or responsibility and individual value-add within the role; and
- outcomes-based compensation (OBC) with performance measured after adjusting for the level of risk assumed and the cost of capital incurred.

Benchmarking of guaranteed pay relative to the requirements of different levels of work has been conducted across the Group in consultation with employee representatives. Specific projects have been undertaken to enable OBC for parts of the business requiring large volumes of clerical or procedural levels of work. Complementary human capital development projects exist to enable the growth of employees who demonstrate potential for increasing their value add.

Remco is of the view that the measures being undertaken are appropriate for ensuring alignment of compensation for all employees with the sustainability of the business and the incentivising of superior value creation in an increasingly challenging economic cycle.

Deferral of variable compensation

Variable compensation payments are deferred and payments are not finalised over short periods as risks can manifest over longer periods. For senior executives and all other employees whose actions have a material impact on the risk exposure of the Group, a substantial proportion of compensation is variable and paid on the basis of individual business unit and Group-wide performance indicators.

2014 deferral structure

Performance payment	Deferred conditional awards	Payment date			
		2014	2014	2015	2016
≤ R500k	No	100%	–	–	–
≤ R1.5 million	No	R500k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	–
> R1.5 million	20% – 40% of amount above R1.5 million	R500k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R1.5 million (all employees earning variable compensation above R5 million)	30% of amount above R1.5 million	R500k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
> R1.5 million (FirstRand and franchise exco members only)	40% of amount above R1.5 million	R500k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest
CEO and deputy CEO	52% of annual performance bonus	R500k + 33% of balance of cash portion	33% of balance of cash portion	33% of balance of cash portion	Qualifying awards vest

There are no guaranteed bonuses for senior positions. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee. In terms of FirstRand's current policy any unpaid portion of deferred compensation is forfeited in the event that the applicable business unit suffers a loss during the year in question.

Performance criteria for deferred portions of cash bonuses include:

- the relevant business unit is still profitable, the aggregate of all the divisional contributions of the Group remains positive and individual performance is maintained; and
- FirstRand not receiving notice of, or termination of service for any reason whatsoever, either by the employee or the Group, before the due date of any of the variable pay.

Long-term incentive awards

The long-term incentive schemes operated by the Group support the retention of key executives and employees and ensure alignment of their interests with those of FirstRand's shareholders.

In order to link compensation to the time horizon of risk assumed by the Group, the vesting of long-term incentive awards is subject to satisfying performance conditions including corporate performance targets (CPTs) set and measured over a three-year performance period. If performance conditions are not satisfied, outstanding payments are forfeited. Remco believes that this period is aligned with the nature of the Group's business and the risks addressed.

CPTs for the Group's long-term incentive schemes are clearly defined in the schedule in note 31 of the annual financial statements in the annual integrated report. These criteria are set for each annual award to ensure alignment with performance and shareholder returns and are not adjusted retrospectively. The failure, therefore, to meet targets results in outstanding share-based payments being forfeited. For example, performance targets were only partially met for the 2006 award and were not met for the 2007 award.

Remco is of the view that by their very nature, share-based payments encourage behaviour that is consistent with effective risk management. Clawback arrangements, therefore, do not exist post vesting.

Dilution risk does not apply to the FirstRand long-term incentive schemes as the Group does not issue shares in order to meet its obligations.

Remco has the discretion to determine the total amount of long-term incentive awards made to any employee. At 30 June 2014, no employee's participation in the Group's long-term incentive schemes exceeded 2% of the total number of shares awarded in terms of the schemes.

CORPORATE PERFORMANCE TARGETS (CPTS)

Remco sets CPTs based on the expected prevailing macroeconomic conditions anticipated during the performance period for the Group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year-to-year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants do not receive dividends on their long-tern incentives allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the expired and currently open schemes are as follows:

Expired

- 2007 (CPTs not met) – Normalised earnings per share (EPS) must grow at a rate per annum which equals or exceeds CPIX plus 10%, measured on a cumulative basis from base year end 30 June 2007, for the five-year performance period to enable 100% vesting. Should CPIX plus 10% not be achieved, remco may sanction partial vesting of the appreciation right, which is calculated pro rata to the performance which exceeds CPIX.
- 2008 (CPTs met) – Normalised EPS must grow at a rate per annum which equals or exceeds CPIX, measured on a cumulative basis from base year end 30 June 2008, to enable 100% vesting. In addition, FirstRand's NIACC must be positive over the five-year performance period.
- 2009 (vested) – Normalised EPS must grow at a rate per annum which equals or exceeds CPIX, measured on a cumulative basis from base year end 30 June 2009, to enable 100% vesting. In addition, FirstRand's NIACC must be positive over the three-year performance period.
- 2010 (CPTs met) – Normalised EPS growth must equal or exceed South African nominal GDP (defined as South African GDP plus CPIX) plus 4%, measured on a cumulative basis from base year end 30 June 2010, to enable 100% vesting. In addition, NIACC must be positive over the three-year performance period.

Currently open

- 2011 (CPTs met – vested September 2014) – Normalised EPS growth must equal or exceed South African nominal GDP (defined as South African GDP plus CPIX) plus 1.5%, measured on a cumulative basis from base year end 30 June 2011 to enable 100% vesting. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 1.5% not be achieved, remco may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.
- 2012 (vests in 2015) – FirstRand must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 3% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2012 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 3% not be achieved, remco may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.
- 2013 (vests in 2016) – FirstRand must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 1.5% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2013 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 1.5% not be achieved, remco may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.
- 2014 (vests in 2017) – FirstRand must achieve growth in normalised EPS which equals or exceeds the South African nominal GDP plus 2% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2014 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 2% not be achieved, remco may sanction a partial vesting of conditional shares, which is calculated pro rata to the performance which exceeds nominal GDP.

NON-EXECUTIVE DIRECTOR COMPENSATION

Non-executive directors receive fees for services as directors and for services provided as members of board committees. These fees vary depending on the role of the committee. Non-executive directors do not participate in normal long-term incentive schemes. Fees paid to non-executive directors are based on current market practice. The fees are reviewed by the directors' affairs and governance committee and are approved in advance by shareholders at the annual general meeting.

In terms of FirstRand's 2005 BEE transaction as approved by shareholders on 21 April 2005, 15 million FirstRand shares were allocated to a black non-executive director's trust. Allocations of participation rights in the black non-executive directors' trust have been made to certain black non-executive directors in the FirstRand Group. In terms of the Group's remuneration policy these allocations are not considered to be incentive schemes as their *raison d'être* is one of BEE ownership. Details on the functioning of the trust are disclosed in note 31 in the annual financial statements in the annual integrated report.

PROCEEDINGS AND PERFORMANCE REVIEW

The committee meets at least three times per year. Attendance at the meetings held during the year is was as follows:

	July 2013	April 2014	May 2014	June 2014
VW Bartlett	A	A	✓	✓
JJH Bester	✓	✓	✓	✓
LL Dippenaar	✓	✓	✓	✓
JJ Durand	✓	✓	✓	✓
PM Goss (chairman)	✓	✓	✓	✓
AT Nzimande	✓	✓	✓	✓
BJ van der Ross	✓	✓	✓	✓

A – apologies tendered and accepted.

The chairman attends the annual general meeting.

During the year under review FirstRand's remuneration committee members conducted an effectiveness survey and are satisfied that the committee has met the requirements of its charter.

FirstRand's compensation policies for the coming financial year will be put to a shareholders' vote at the annual general meeting, details of which are provided in the notice of the annual general meeting.

PM Goss
Chairman, remuneration committee

8 September 2014

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Information relating to each director's and prescribed officer's remuneration for the year under review and details of share options and dealings in FirstRand Shares are set out below.

Directors' and prescribed officers' emoluments (audited)

	2014			2013		
	Services as directors		Total	Services as directors		Total
R thousand	FSR	Group	2014	FSR	Group	2013
Non-executive directors						
LL Dippenaar (chairman)	**3 833**	**158**	**3 991**	3 402	206	3 608
VW Bartlett[1]	**855**	**254**	**1 109**	884	631	1 515
JJH Bester[1]	**1 504**	**2 235**	**3 739**	1 330	2 266	3 596
MS Bomela	**754**	**79**	**833**	607	76	683
P Cooper (alternate - appointed July 2013)	**293**	**30**	**323**	–	–	–
L Crouse	**911**	**74**	**985**	843	50	893
JJ Durand	**581**	**50**	**631**	485	50	535
PM Goss[1]	**742**	**199**	**941**	677	122	799
NN Gwagwa[1]	**582**	**91**	**673**	541	50	591
G Gelink	**915**	**117**	**1 032**	502	–	502
PK Harris	**455**	**50**	**505**	426	50	4765
WR Jardine[1]	**553**	**61**	**614**	582	62	644
EG Mantenge-Sebesho[1]	**679**	**353**	**1 032**	639	303	942
AT Nzimande	**645**	**91**	**736**	600	50	649
D Premnarayen[2,3]	**910**	**122**	**1 032**	852	99	950
KB Schoeman	**535**	**61**	**596**	483	62	545
T Store[1] (retired May 2013)	**–**	**–**	**–**	1 014	267	1 281
BJ van der Ross[1]	**669**	**755**	**1 424**	711	402	1 113
JH van Greuning[1,4]	**1 251**	**3 965**	**5 216**	1 183	2 782	3 965
Total non-executive directors	**16 667**	**8 745**	**25 412**	15 761	7 528	23 289

1. *Independent non-executive director.*
2. *Non-executive director.*
3. *Foreign-domiciled director paid in USD. 2014 amount was $99 416 (2013: $107 575).*
4. *Foreign-domiciled director paid in USD. 2014 amount was $502 476 (2013: $448 516).*

Prescribed officers' emoluments

R thousand	2008	2009	2010	2011	2012	2013	2014
SE Nxasana[1]							
Cash package paid during the year	4 065	4 427	5 101	6 220	6 614	7 037	**7 522**
Retirement contributions paid during the year	555	617	617	616	786	834	**891**
Other allowances[2]	–	–	93	97	81	68	**75**
Subtotal	4 620	5 044	5 811	6 933	7 481	7 939	**8 488**
Performance related in respect of the year[3]	8 100	4 860	5 820	8 190	9 600	11 460	**10 000**
Portion of performance related deferred in share awards[4]	–	–	5 180	4 460	5 400	6 640	**11 000**
Subtotal	8 100	4 860	11 000	12 650	15 000	18 100	**21 000**
Total	12 720	9 904	16 811	19 583	22 481	26 039	**29 488**
JP Burger[1]							
Cash package paid during the year	3 756	4 258	4 699	5 503	5 776	6 103	**6 591**
Retirement contributions paid during the year	610	692	698	679	866	915	**981**
Other allowances[2]	–	–	62	74	118	156	**98**
Subtotal	4 366	4 950	5 459	6 256	6 760	7 174	**7 670**
Performance related in respect of the year[3]	7 650	4 590	5 520	7 470	8 760	10 440	**9 000**
Portion of performance related deferred in share awards[4]	–	–	4 480	3 980	4 840	5 960	**10 000**
Subtotal	7 650	4 590	10 000	11 450	13 600	16 400	**19 000**
Total	12 016	9 540	15 459	17 706	20 360	23 574	**26 670**
A Pullinger							
Cash package paid during the year	1 281	1 286	1 571	1 743	1 981	2 037	**2 174**
Retirement contributions paid during the year	213	333	298	330	339	407	**556**
Other allowances[2]	–	–	100	110	99	122	**13**
Subtotal	1 494	1 619	1 969	2 183	2 419	2 566	**2 743**
Performance related in respect of the year[3]	18 000	1 050	11 280	13 416	11 400	13 200	**15 000**
Portion of performance related deferred in share awards[4]	–	–	6 520	7 944	6 600	7 800	**9 000**
Subtotal	18 000	1 050	17 800	21 360	18 000	21 000	**24 000**
Total	19 494	2 669	19 769	23 543	20 419	23 566	**26 743**

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 92 to 95.

1. *These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of Group strategic executive committee: Group CEO, Group deputy CEO, financial director, and the CEOs of the Group's operating franchises (FNB, RMB and WesBank).*
2. *Other allowances includes travel and medical.*
3. *Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements in the annual integrated report.*

Prescribed officers' emoluments continued

R thousand	2008	2009	2010	2011	2012	2013	2014
Retiring prescribed officers (effective 31 December 2013)							
M Jordaan[5]							
Cash package paid during the year	3 286	3 606	3 898	4 283	4 604	4 917	**2 615**
Retirement contributions paid during the year	692	760	692	760	816	945	**2 003**
Other allowances[2]	–	–	133	144	149	46	**24**
Subtotal	3 978	4 366	4 723	5 187	5 569	5 908	**4 642**
Performance related in respect of the year[3]	8 950	6 265	5 400	6 360	7 512	10 320	**–**
Portion of performance related deferred in share awards[4]	–	–	2 600	3 240	4 008	5 880	**–**
Subtotal	8 950	6 265	8 000	9 600	11 520	16 200	**–**
Total	12 928	10 631	12 723	14 787	17 089	22 108	**4 642**
B Riley[5]							
Cash package paid during the year	1 697	2 177	2 315	2 572	2 746	2 887	**1 536**
Retirement contributions paid during the year	218	275	268	297	270	432	**229**
Other allowances[2]	–	–	100	106	163	52	**27**
Subtotal	1 915	2 452	2 683	2 975	3 179	3 371	**1 792**
Performance related in respect of the year[3]	2 762	1 700	3 000	4 200	5 400	6 000	**–**
Portion of performance related deferred in share awards[4]	–	–	1 000	1 800	2 600	3 000	**–**
Subtotal	2 762	1 700	4 000	6 000	8 000	9 000	**–**
Total	4 677	4 152	6 683	8 975	11 179	12 371	**1 792**

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 92 to 95.

2. *Other allowances includes travel and medical.*
3. *Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements in the annual integrated report.*
5. *Prescribed officer retired 31 December 2013.*

Prescribed officers' emoluments continued

R thousand	2014
New prescribed officers (effective 1 October 2013)	
H Kellan[1,6]	
Cash package paid during the year	**4 046**
Retirement contributions paid during the year	**362**
Other allowances[2]	**98**
Subtotal	**4 506**
Performance related in respect of the year[3]	**4 416**
Portion of performance related deferred in share awards[4]	**1 944**
Subtotal	**6 360**
Total	**10 866**
J Celliers[6]	
Cash package paid during the year	**4 901**
Retirement contributions paid during the year	**490**
Other allowances[2]	**122**
Subtotal	**5 513**
Performance related in respect of the year[3]	**5 400**
Portion of performance related deferred in share awards[4]	**2 600**
Subtotal	**8 000**
Total	**13 513**
C De Kock[6]	
Cash package paid during the year	**2 778**
Retirement contributions paid during the year	**266**
Other allowances[2]	**71**
Subtotal	**3 115**
Performance related in respect of the year[3]	**4 200**
Portion of performance related deferred in share awards[4]	**1 800**
Subtotal	**6 000**
Total	**9 115**

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act 71 of 2008 provisions relating to removal. Benefits derived by executive directors in terms of their long-term incentive schemes are disclosed on pages 92 to 95.

1. *These prescribed officers in terms of the Companies Act 71 of 2008 are also executive directors. FirstRand defines its prescribed officers as members of Group strategic executive committee: Group CEO, Group deputy CEO, financial director, and the CEOs of the Group's operating franchises (FNB, RMB and WesBank).*
2. *Other allowances includes travel and medical.*
3. *Variable compensation paid in cash in respect of the year ended 30 June, is paid (with an interest factor) in three tranches, during the following year ending 30 June.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan vest two years after the award date. Refer to note 31 in the annual financial statements in the annual integrated report.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*

Co-investment scheme

In addition to contractual and performance remuneration, prescribed officers are entitled to participate in a co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by the employee.

R thousand	2014	2013
JP Burger	**6 222**	649
M Jordaan	**3 111**	324
SE Nxasana	**1 376**	143
A Pullinger	**8 255**	853

Aggregate compensation disclosures

	% change
Employees receiving variable awards (number of employees)	
Employees receiving variable compensation	20 083
Employees receiving union agreed variable compensation[1]	19 142
Total variable awards	**39 225**
Employees receiving sign-on and severance (number of employees)	
Sign on awards granted	44
Severance awards	40
Total sign on and severance awards	**84**
Sign on and severance (R million)	
Value of sign on awards granted	18
Value of severance awards	10
Total value of sign on and severance awards	**27**
Portion of 2014 compensation not deferred (R million)	
Guaranteed compensation	12 272
Union agreed variable compensation[1]	259
Variable compensation[2]	3 015
Vested share-based long term incentives (LTIs) exercised and paid[3]	2 554
Total value of non-deferred compensation	**18 100**
Portion of 2014 compensation deferred (R million)	
2nd and 3rd cash tranches of variable compensation[5]	840
Portion of 2014 variable compensation deferred in shares[6]	280
Total value of deferred compensation	1 120
Cumulative outstanding deferred compensation at 30 June 2014[4,7] (R million)	
2014 share-based LTI award	1 168
Second and third cash tranches of variable compensation	840
Portion of variable compensation deferred (cumulative 2012, and 2013)	307
Share-based LTI awards (cumulative 2011, 2012)	1 381
Share-linked LTI awards	1 034
Total cumulative outstanding deferred compensation	**4 729**
Total deferred compensation clawed back (R million)	**–**

1. *Guaranteed bonuses paid to non-managerial employees in the form of 13th cheques in terms of the Group's annual union negotiations.*
2. *Includes tranche 1 of cash-settled variable compensation.*
3. *LTSs are share-based incentives that only become exercisable subject to clearly defined vesting criteria. Refer to page 84 for detailed disclosure of the Group's vesting criteria.*
4. *All deferred compensation is subject to clearly defined performance criteria to ensure alignment of employee remuneration with company performance. Refer to page 84 for a detailed description of the Group's deferral policy.*
5. *Portion of cash bonus deferred to 2nd and 3rd tranche payments in December and June respectively of the proceeding financial year.*
6. *Cash portion of variable compensation deferred in FirstRand shares and subject to vesting criteria.*
7. *The values disclosed for LTIs have been determined on pro rata vesting basis assuming that the conditions precedent have been met. These incentives are however still subject to individual, business unit and corporate performance criteria before becoming exercisable as set out in the vesting criteria note on page 84.*

Prescribed officers' outstanding long term incentives

	2005		2008	2010
	FirstRand black non-executive directors trust	**FirstRand black employee share trust**	**APR***	**CSP**
SE Nxasana				
Opening balance (number of shares)	1 000 000	1 000 000	2 000 000	621 165
Strike price (cents)	12.28	14.91	10.48	
Expiry date	31/12/2014	31/12/2014	03/11/2013	16/09/2013
Granted/taken up this year (number of shares)	–	–	(2 000 000)	(621 165)
Closing balance (number of shares)	1 000 000	1 000 000	–	–
Benefit derived during the year (rand)	–	–	48 413 320	20 746 911
JP Burger				
Opening balance (number of shares)	–	–	500 000	473 268
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	16/09/2013
Granted/taken up this year (number of shares)	–	–	(500 000)	(473 268)
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	12 475 000	15 807 151
A Pullinger				
Opening balance (number of shares)	–	–	1 250 000	385 321
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	16/09/2013
Granted/taken up this year (number of shares)	–	–	(1 250 000)	(385 321)
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	31 187 500	12 869 721
Retiring prescribed officers				
B Riley[1]				
Opening balance (number of shares)	–	–	333 334	277 432
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	16/09/2013
Granted/taken up this year (number of shares)	–	–	(333 334)	(277 432)
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	8 316 683	9 266 229
M Jordaan[1]				
Opening balance (number of shares)	–	–	666 667	385 321
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	16/09/2013
Granted/taken up this year (number of shares)	–	–	(666 667)	(385 321)
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	15 590 009	12 869 721
D Premnarayen[2]				
Opening balance (number of shares)	–	–	768 193	–
Strike price (cents)			10.48	
Expiry date	–	–	03/12/2013	–
Granted/taken up this year (number of shares)	–	–	(768 193)	–
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	19 166 415	–

1. *Prescribed officer retired 31 December 2013.*
2. *Director historically categorised as a prescribed officer due to his participation in the Group's 2008 APR plan. Status changed to non-executive director subsequent to expiry of this allocation in 2013.*

* *Benefits in terms of the 2008 APR vested after three years and could be exercised between vesting and expiry in November 2014. In some cases the benefit derived this year represents five years of cumulative value aggregation.*

2011			2012		2013		
Bonus deferral CSP	**CIP**	**CSP**	**Bonus deferral CIP**	**CIP**	**Bonus deferral CIP**	**CIP**	**CIP**
228 882	–	576 567	194 325	432 604	–	–	–
13/09/2013	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	15/09/2016
(228 882)	–	–	–	–	214 916	–	435 820
–	–	576 567	194 325	432 604	214 916	–	435 820
8 449 714	–	–	–	–	–	–	–
204 249	–	461 870	174 173	346 545	–	–	–
13/09/2013	11/09/2014	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	15/09/2016
(204 249)	87 895	–	–	–	192 907	–	349 563
–	87 895	461 870	174 173	346 545	192 907	–	349 563
7 540 329	–	–	–	–	–	–	–
309 035	–	359 232	237 508	269 895	–	–	–
13/09/2013	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	15/09/2016
(309 035)	–	–	–	–	252 462	–	242 752
–	–	359 232	237 508	269 895	252 462	–	242 752
11 408 749	–	–	–	–	–	–	–
92 374	–	266 858	93 564	200 226	–	–	–
13/09/2013	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	–
(92 374)	–	–	–	–	97 101	–	–
–	–	266 858	93 564	200 226	97 101	–	–
3 410 202	–	–	–	–	–	–	–
166 273	–	410 551	144 232	308 040	–	–	–
13/09/2013	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	–
(166 273)	–	–	–	–	190 318	–	–
–	–	410 551	144 232	308 040	190 318	–	–
6 138 356	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–

Prescribed officers' outstanding long term incentives continued

	2005		2008	2010
	FirstRand black non-executive directors trust	**FirstRand black employee share trust**	**APR**	**CSP**
New prescribed officers (effective 1 October 203)				
H Kellan[3]				
Opening balance (number of shares)	–	1 197 500	233 334	–
Strike price (cents)		17.71	10.48	
Expiry date	–	31/12/2014	03/11/2013	–
Granted/taken up this year (number of shares)	–	–	(233 334)	–
Closing balance (number of shares)	–	1 197 500	–	–
Benefit derived during the year (rand)	–	–	5 821 685	–
J Celliers[3]				
Opening balance (number of shares)	–	–	340 000	–
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	–
Granted/taken up this year (number of shares)	–	–	(340 000)	–
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	8 483 000	–
C De Kock[3]				
Opening balance (number of shares)	–	–	300 000	–
Strike price (cents)			10.48	
Expiry date	–	–	03/11/2013	–
Granted/taken up this year (number of shares)	–	–	(300 000)	–
Closing balance (number of shares)	–	–	–	–
Benefit derived during the year (rand)	–	–	6 949 000	–

3. Prescribed officer appointed 1 October 2013.

Definitions:

APR – share appreciation rights
CIP – conditional incentive plan
CSP – conditional share plan

2011			2012		2013		
Bonus deferral CSP	**CIP**	**CSP**	**Bonus deferral CIP**	**CIP**	**Bonus deferral CIP**	**CIP**	**CIP**
–	–	174 484	26 000	136 747	–	67 700	–
–	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	01/06/2016	15/09/2016
–	–	–	–	–	49 198	–	161 835
–	–	174 484	26 000	136 747	49 198	67 700	161 835
–	–	–	–	–	–	–	–
–	–	82 111	28 789	143 944	–	135 400	–
–	–	13/10/2014	11/09/2014	11/09/2015	10/09/2015	01/06/2016	15/09/2016
–	–	–	–	–	45 314	–	226 569
–	–	82 111	28 789	143 944	45 314	135 400	226 569
–	–	–	–	–	–	–	–
–	–	184 748	37 786	134 948	–	–	–
–	04/04/2014	13/10/2014	11/09/2014	11/09/2015	10/09/2015	–	15/09/2016
–	57 481	–	–	–	40 135	–	145 651
–	57 481	184 748	37 786	134 948	40 135	–	145 651
–	–	–	–	–	–	–	–

AUDIT COMMITTEE

Hennie van Greuning

Chairman

ROLE

FirstRand's audit committee is an independent statutory committee appointed by FirstRand's shareholders with a formal charter approved by the board of directors. It has executed its duties during the past year in accordance with the approved charter.

In addition to having specific statutory responsibilities in terms of the Companies Act, the audit committee assists the board through oversight on financial and non-financial reporting, monitoring the integrity of internal controls and risk management processes, and assessing the effectiveness of external and internal audit functions.

COMPOSITION

The committee is composed of six non-executive directors, five of whom are independent. FirstRand's CEO, deputy CEO, financial director, chief audit executive, external auditors, heads of finance, risk and compliance and other assurance providers attend committee meetings in an *ex officio* capacity. The external auditors and chief audit executive meet independently with the non-executive members as and when required. The composition of the committee is designed to include members with practical banking expertise.

Highlights

Focus area	Actions
Audit planning process	Internal audit further enhanced its annual audit planning process by including other facets into the process. As per the previous year, the integrated risk-based approach to planning was adopted incorporating combined assurance, leveraging managements' assessment and external auditors' evaluation of the risk environment. A workshop was held with audit committee members to ascertain further input. This enabled a common view of risks that underpin the audit planning process. The audit planning process is flexible and will be reviewed on a quarterly basis as the organisational risks, governance and controls processes evolve.
Audit committee technical workshops	Several technical workshops were held outside of the scheduled committee meetings in order to fully understand the implications of IFRS changes for the FirstRand accounting and annual reporting environment. In addition, all directors were invited to discuss the internal audit and combined assurance processes.
Root-cause analysis	Improved analysis and reporting has enabled the committee to scrutinise the root causes underlining internal control events. This effectively means the committee is able to challenge management's findings.

Statutory duties

In execution of its statutory duties during the financial year under review:

- The audit committee re-evaluated the performance and effectiveness of the external auditors. As part of that evaluation the committee considered management's assessment of the skills and performance of the external auditors. Based on this evaluation the committee recommended the appointment of the external auditors at the annual general meeting.
- In consultation with executive management, agreed to the engagement letter, terms of engagement, audit plan and budgeted audit fees for the 2014 financial year. The external audit plan was carefully aligned with a risk-based approach taking cognisance of the internal audit plan and work plans of the Group's combined assurance community.
- There is a formal procedure that governs the process whereby auditors are considered for non-audit services and the committee has pre-approved a service agreement for the provision of these by the external auditors.
- The committee is satisfied that the external auditors were independent of the company, as set out in section 94(8) of the Companies Act. This included consideration of previous appointments of the auditors, the extent of other work undertaken by the auditors for the company, compliance with criteria relating to independence or conflicts of interest and internal governance processes within the audit firms.
- As part of the assessment of independence, the committee considers the tenure of the auditors and the rotation of the lead partners every five years. PricewaterhouseCoopers have been the Group's external auditors since 1998. Until 2011 only FirstRand Bank required a dual audit and PricewaterhouseCoopers and Deloitte & Touche were the dual auditors. Subsequent to the Group's restructuring in 2011, dual auditors were required and since then PricewaterhouseCoopers and Deloitte & Touche have been the Group's external auditors. The lead partners for PricewaterhouseCoopers Inc. and Deloitte & Touche have been in place for one and five years respectively.
- FirstRand has formal processes in place whereby whistle-blowers can anonymously inform the audit committee of any concerns relating to the integrity of the Group's financial controls and reporting. During the year, the committee did not receive any complaints relating to FirstRand's internal financial controls, accounting practices, internal and external audits or annual financial statements.
- The committee has reviewed a documented assessment, including key assumptions of the going concern assertion of the company, and budgets for the next three years. Based on the information provided by management the committee has concluded that the Group will continue to be a going concern in the foreseeable future.

Internal controls and internal audit

The Group's internal controls and systems are relied upon to provide reasonable assurance about the integrity and reliability of the financial statements; to safeguard, verify and maintain accountability of its assets; and to detect fraud, potential liability, loss and material misstatement, while complying with regulations.

As mentioned previously, financial service institutions are inherently complex in nature with a number of areas exposed to the risk of control failure. In general, most internal control systems require continuous review and refinement of business processes to ensure best market practice as well as elimination of the potential for human error or deliberate manipulation of control activities. During the year the committee received regular reports from Group Internal Audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management. The audit committee receives regular progress reports on the improvement of business processes and detailed disclosures on the functioning of the Group's internal controls during the year under review which are included in the *risk and capital management report* on pages 161 to 167 in the annual integrated report.

When issues are detected that require longer-term solutions the audit committee places strong focus on the integrity of controls that management has in place as mitigating measures. While acknowledging that the organisation is exposed to potential risk, the promptness and attention of management in implementing remedial measures is carefully monitored.

The committee has assessed the performance of the chief audit executive and is satisfied that the internal audit function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of the position.

The committee can confirm that the financial and risk management information contained in the integrated report accurately reflects the information reported to the committee by management and has no reason to believe that the existing internal controls, including internal financial controls, do not form a sound basis for the preparation of reliable financial statements. The committee's opinion in this regard is supported by the reports received from the risk committee, external audit, internal audit and executive management.

Combined assurance

FirstRand's audit committee understands that it has to remain vigilant and that its role is not simply to ensure that audit procedures are performed, but to ensure that the work performed is effective and adds value to stakeholders. This requires increasing collaborative approaches to work undertaken by executive management and the Group's other assurance providers.

During the year the committee monitored alignment of all assurance providers to achieve elimination of multiple approaches to risk assessment and reporting. The combined assurance process aims to ensure that any loss events or control breakdowns are used to help synchronise complementary risk and assurance functions through a focus on root-cause analysis and related management actions.

Additional emphasis has been placed on ensuring that the combined assurance process captures all audit, risk and regulatory findings that might necessitate larger remediation projects.

Integrated reporting

The committee has overseen the Group's integrated reporting processes and the effectiveness of the internal control environment underpinning these. In so doing the committee has considered the recommendations of independent assurance providers in reviewing the consistency of the information disclosed in the integrated report. In September 2014, the committee accordingly recommended the integrated report to FirstRand's board.

Relationship with risk committee

The audit committee works closely with the Group's risk, capital management and compliance committee to identify common risk and control themes and achieve synergy between assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another. Several non-executive directors, including the chairpersons, serve on both committees to ensure that relevant information is shared.

At the franchise level, audit and risk committee meetings are combined to enhance identification of control themes.

Compliance with key regulations

Based on the reports received throughout the year the committee is able to confirm to FirstRand's stakeholders that the Group has implemented appropriate processes for complying with the spirit and the letter of key regulations impacting the Group. The FirstRand board has expressed zero tolerance for non-compliance. Where implementation errors do occur, management projects to rectify such non-compliance are actively monitored by the risk and audit committees.

Information and technology governance

The audit committee receives regular reports from the Group's risk, capital management and compliance committee, which monitors refinements to the Group's information and technology governance framework as well as providing a comprehensive and transparent review of the effectiveness of the information and technology governance mechanisms within the Group. Information governance is receiving appropriate attention in the Group and regular reports are presented to the audit committee. Based on the reports received, the audit committee is satisfied that the Group is able to effectively manage its information and technology resources as well as plan appropriately for potential future IT risks.

Stakeholders are referred to page 253 of the *risk and capital management report* in the annual integrated report for a detailed review of Group's IT risk governance processes.

Finance function

The audit committee considers the expertise and experience of the financial director in terms of the JSE Listings Requirements and is satisfied that the appropriate requirements have been met. The audit committee is also satisfied by the expertise and adequacy of resources of the finance function and experience of the senior members of management responsible for it.

Annual financial statements

Based on the above audit committee activities and assurances obtained, the committee accepted the external auditors' report on the annual financial statements and has recommended the approval thereof to the board. The approved financial statements will be open for discussion at the forthcoming annual general meeting.

Looking ahead

Changing environment

Global banking practices continue to demonstrate apparent lapses in ethics and risk management. In this context, feedback and analysis by the Group ethics officer is included in committee proceedings to determine whether similar events could undermine risk management and internal control in the Group.

Committee effectiveness

During the year under review FirstRand's audit committee members conducted an effectiveness survey, the results of which were shared with the board. The committee confirms that for the period under review, it discharged its duties and responsibilities in accordance with the terms of reference.

The committee holds additional meetings to enable in depth discussion of matters affecting their mandate. During the year the committee attended regular technical sessions in addition to scheduled audit committee meetings to facilitate a thorough understanding of accounting and IFRS developments and their application to the Group's annual financial statements.

PROCEEDINGS AND PERFORMANCE REVIEW

Attendance at the meetings held during the year was as follows:

	Sep 2013	Nov 2013	Feb 2014	May 2014
VW Bartlett (appointed February 2009)	✓	✓	✓	✓
JJH Bester (appointed July 2010)	✓	✓	✓	✓
L Crouse (appointed July 2010)	✓	✓	✓	✓
GG Gelink (appointed January 2013)	✓	✓	✓	✓
EG Matenge-Sebesho (appointed July 2010)	✓	✓	✓	✓
JH van Greuning – chairman (appointed January 2009)	✓	✓	✓	✓

JH van Greuning
Chairman, audit committee

8 September 2014

SOCIAL AND ETHICS COMMITTEE

Hennie van Greuning

Chairman

COMPOSITION

The FirstRand social and ethics committee is constituted exclusively of non-executive directors, two of whom are independent. The CEO and deputy CEO attend meetings in an *ex officio* capacity. The Group ethics officer is a permanent special advisor to the committee and is responsible for the preparations of the committee. The Group head of human capital and the chief risk officers of the Group's franchises are invited in an *ex officio* capacity as and when required.

ROLE

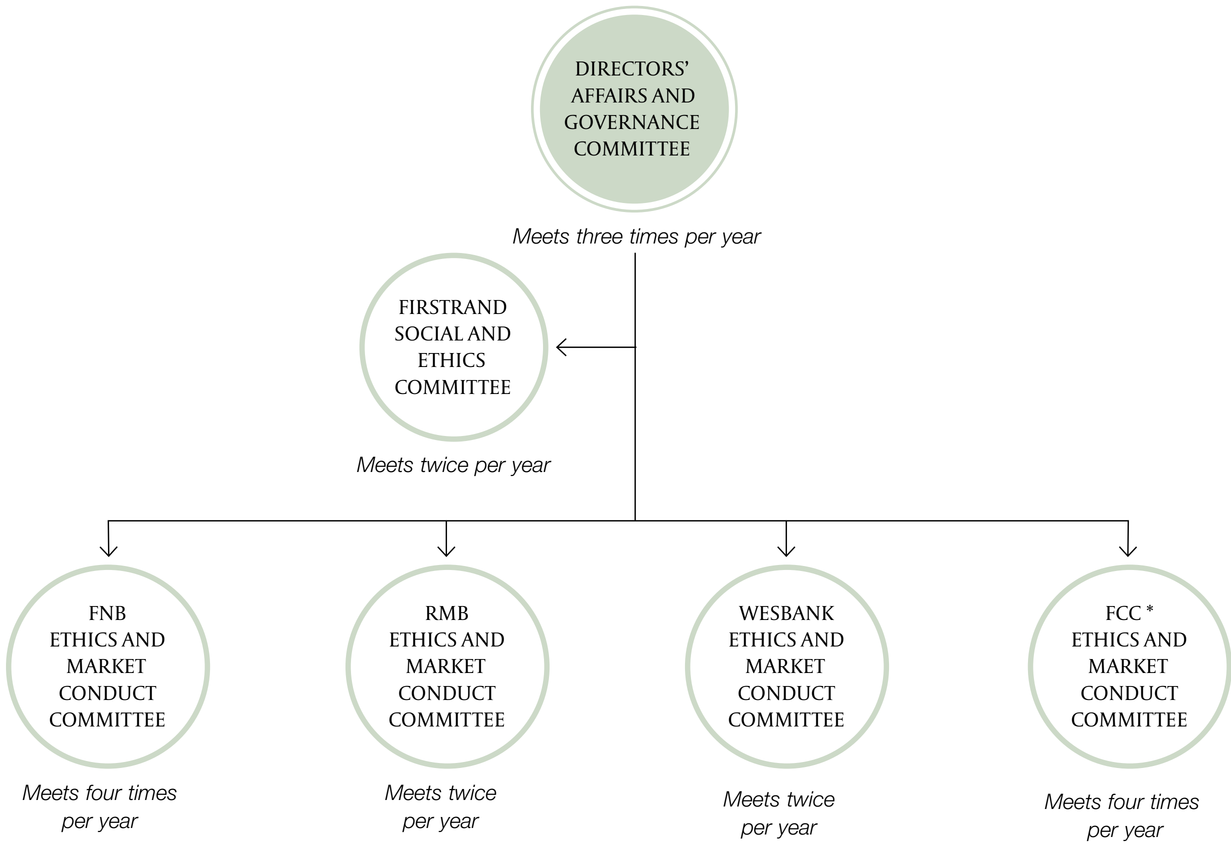
The committee is constituted as a subcommittee of FirstRand's directors affairs and governance committee in accordance with the statutory requirements set out in Section 72 and regulation 43 of the Companies Act 71 of 2008. It is charged with promoting responsible business practices across the FirstRand Group.

Highlights

Focus area	Actions
Culture risk	Six major culture risk assessments were conducted. These assessments enabled the Group to proactively address various business risks and improve governance and controls.
Market conduct risk	The committee has overseen enterprise wide preparations in anticipation of new Twin Peaks regulation on market conduct. There has been a specific focus on ensuring leadership commitment to responsible market conduct principles in the retail and wholesale credit environments. This included policy and standards development, training and the building of a control regime in cooperation with operational risk and compliance functions. Main themes which received significant attention are: - treating customers fairly; - responsible competitive practices (anti-trust); - responsible use of material non-public information, especially as it related to personal account trading; - declarations of interest and conflicts of interest management; and - responsible lending.
Undesirable client risk	Significant attention has been paid to ensure that the Group detects and assesses its risk from clients that present legal or ethical risk to the Group.
Leading Light campaign	R5 million in total was awarded to vigilant employees who successfully improved the Group's ability to detect and prevent fraud, theft and corruption.
Ashburton and FNB Namibia ethics and market conduct committees	In addition to other ethics and market conduct committees, the Group has constituted Ashburton and FNB Namibia ethics and market conduct committees.

FRANCHISE ETHICS COMMITTEES

The social and ethics committee is supported by several franchise ethics committees as set out in the diagram below.



* *Subsequent to 30 June 2014, Ashburton Investments' ethics and market committee was constituted.*

The Group ethics officer is the chairman of each franchise ethics committee, while the respective franchise chief risk officers are charged with the implementation of the Group ethics framework.

Among the issues addressed by the Group ethics committee structures are detailed reports from the following officers or committees:

- Group ethics officer on rollout of ethics governance;
- franchise chief risk officers on ethics framework performance;
- transformation committee on BEE transformation;
- regulatory risk management (compliance); and
- social and environmental risk unit.

ETHICS MANAGEMENT FRAMEWORK

During the year the committee oversaw the further refinement of the Group's ethics management framework, which if focused on the work streams outlined in the diagram below.

CULTURE RISK

Culture and strategy alignment

The Group ethics office regularly conducts culture risk assessments in business areas and is able to use the information obtained to advise leadership whether the culture in an affected area is capable of facilitating the realisation of the relevant business' strategic objectives.

Culture and people risk assessment

Culture is determined by how employees live their own values and how these align with the values of the business area in which they operate. The better the understanding of the culture and people risk profile of a business area, the more proactive risk management practice can be in anticipating risks rather than merely responding to risks.

Culture and people risk assessments generate important management information enabling leadership and several risk functions to better understand and address any challenges identified.

Findings are shared with executive management on Group and applicable franchise level, as well as the Group audit committee (by way of a standing ethics agenda item) and the Group social and ethics committee.

Detail is provided in the *risk and capital management report* in the annual integrated report.

BUSINESS CONDUCT

Group code of ethics

FirstRand's code of ethics sets the standards and good conduct provisions within the Group, for individual business units and in every country in which the Group operates.

During the year 12 000 employees received live ethics training on the code of ethics. The Group has also increased the digital reach of its ethics management framework by issuing an extended office video suite, which profiles management and reinforces the messages of the code of ethics.

Anti-bribery and corruption

FirstRand has further institutionalised its zero-tolerance attitude towards bribery and corruption through an anti-bribery policy that provides its internal and external stakeholders with specific guidance on conduct to be followed in the areas of bribery and corruption.

The anti-bribery policy is the cornerstone of the Group's anti-bribery and corruption programme. Specific guidance is tailored to meet the needs of different business units while ensuring alignment of global regulatory and best practice requirements.

Leading Light campaign

Leading Light is the Group's reward programme for whistle-blowers and innovations that assist the Group in preventing or detecting theft, fraud or corruption.

During the reporting period a total of R5 million was awarded to employees who adopted an innovative approach to improving the ethics performance of the Group. These included awards for the innovative detection and prevention of theft, fraud or corruption. Leading light has gained traction within the rest of Africa's businesses with entries received from several subsidiaries and awards made to employees from Swaziland and Tanzania.

In line with the Group's heightened focus on market conduct and risk management the Leading light programme will be expanded to include a responsible market conduct category.

Declarations of Interest

The committee has overseen several measures taken to improve declarations of interest by employees via the Group's human capital platform.

During the year, an electronic declaration of interest platform was implemented at WesBank which allows for easy, safe and reliable declaration of gifts and ownership interests by employees and is currently being rolled out to the rest of the Group.

Whistle-blowing

The committee oversees continued focus on enabling a culture of transparency and safe whistle-blowing through ensuring that safe and effective whistle-blowing facilities are available to employees.

FirstRand's ethics line allows employees to report instances of suspected or actual unethical behaviour anonymously, partially anonymously and confidentially, and is managed by Deloitte Tip Offs Anonymous.

During the year, 234 reports were received via the FirstRand ethics line, representing a 14% increase from the 205 reports received in 2013. This increase is seen as the result of increased trust in the whistle-blowing process. Focus has been placed on extending the FirstRand ethics line to its international operations and to its new franchise, Ashburton Investments.

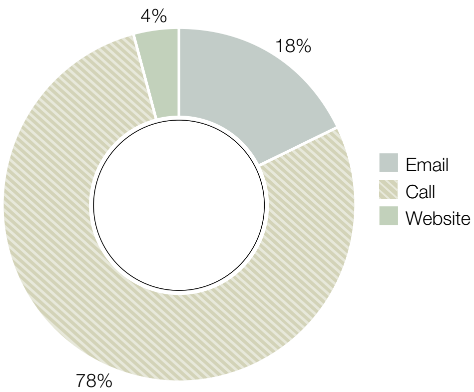
Ethics line reports

Number of calls	2014	2013
Quarter 1	**51**	58
Quarter 2	**88**	58
Quarter 3	**60**	36
Quarter 4	**35**	53
Total	**234**	205

Approximately one third of cases are resolved within 30 days. Forensic and complex human resources cases may take longer to resolve.

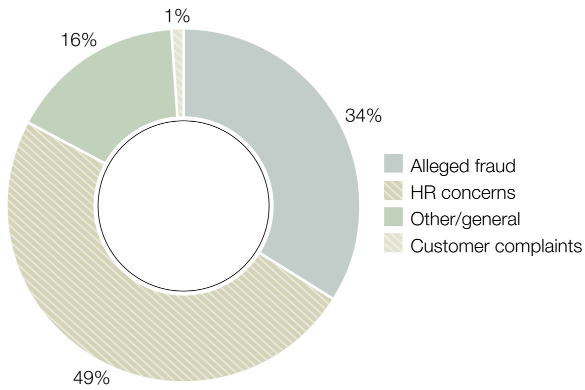
2014 tipoffs by channel

(%)



2014 types of cases

(%)



FirstRand ethics line contact details: FirstRand Group Ethics Line toll free numbers
0800 00 33 12 (South Africa and Namibia)
0808 238 75 00 (United Kingdom)
000800 100 79 00 (India)

FirstRand Botswana Ethics Line toll free numbers
0800 600 644 (Botswana Telecoms users)
1144 (Orange users) 71119711 (Mascom users)

FirstRand Mozambique Ethics Line toll free number
800 112 233 (TDM)

FirstRand Tanzania Ethics Line toll free number
0800 110 025 (TTCL)

FirstRand Zambia Ethics Line toll free number
50800 (Zambia Airtel users)

FirstRand Group Ethics Line e-mail
report@firstrandethicsoffice.com

FirstRand Group Ethics Line website
www.firstrandethicsoffice.com

Leading Light e-mail
leadinglight@firstrand.co.za

UNDESIRABLE CLIENTS

Measures have been implemented to further reinforce the Group's ability to ensure that undesirable clients are identified. Innovations include the establishment of specific forums for identifying and managing risks relating to undesirable clients. These forums report to franchise ethics committee structures.

Sensitive industries have been identified, with associated policy positions developed and agreed in all franchises. These policy positions have been integrated into discretionary credit committee processes and, where applicable, with the Group's environmental and social risk assessment (ESRA) processes.

MARKET CONDUCT

Treating customers fairly (TCF)

During the year a fair market conduct policy and framework was developed and implemented. In addition several self-assessments using templates issued by the Financial Services Board were completed and interrogated. The results of these assessments are being applied to further improve controls for ensuring fair customer treatment.

Specific implementation bodies – focusing on ensuring the alignment of conduct standards and enabling platforms – have been created to ensure the Group is able to drive and track implementation of the fair market policy in all jurisdictions. There is a strong focus on ensuring proper management information is created to track and demonstrate implementation of TFC principles. In addition TCF criteria are being built into existing operational risk assurance processes.

Responsible competitive practices

The FirstRand responsible competitive practices (RCP) policy is globally applicable and addresses the regulatory requirements of South Africa's Competition Act in addition to other global regulatory and best practice requirements.

The committee maintains a strong emphasis on FirstRand's RCP programme. In addition to raising continued awareness of the RCP policy, live management training has been conducted across the Group to select groups of employees. This training has been provided using a customised electronic responsible competitive practices learning platform. Over 700 employees have completed the e-learning programme, including executives of the Group.

Responsible use of material non-public information and conflicts of interest management

The responsible use of material non-public information is integral to avoiding potential market abuse, especially as it relates to insider trading and the wholesale market.

Significant developments during year included the creation and implementation of:

- wholesale market conflicts of interest policy in RMB;
- updated Group personal account trading policy; and
- control room serving the entire Group.

Responsible lending

Efforts to improve safe and reliable access to financial services are accompanied by significant attention to responsible lending and sound credit risk management. Responsibility to ensure responsible lending practices is vested in the Group executive committee. This includes ensuring that the Group's lending franchises assist customers to make informed decisions when acquiring debt, especially customers that seek access to unsecured credit.

A detailed report on the implementation of the Group's credit risk management framework across the franchises is available in the *risk and capital management report*.

ENVIRONMENTAL SOCIAL AND GOVERNANCE (ESG) REPORTING

During the year the committee oversaw the revision of the governance process for ESG information whereby the social and ethics committee structures provide oversight of the Group's substantive ESG performance and the audit committee structures provide oversight of the level of integrity of ESG reporting and controls. Some of the key substantive issues overseen by the committee are outlined below.

Financing solutions

FirstRand constantly considers the challenges of climate change, food security, environmental degradation, scarce natural resources and the increased impacts of urbanisation. The Group has institutionalised efforts to find innovative ways to financing the transition to more socially and ecologically sustainable economic development. Detail on the Group's formal approach to environmental and social risk management is provided in the *risk and capital management report* in the annual integrated report.

Renewable energy financing

Facilitating the development of renewable energy and clean technology, as well as infrastructure development is essential for promoting sustainable economic growth.

From inception of the South African Department of Energy's Renewable Energy Independent Power Producer Programme, RMB has led the debt financing, totalling R11.5 billion, for 400MW in round 1 and 250MW in round 2 of the programme. So far, RMB has raised debt funding for all of the key technologies, including wind, solar, photovoltaic, concentrated solar and mini-hydro power production. These projects are some of the largest of their kind in the world.

Four of these projects have been completed and are delivering electricity into the national grid, providing a total combined capacity of about 300MW.

FNB EcoEnergy loan

An EcoEnergy loan is a smart way to finance the purchase and installation of energy-efficient technology to help clients reduce utility bills and reduce the cost of doing business.

FNB recently partnered with the Department of Energy and the National Business Initiative, in a programme called Private Sector Energy Efficiency, funded by UKAid, where clients can contact the programme for energy audits and specialised advice on energy efficiency and reduction of costs. More information on the EcoEnergy loan is available at www.fnb.co.za.

Environmental impact

FirstRand's primary direct impact is caused by energy consumption. A key focus is to reduce the Group's carbon emissions through implementing energy efficiency measures. From the management of existing buildings to the construction of new buildings FirstRand employs various benchmarks, such as the Green Building Council of South Africa's standards to ensure operational excellence.

Carbon footprint

Carbon emissions (Metric tonnes of CO_2 equivalents)	2014	2013	% change
Fuel use	**244**	181	35
Business fleet travel	**7 468**	8 268	(10)
Electricity	**238 563**	238 434	0
Paper use	**2 405**	3 301	(27)
Business road travel	**5 937**	5 854	1
Business air travel	**11 128**	11 703	(5)
Refrigerants	**2 286**	1 803	27
Fuel well to tank emissions	**1 545**	1 714	(10)
Total carbon emissions	**269 577**	271 259	(1)
Total energy used (Kw/h – thousands)	**231 615**	238 434	(3)

2014 figures are for South African businesses only to enable year-on-year comparison. During the year the scope of the total carbon footprint increased to include Ashburton Investments and FNB Africa leading to a total carbon emissions figure of 290 992 tonnes of CO_2 for the reporting period.

KING III, ADMINISTRATIVE MATTERS, REGULATORY AND COMPLIANCE REQUIREMENTS

Assessment of the King III Principles has been integrated with the annual corporate governance assessment conducted by the Banks Act Compliance department in conformance with Regulation 39(18)(a) of the South African Banks Act.

The King III code adopts an apply-or-explain principle whereby a reasonable explanation for non-application of a certain principle is required. FirstRand has two areas where it adopts the apply-or-explain principle.

King III Chapter 2 – boards and directors

King III principle 2.16 states that the board should elect a chairman of the board who is an independent non-executive director.

FirstRand's chairman, Mr LL Dippenaar, is non-executive but not independent in terms of the definition of independence adopted by the JSE. Mr Dippenaar is a major shareholder in RMB Holdings Limited, which owns 33.9% of the issued share capital of FirstRand. The board believes that his specialist knowledge of the financial services industry and of the FirstRand Group make it appropriate for him to hold this position. In line with the JSE Listings Requirements and the King III code, a lead independent non-executive director was formally appointed.

King III Chapter 3 – audit committees

King III principle 3.2 states that audit committee members should be suitably skilled and experienced independent non-executive directors. The code also recommends that the audit committee should be constituted of at least three independent members. While King III requires that audit committees be constituted exclusively of independent directors, the Banks Act requires audit committees to be constituted with a minimum of three independent directors.

FirstRand's audit committee is not constituted exclusively of independent directors as one of its members, Mr Leon Crouse, is not independent in terms of the JSE definition. The board is of the opinion that Mr Crouse's specialist skills, experience, knowledge of the FirstRand Group and the value that these bring to audit committee deliberations warrant his ongoing membership.

PROCEEDINGS AND PERFORMANCE REVIEW

The committee met twice during the year. Membership and attendance were as follows:

	Nov 2013	May 2014
MS Bomela	✓	✓
NN Gwagwa – (appointed May 2014)	–	✓
BJ van der Ross	✓	A
JH van Greuning – chairman	✓	✓

A – apology tendered and accepted.

The committee has conducted an effectiveness assessment and is satisfied that it has fulfilled the requirements of its charter.

JH van Greuning
Chairman, social and ethics committee

8 September 2014

FirstRand group summarised annual financial statements

SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 30 June

These summarised consolidated financial statements comprise a summary of the audited consolidated financial statements of the Group for the year ended 30 June 2014. These summarised consolidated financial statements have been audited by the Group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on these summarised consolidated financial statements is on page 113.

The summarised consolidated financial statements are not the Group's statutory financial statements and do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summarised consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the Group, as they do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the Group. The consolidated financial statements have been audited by the Group's external auditors. Their unmodified audit report is available for inspection at the Group's registered office.

The audited consolidated financial statements are available online at www.firstrand.co.za, or may be obtained from the company secretary.

BASIS OF PRESENTATION

The following requirements have been applied in preparing the summarised consolidated financial statements:

- the recognition and measurement requirements of IFRS, including the concepts in the conceptual framework;
- the disclosure requirements of IAS 34: Interim Financial Reporting as issued by the International Accounting Standards Board (IASB);
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- the Financial Pronouncements as issued by the Financial Reporting Standards Council;
- the JSE Limited's (JSE) requirements for summarised financial statements; and
- the requirements of the Companies Act 71 of 2008, as amended, applicable to summarised financial statements.

The summarised consolidated financial statements have been prepared on the historical cost basis, except for certain items, which are stated at fair value, and are presented in South African rand, which is the Group's presentation currency. The accounting policies applied in the preparation of the consolidated financial statements, from which the summarised consolidated financial statements are derived are in terms of IFRS. There were a number of changes to the accounting policies in the current year as a result of the adoption of new and revised IFRS requirements. The impact of these changes is set out on pages 126 to 130.

The methods of computation are consistent in all material respects with those applied in the previous period.

The consolidated annual financial statements from which these were derived were prepared by Jaco van Wyk, CA(SA), and approved by the board of directors on 8 September 2014 and signed on its behalf by:

LL Dippenaar	**SE Nxasana**
Chairman	Chief executive officer

Sandton

9 October 2014

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The board acknowledges its responsibility to ensure the integrity of the summarised consolidated financial statements.

The board has applied its mind to the summarised consolidated financial statements and believes that this document addresses all material issues and fairly presents the Group's integrated performance and impacts.

The integrated report has been prepared in line with best practice and King III recommendations.

The integrated report was approved by the board on 8 September 2014 and signed on its behalf

LLDippenaar

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

Sandton

9 October 2014

GROUP SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88(2)(E) OF THE COMPANIES ACT

I declare that, to the best of my knowledge, the company has lodged with the Registrar of Companies all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

Carmita Low.

C Low
Company secretary

Sandton

9 October 2014

REPORT OF THE INDEPENDENT AUDITOR ON THE SUMMARISED CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The summarised consolidated financial statements of FirstRand Limited, set out on pages 117 to 185 contained in the accompanying summarised report, which comprise the summarised consolidated statement of financial position as at 30 June 2014, the summarised consolidated income statement, the summarised consolidated statement of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2014. We expressed an unmodified opinion on those consolidated financial statements in our report dated 8 September 2014. Our auditors' report on the consolidated financial statements contained an other matter paragraph "Other reports required by the Companies Act" (included below). Those consolidated financial statements, and the summarised consolidated financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated financial statements.

The summarised consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised consolidated financial statements, therefore, is not a substitute for reading the audited consolidated financial statements of FirstRand Limited.

Directors' responsibility for the summarised consolidated financial statements

The directors are responsible for the preparation of the summarised consolidated financial statements in accordance with the JSE Limited's (JSE) requirements for summarised financial statements, set out in the basis of presentation paragraph to the summarised consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal controls as the directors determine is necessary to enable the preparation of the summarised consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion the summarised consolidated financial statements derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2014 are consistent, in all material respects, with those consolidated financial statements, in accordance with the JSE's requirements for summarised financial statements, set out in the basis of presentation paragraph to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 8 September 2014 states that as part of our audit of the consolidated financial statements for the year ended 30 June 2014, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of the identifying whether there are material inconsistencies between these reports and the audited consolidated financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited consolidated financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised consolidated financial statements or our opinion thereon.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered auditor
Director: Francois Prinsloo

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per: Kevin Black

9 October 2014

DIRECTORS' REPORT
for the year ended 30 June

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company. The Group provides banking, insurance and investment products and services to retail, commercial, corporate and public sector customers through its portfolio of market-leading franchises; First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, an instalment finance provider, and Ashburton Investments, the Group's newly-established investment management business. FirstRand Limited is the holding company of the FirstRand group of companies and is listed on the securities exchange of JSE Limited (JSE) (under Financial – Banks, share code: FSR) and the Namibian Stock Exchange (NSX) (share code: FST).

Whilst the Group is predominantly South African based, it has subsidiaries in Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland and Lesotho. The Bank has branches in India and the United Kingdom, and representative offices in Dubai, Kenya, Angola and China.

Refer to page 193 for a simplified group structure.

INTEGRATED REPORT

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by King III have been adopted in preparation of this integrated report. The board believes that this report fairly represents the performance of the Group.

DIVIDENDS

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2014 financial year.

	Year ended 30 June	
Cents per share	**2014**	**2013**
Interim (declared 3 March 2014)	**77.0**	55.0
Final (declared 8 September 2014)	**97.0**	81.0
Total	**174.0**	136.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Friday 3 October 2014
Shares commence trading ex-dividend	Monday 6 October 2014
Record date	Friday 10 October 2014
Payment date	Monday 13 October 2014

Share certificates may not be dematerialised or rematerialised between Monday 6 October 2014 and Friday 10 October 2014, both days inclusive.

The final dividend of 97 cents per share carries a STC credit of 4.35849 cents per share. Shareholders who are exempt from Dividend Withholding Tax (DWT) will receive the full 97 cents per share. For shareholders who are subject to DWT, tax will be calculated at 15% (or such lower rate if a double taxation agreement applies for foreign shareholders), after taking into account the STC credit.

For South African shareholders who are subject to DWT, the net final dividend after deducting 15% tax will be 83.10377 cents per share.

The issued share capital on the declaration date was 5 637 941 689 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B preference shares

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Dividends declared and paid

	B preference shares	
Cents per share	**2014**	**2013**
Period:		
28 August 2012 – 25 February 2013		320.3
26 February 2013 – 26 August 2013		320.3
27 August 2013 – 24 February 2014	**320.3**	
25 February 2014 – 25 August 2014	**341.1**	

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2014 are shown in note 4 in the summarised annual financial statements.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS

The following shareholders have a beneficial interest of 5% or more in FirstRand's issued ordinary shares.

%	2014	2013
RMB Holdings Limited	**33.9**	33.9
Public Investment Corporation	**8.7**	8.9
FirstRand empowerment trust and related parties	**8.1**	8.1
Financial Securities Limited (Remgro)	**3.9**	3.9

A further analysis of shareholders is set out on page 194.

EVENTS SUBSEQUENT TO REPORTING DATE

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

DIRECTORATE

Details of the board of directors are on pages 69 to 73.

BOARD CHANGES

Mr Johan Petrus Burger was appointed deputy chief executive officer on 1 October 2013. He relinquished his position as financial director on 1 January 2014.

Mr Hetash (Harry) Surendrakumar Kellan was appointed as financial director on 1 January 2014.

Mr Deepak Premnarayen became a non-executive director on 3 December 2013 due to him no longer participating in FirstRand's share scheme and other executive remuneration arrangements.

Mr Russell Mark Loubser was appointed to the board as an independent non-executive director on 5 September 2014.

Mr Bruce William Unser, having reached retirement age, retired as company secretary on 5 January 2014.

Ms Carnita Low was appointed as company secretary on 6 January 2014.

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Details of the directors' and prescribed officers' interests in the issued ordinary and preference shares of FirstRand have been disclosed in the *corporate governance report* (page 77).

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Details of directors' and prescribed officers' emoluments and their participation in share incentive schemes have been disclosed in the *corporate governance report* (pages 87 to 95). Further information relating to the determination of directors' and prescribed officers' emoluments, share option allocations and related matters are included in the *remuneration committee report* (pages 79 to 95).

AUDIT COMMITTEE REPORT

The *audit committee report* appears on pages 96 to 99.

MANAGEMENT BY THIRD PARTIES

The directors had no interest in any third party or company responsible for managing any of the business activities of the Group except to the extent that they are shareholders in RMB Holdings, which together with Remgro, has significant influence over FirstRand.

DIRECTORS' INTEREST IN CONTRACTS

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the Group.

DISPOSALS

There were no significant disposals during the year under review.

ACQUISITIONS

There were no significant acquisitions during the year under review.

PROPERTY AND EQUIPMENT

There is no change in the nature of the property and equipment of the Group or in the policy regarding their use during the year.

INSURANCE

The Group protects itself against crime as well as professional indemnity by carrying large deductibles through a structured insurance risk financing programme. Levels of cover carried are commensurate with the size and stature of the Group.

SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

Interests in subsidiary, associate and joint venture companies, which are considered material in view of the Group's financial position and its results, are included in notes 41, 14 and 15 in the annual integrated report.

COMPANY SECRETARY AND REGISTERED OFFICES

Ms C Low is the company secretary. FirstRand's business and postal addresses appear on page 196. These addresses are also those of the registered offices.

SPECIAL RESOLUTIONS DURING 2014

Special resolutions by subsidiaries (8.63(i))

1. FirstRand Finance Company Proprietary Limited

A special resolution was passed on 23 May 2013 to convert the company from a public company into a private company. This change was registered with the Commissioner of CIPC on 15 October 2013.

2. FirstRand EMA Holdings Proprietary Limited

A special resolution was passed on 19 February 2014 to convert the company from a public company into a private company. This change was registered with the Commissioner of CIPC on 31 July 2014.

LL Dippenaar

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

8 September 2014

SUMMARISED CONSOLIDATED INCOME STATEMENT
for the year ended 30 June

R million	2014	2013*
Interest and similar income	**50 412**	43 784
Interest expense and similar charges	**(20 534)**	(19 015)
Net interest income before impairment of advances	**29 878**	24 769
Impairment of advances	**(5 252)**	(4 807)
Net interest income after impairment of advances	**24 626**	19 962
Non-interest income	**36 150**	30 734
Income from operations	**60 776**	50 696
Operating expenses	**(35 448)**	(30 804)
Net income from operations	**25 328**	19 892
Share of profit of associates after tax	**670**	523
Share of profit of joint ventures after tax	**257**	301
Income before tax	**26 255**	20 716
Indirect tax	**(878)**	(645)
Profit before tax	**25 377**	20 071
Income tax expense	**(5 591)**	(4 117)
Profit for the year	**19 786**	15 954
Attributable to:		
Ordinary equityholders	**18 440**	14 785
NCNR preference shareholders	**288**	297
Equityholders of the Group	**18 728**	15 082
Non-controlling interests	**1 058**	872
Profit for the year	**19 786**	15 954
Earnings per share (cents)		
Basic	**336.2**	269.7
Diluted	**332.7**	266.4

* *Refer to restatement of prior year numbers on pages 126 to 130.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	2014	2013*
Profit for the year	**19 786**	15 954
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**363**	853
(Losses)/gains arising during the year	**(109)**	417
Reclassification adjustments for amounts included in profit or loss	**613**	768
Deferred income tax	**(141)**	(332)
Available-for-sale financial assets	**(82)**	(104)
Losses arising during the year	**(82)**	(117)
Reclassification adjustments for amounts included in profit or loss	**(69)**	(33)
Deferred income tax	**69**	46
Exchange differences on translating foreign operations	**346**	998
Gains arising during the year	**346**	998
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**131**	129
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	**(82)**	22
(Losses)/gains arising during the year	**(157)**	30
Deferred income tax	**75**	(8)
Other comprehensive income for the year	**676**	1 898
Total comprehensive income for the year	**20 462**	17 852
Attributable to:		
Ordinary equityholders	**19 086**	16 625
NCNR preference shareholders	**288**	297
Equityholders of the Group	**19 374**	16 922
Non-controlling interests	**1 088**	930
Total comprehensive income for the year	**20 462**	17 852

* *Refer to restatement of prior year numbers on pages 126 to 130.*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June

R million	Notes	2014	2013*	2012*
ASSETS				
Cash and cash equivalents		**60 756**	48 565	37 317
Derivative financial instruments		**39 038**	52 277	52 711
Commodities		**7 904**	6 016	5 108
Accounts receivable		**8 159**	7 804	6 222
Current tax asset		**131**	266	327
Advances	2	**685 926**	601 065	527 279
Investment securities and other investments		**119 107**	128 388	116 776
Investments in associates		**5 847**	4 486	4 025
Investments in joint ventures		**1 205**	910	737
Property and equipment		**14 495**	13 453	11 228
Intangible assets		**1 047**	1 169	1 743
Reinsurance assets		**408**	394	898
Defined benefit post-employment asset		**5**	–	–
Investment properties		**419**	459	215
Deferred income tax asset		**862**	460	343
Non-current assets and disposal groups held for sale		**226**	20	599
Total assets		**945 535**	865 732	765 528
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions		**5 442**	2 991	5 343
Derivative financial instruments		**41 659**	53 008	53 760
Creditors and accruals		**13 437**	11 079	9 004
Current tax liability		**369**	513	334
Deposits		**768 234**	697 035	606 299
Provisions		**797**	600	592
Employee liabilities		**7 441**	5 857	4 983
Other liabilities		**6 586**	6 101	5 794
Policyholder liabilities under insurance contracts		**540**	646	1 089
Deferred income tax liability		**796**	753	1 412
Tier 2 liabilities		**11 983**	8 116	7 886
Liabilities directly associated with disposal groups held for sale		**34**	–	113
Total liabilities		**857 318**	786 699	696 609
Equity				
Ordinary shares	4	**55**	55	55
Share premium	4	**5 531**	5 609	5 432
Reserves		**74 928**	65 954	56 212
Capital and reserves attributable to ordinary equityholders		**80 514**	71 618	61 699
NCNR preference shares	4	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the Group		**85 033**	76 137	66 218
Non-controlling interests		**3 184**	2 896	2 701
Total equity		**88 217**	79 033	68 919
Total equity and liabilities		**945 535**	865 732	765 528

* *Refer to restatement of prior year numbers on pages 126 to 130.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as reported at 30 June 2012	55	5 216	**5 271**	–	(753)
Restatements	–	216	**216**	(591)	–
Restated balance as at 1 July 2012	55	5 432	**5 487**	(591)	(753)
Issue of share capital	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	177	**177**	–	–
Total comprehensive income for the year	–	–	**–**	22	853
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2013	55	5 609	**5 664**	(569)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	(78)	**(78)**	–	–
Total comprehensive income for the year	–	–	**–**	(82)	361
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2014	55	5 531	**5 586**	(651)	461

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Non-controlling interests	Total equity
3 247	626	1 052	(61)	53 139	**57 250**	**4 519**	**2 767**	**69 807**
–	(6)	(10)	(20)	(411)	**(1 038)**	**–**	**(66)**	**(888)**
3 247	620	1 042	(81)	52 728	**56 212**	**4 519**	**2 701**	**68 919**
–	–	–	–	–	**–**	**–**	**(11)**	**(11)**
(46)	–	–	76	(79)	**(49)**	**–**	**(53)**	**(102)**
–	–	–	–	(6 198)	**(6 198)**	**–**	**(650)**	**(6 848)**
–	–	–	–	–	**–**	**(297)**	**–**	**(297)**
–	–	–	21	(21)	**–**	**–**	**–**	**–**
(2)	–	–	–	15	**13**	**–**	**(21)**	**(8)**
–	–	–	–	53	**53**	**–**	**–**	**230**
–	(102)	957	110	14 785	**16 625**	**297**	**930**	**17 852**
(26)	–	–	–	(676)	**(702)**	**–**	**–**	**(702)**
3 173	518	1 999	126	60 607	**65 954**	**4 519**	**2 896**	**79 033**
(387)	–	–	14	(24)	**(397)**	**–**	**(86)**	**(483)**
–	–	–	–	(8 669)	**(8 669)**	**–**	**(630)**	**(9 299)**
–	–	–	–	–	**–**	**(288)**	**–**	**(288)**
–	–	–	34	(34)	**–**	**–**	**–**	**–**
–	–	–	–	(180)	**(180)**	**–**	**(84)**	**(264)**
–	–	–	–	14	**14**	**–**	**–**	**(64)**
–	(82)	353	96	18 440	**19 086**	**288**	**1 088**	**20 462**
(3)	–	–	–	(877)	**(880)**	**–**	**–**	**(880)**
2 783	436	2 352	270	69 277	**74 928**	**4 519**	**3 184**	**88 217**

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	2014	2013*
Cash flows from operating activities		
Cash receipts from customers	**76 678**	65 844
Cash paid to customers, suppliers and employees	**(46 403)**	(40 194)
Dividends received	**3 734**	5 793
Dividends paid	**(8 957)**	(6 495)
Dividends paid to non-controlling interests	**(630)**	(650)
Cash generated from operating activities	**24 422**	24 298
Increase in income-earning assets	**(74 630)**	(84 136)
Increase in deposits and other liabilities	**68 797**	79 895
Taxation paid	**(6 711)**	(5 642)
Net cash generated from operating activities	**11 878**	14 415
Cash flows from investing activities		
Acquisition of investment in associates	**(1 566)**	(976)
Proceeds on disposal of investment in associates	**1 210**	918
Proceeds on settlement of loans to associates	**–**	22
Acquisition of investment in joint ventures	**(272)**	–
Proceeds on disposal of investment in joint ventures	**–**	29
Acquisition of investments in subsidiaries	**(15)**	(84)
Proceeds on disposal of investments in subsidiaries	**32**	–
Acquisition of property and equipment	**(4 011)**	(4 439)
Proceeds on disposal of property and equipment	**682**	477
Acquisition of intangible assets	**(105)**	(245)
Proceeds on disposal of intangible assets	**7**	6
Acquisition of investment properties	**(37)**	–
Proceeds on disposal of investment properties	**76**	–
Proceeds on disposal of non-current assets held for sale	**41**	500
Acquisition of additional interest in subsidiaries from non-controlling interests	**(273)**	(11)
Issue of shares of additional interest in subsidiaries to non-controlling interests	**41**	–
Net cash outflow from investing activities	**(4 190)**	(3 803)
Cash flows from financing activities		
Proceeds from the issue of other liabilities	**484**	113
Proceeds from the issue of Tier 2 liabilities	**3 859**	212
Net cash inflow from financing activities	**4 343**	325
Net increase in cash and cash equivalents	**12 031**	10 937
Cash and cash equivalents at the beginning of the year	**48 565**	37 317
Cash and cash equivalents acquired**	**–**	2
Cash and cash equivalents disposed of**	**(11)**	–
Effect of exchange rate changes on cash and cash equivalents	**179**	309
Transfer to non-current assets held for sale	**(8)**	–
Cash and cash equivalents at the end of the year	**60 756**	48 565

* *Refer to restatement of prior year numbers on pages 126 to 130.*

** *Cash and cash equivalents acquired and disposed of relates to the cash balances held by subsidiaries acquired or disposed of during the year.*

SUMMARISED CONSOLIDATED STATEMENT OF HEADLINE EARNINGS AND DIVIDENDS

for the year ended 30 June

	2014	2013
Headline earnings per share (cents)		
Basic	**340.4**	279.6
Diluted	**336.8**	276.2
Ordinary dividends per share (cents)		
Interim	**77.0**	55.0
Final	**97.0**	81.0
Total dividends per ordinary share (cents)	**174.0**	136.0

Headline earnings is calculated in terms of *Circular 2/2013 Headline Earnings.*

Basic headline earnings

Basic headline earnings per share is calculated by dividing the Group's attributable earnings to ordinary equityholders after excluding separately identifiable remeasurements, net of tax and non-controlling interests, by the weighted average number of ordinary shares in issue during the year, excluding the average number of ordinary shares purchased by the Group and held as treasury shares.

	2014	2013
Headline earnings attributable to ordinary shares in issue (R million)	**18 671**	15 327
Weighted average number of ordinary shares in issue	**5 485 252 758**	5 482 486 726

Diluted headline earnings

Diluted headline earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.

	2014	2013
Diluted headline earnings attributable to ordinary equityholders (R million)	**18 671**	15 327
Diluted weighted average number of shares in issue	**5 543 002 061**	5 550 024 676

	2014		2013*	
R million	**Gross**	**Net**	**Gross**	**Net**
Headline earnings reconciliation				
Attributable earnings to ordinary equityholders		**18 440**		14 785
Adjusted for				
Loss on disposal of investment securities and other investments of a capital nature	**27**	**27**	13	13
Gain on disposal of available-for-sale assets	**(69)**	**(50)**	(33)	(24)
(Gains)/losses on the disposal of investments in associates	**(61)**	**(43)**	24	17
Gain on the disposal of investments in joint ventures	**–**	**–**	(23)	(16)
Gain on the disposal of investments in subsidiaries	**(14)**	**(10)**	(63)	(43)
Gain on remeasuring retained interest in subsidiaries disposed of	**(4)**	**(4)**	–	–
Loss on the disposal of property and equipment	**32**	**34**	77	65
Impairment of property and equipment	**141**	**139**	12	11
Reversal of impairment of investments in associates	**–**	**–**	(13)	(14)
Impairment of investments in joint ventures	**–**	**–**	2	2
Impairment of goodwill	**128**	**128**	438	437
Fair value movement of investment properties	**–**	**–**	(7)	(5)
Impairment of assets in terms of IAS 36	**10**	**10**	271	202
Gain from a bargain purchase	**–**	**–**	(14)	(11)
Other	**–**	**–**	(127)	(92)
Headline earnings to ordinary equityholders		**18 671**		15 327

* *Refer to restatement of prior year numbers on pages 126 to 130.*

Cents	2014	2013
Basic headline earnings per share	**340.4**	279.6
Diluted headline earnings per share	**336.8**	276.2

Cents	2014	2013
Dividend information		
Dividends declared on NCNR preference shares		
B preference shares		
24 February 2014/25 February 2013	**320.3**	320.3
25 August 2014/26 August 2013	**341.1**	320.3
Total B preference shares	**661.4**	640.6
Ordinary dividends declared		
3 March 2014/5 March 2013	**77.0**	55.0
8 September 2014/10 September 2013	**97.0**	81.0
Total ordinary dividends declared	**174.0**	136.0

NOTES TO THE SUMMARISED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 RESTATEMENT OF PRIOR YEAR NUMBERS

1.1 Description of restatements

IFRS 10; IFRS 11; IFRS 12; IAS 27R and IAS 28R

Under IFRS 10 there is one approach for determining consolidation of all entities based on concepts of power; variability of returns and their linkage. The application of control will be applied irrespective of the nature of the investee. The Group has control over an investee when the Group is exposed, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

IFRS 11 places more focus on the investors' rights and obligations than on the structure of the arrangement when determining whether a joint arrangement exists.

IFRS 12 is a comprehensive standard on disclosure requirements for all forms of interests in other entities, including unconsolidated structured entities. The standard impacts disclosure only and has no impact on recognition and measurement.

The adoption of IFRS 10 and 11 resulted in the following:

- reclassification of a number of entities between associates and joint ventures. As it has always been the Group's policy to account for joint ventures in accordance with the equity accounting method the reclassification did not result in a change in measurement;
- a number of structured entities no longer meet the control criteria in terms of IFRS 10 and consequently are no longer consolidated;
- a private equity investment previously classified as an associate was considered to be controlled under IFRS 10; and
- first and third party insurance cell captives do not meet the definition of asset silos in terms of IFRS 10 and therefore do not qualify for consolidation. The insurance policies in the Group's first party cells insure the risk arising from the Group's defined benefit plans. As such those insurance contracts are now considered to be plan assets in terms of IAS 19 and are accounted for as such. The excess profit in the cell captive is recognised as a financial asset in accounts receivable. The third party cell captives previously consolidated by the Group are now treated as profit share arrangements and the income arising from the arrangements is included in other non-interest revenue. To the extent that these remain unpaid the balance is recognised in accounts receivable.

IAS 19

Amendments to IAS 19 require that all actuarial gains and losses in respect of defined benefit post-employment plans are no longer deferred in terms of the corridor but recognised in other comprehensive income. In addition the standard no longer requires the expected return on plan assets to be recognised in profit or loss, rather that a net interest income/expense be recognised on the net asset or liability. All other remeasurements relating to plan assets are also recognised in other comprehensive income.

Loans to associates

In accordance with IAS 28 the Group's net investment in associates and joint ventures includes loans for which settlement is neither planned nor likely in the foreseeable future. The Group historically included these loans as part of investment in associates and joint ventures and reflected these as such on the statement of financial position.

Given the underlying debt nature of these loans and developing industry practice, the Group has decided to present these loans as advances. These loans will continue to form part of the Group's net investment in the associate or joint venture for purposes of determining the share of losses of the investee that are attributable to the Group and for impairment.

The change in presentation has had no impact on the net asset value of the Group, only on the classification of items on the statement of financial position.

1 RESTATEMENT OF PRIOR YEAR NUMBERS continued

1.2 Restated consolidated income statement for the year ended 30 June 2013

R million	As previously reported	IFRS 10 and 11	IAS 19	Reclassification of loans to associates and joint ventures	Restated
Income statement					
Interest and similar income	43 821	(37)	–	–	43 784
Interest expense and similar charges	(19 106)	91	–	–	(19 015)
Net interest income before impairment of advances	24 715	54	–	–	24 769
Impairment of advances	(4 812)	20	–	(15)	(4 807)
Net interest income after impairment of advances	19 903	74	–	(15)	19 962
Non-interest income	31 614	(880)	–	–	30 734
Income from operations	51 517	(806)	–	(15)	50 696
Operating expenses	(31 486)	667	15	–	(30 804)
Net income from operations	20 031	(139)	15	(15)	19 892
Share of profit of associates after tax	523	(15)	–	15	523
Share of profit of joint ventures after tax	301	–	–	–	301
Income before tax	20 855	(154)	15	–	20 716
Indirect tax	(645)	–	–	–	(645)
Profit before tax	20 210	(154)	15	–	20 071
Income tax expense	(4 532)	415	–	–	(4 117)
Profit for the year	15 678	261	15	–	15 954
Attributable to:					
Ordinary equityholders	14 539	231	15	–	14 785
NCNR preference shareholders	297	–	–	–	297
Equityholders of the Group	14 836	231	15	–	15 082
Non-controlling interests	842	30	–	–	872
Profit for the year	15 678	261	15	–	15 954

1 RESTATEMENT OF PRIOR YEAR NUMBERS continued

1.2 Restated consolidated statement of comprehensive income for the year ended 30 June 2013

R million	As previously reported	IFRS 10 and 11	IAS 19	Reclassification of loans to associates and joint ventures	Restated
Profit for the year	15 678	261	15	–	15 954
Items that may subsequently be reclassified to profit or loss					
Cash flow hedges	853	–	–	–	853
Gains arising during the year	417	–	–	–	417
Reclassification adjustments for amounts included in profit or loss	768	–	–	–	768
Deferred income tax	(332)	–	–	–	(332)
Available-for-sale financial assets	(89)	(15)	–	–	(104)
Losses arising during the year	(102)	(15)	–	–	(117)
Reclassification adjustments for amounts included in profit or loss	(33)	–	–	–	(33)
Deferred income tax	46	–	–	–	46
Exchange differences on translating foreign operations	990	8	–	–	998
Gains arising during the year	990	8	–	–	998
Reclassification adjustments for amounts included in profit or loss	–	–	–	–	–
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	129	–	–	–	129
Items that may not subsequently be reclassified to profit or loss					
Remeasurement on defined benefit post-employment plans	–	–	22	–	22
Gains arising during the year	–	–	30	–	30
Deferred income tax	–	–	(8)	–	(8)
Other comprehensive income for the year	1 883	(7)	22	–	1 898
Total comprehensive income for the year	17 561	254	37	–	17 852
Attributable to:					
Ordinary equityholders	16 358	230	37	–	16 625
NCNR preference shareholders	297	–	–	–	297
Equityholders of the Group	16 655	230	37	–	16 922
Non-controlling interests	906	24	–	–	930
Total comprehensive income for the year	17 561	254	37	–	17 852

1 RESTATEMENT OF PRIOR YEAR NUMBERS continued

1.2 Restated consolidated statement of financial position as at 30 June 2013

R million	As previously reported	IFRS 10 and 11	IAS 19	Reclass-ification of loans to associates and joint ventures	Restated
ASSETS					
Cash and cash equivalents	49 620	(1 055)	–	–	48 565
Derivative financial instruments	52 316	(39)	–	–	52 277
Commodities	6 016	–	–	–	6 016
Accounts receivable	7 471	333	–	–	7 804
Current tax asset	275	(9)	–	–	266
Advances	598 975	488	–	1 602	601 065
Investment securities and other investments	131 293	(2 905)	–	–	128 388
Investments in associates	6 082	6	–	(1 602)	4 486
Investments in joint ventures	910	–	–	–	910
Property and equipment	14 058	(605)	–	–	13 453
Intangible assets	1 169	–	–	–	1 169
Reinsurance assets	394	–	–	–	394
Defined benefit post-employment asset	13	–	(13)	–	–
Investment properties	459	–	–	–	459
Deferred income tax asset	598	(138)	–	–	460
Non-current assets and disposal groups held for sale	20	–	–	–	20
Total assets	869 669	(3 924)	(13)	–	865 732
EQUITY AND LIABILITIES					
Liabilities					
Short trading positions	2 991	–	–	–	2 991
Derivative financial instruments	53 013	(5)	–	–	53 008
Creditors and accruals	11 155	(76)	–	–	11 079
Current tax liability	553	(40)	–	–	513
Deposits	697 005	30	–	–	697 035
Provisions	600	–	–	–	600
Employee liabilities	8 092	(2 546)	311	–	5 857
Other liabilities	6 669	(568)	–	–	6 101
Policyholder liabilities under insurance contracts	1 112	(466)	–	–	646
Deferred income tax liability	735	18	–	–	753
Tier 2 liabilities	8 116	–	–	–	8 116
Total liabilities	790 041	(3 653)	311	–	786 699
Equity					
Ordinary shares	55	–	–	–	55
Share premium	5 397	212	–	–	5 609
Reserves	66 733	(455)	(324)	–	65 954
Capital and reserves attributable to ordinary equityholders	72 185	(243)	(324)	–	71 618
NCNR preference shares	4 519	–	–	–	4 519
Capital and reserves attributable to equityholders of the Group	76 704	(243)	(324)	–	76 137
Non-controlling interests	2 924	(28)	–	–	2 896
Total equity	79 628	(271)	(324)	–	79 033
Total equity and liabilities	869 669	(3 924)	(13)	–	865 732

1 RESTATEMENT OF PRIOR YEAR NUMBERS continued

1.3 Restated consolidated statement of financial position as at 30 June 2012

R million	As previously reported	IFRS 10 and 11	IAS 19	Reclassification of loans to associates and joint ventures	Restated
ASSETS					
Cash and cash equivalents	38 363	(1 046)	–	–	37 317
Derivative financial instruments	52 913	(202)	–	–	52 711
Commodities	5 108	–	–	–	5 108
Accounts receivable	6 007	220	–	(5)	6 222
Current tax asset	331	(4)	–	–	327
Advances	524 507	660	–	2 112	527 279
Investment securities and other investments	119 708	(2 932)	–	–	116 776
Investments in associates	6 132	–	–	(2 107)	4 025
Investments in joint ventures	737	–	–	–	737
Property and equipment	12 026	(798)	–	–	11 228
Intangible assets	1 743	–	–	–	1 743
Reinsurance assets	898	–	–	–	898
Defined benefit post-employment asset	7	–	(7)	–	–
Investment properties	215	–	–	–	215
Deferred income tax asset	471	(128)	–	–	343
Non-current assets and disposal groups held for sale	599	–	–	–	599
Total assets	769 765	(4 230)	(7)	–	765 528
EQUITY AND LIABILITIES					
Liabilities					
Short trading positions	5 343	–	–	–	5 343
Derivative financial instruments	53 760	–	–	–	53 760
Creditors and accruals	9 086	(82)	–	–	9 004
Current tax liability	386	(52)	–	–	334
Deposits	606 281	18	–	–	606 299
Provisions	592	–	–	–	592
Employee liabilities	6 933	(2 613)	663	–	4 983
Other liabilities	6 383	(589)	–	–	5 794
Policyholder liabilities under insurance contracts	1 517	(428)	–	–	1 089
Deferred income tax liability	1 679	(267)	–	–	1 412
Tier 2 liabilities	7 885	1	–	–	7 886
Liabilities directly associated with disposal groups held for sale	113	–	–	–	113
Total liabilities	699 958	(4 012)	663	–	696 609
Equity					
Ordinary shares	55	–	–	–	55
Share premium	5 216	216	–	–	5 432
Reserves	57 250	(368)	(670)	–	56 212
Capital and reserves attributable to ordinary equityholders	62 521	(152)	(670)	–	61 699
NCNR preference shares	4 519	–	–	–	4 519
Capital and reserves attributable to equityholders of the Group	67 040	(152)	(670)	–	66 218
Non-controlling interests	2 767	(66)	–	–	2 701
Total equity	69 807	(218)	(670)	–	68 919
Total equity and liabilities	769 765	(4 230)	(7)	–	765 528

2 ADVANCES

		2014				
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Notional value of advances		183 711	36	514 178	22	697 947
Contractual interest suspended		–	(5)	(1 631)	–	(1 636)
Gross value of advances		183 711	31	512 547	22	696 311
Sector analysis						
Agriculture		417	–	22 473	22	22 912
Banks		4 175	–	4 379	–	8 554
Financial institutions		55 286	–	19 892	–	75 178
Building and property development		22 503	–	11 458	–	33 961
Government, Land Bank and public authorities		11 436	–	4 847	–	16 283
Individuals		307	31	355 880	–	356 218
Manufacturing and commerce		38 669	–	50 806	–	89 475
Mining		17 225	–	5 748	–	22 973
Transport and communication		12 141	–	7 371	–	19 512
Other services		21 552	–	29 693	–	51 245
Gross value of advances		183 711	31	512 547	22	696 311
Impairment of advances	3	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926

2 ADVANCES continued

R million	Notes	2014 Designated at fair value through profit or loss	Held-to-maturity	Loans and receivables	Available-for-sale	Total
Category analysis						
Overdrafts and cash management accounts		**–**	**–**	**53 670**	**–**	**53 670**
Term loans		**1 569**	**–**	**30 795**	**22**	**32 386**
Card loans		**–**	**–**	**17 332**	**–**	**17 332**
Instalment sales and hire purchase agreements		**–**	**–**	**142 401**	**–**	**142 401**
Lease payments receivable		**–**	**–**	**9 398**	**–**	**9 398**
Property finance		**302**	**31**	**202 496**	**–**	**202 829**
– Home loans		**–**	**31**	**184 903**	**–**	**184 934**
– Commercial property finance		**302**	**–**	**17 593**	**–**	**17 895**
Personal loans		**–**	**–**	**27 261**	**–**	**27 261**
Preference share agreements		**26 498**	**–**	**2 805**	**–**	**29 303**
Assets under agreement to resell		**31 390**	**–**	**1 921**	**–**	**33 311**
Investment bank term loans		**121 464**	**–**	**1 030**	**–**	**122 494**
Long-term loans to associates and joint ventures		**7**	**–**	**2 225**	**–**	**2 232**
Other		**2 481**	**–**	**21 213**	**–**	**23 694**
Gross value of advances		**183 711**	**31**	**512 547**	**22**	**696 311**
Impairment of advances	3	**–**	**(1)**	**(10 384)**	**–**	**(10 385)**
Net advances		**183 711**	**30**	**502 163**	**22**	**685 926**
Geographic analysis (based on credit risk)						
South Africa		**161 200**	**31**	**435 894**	**22**	**597 147**
Other Africa		**16 270**	**–**	**46 003**	**–**	**62 273**
United Kingdom		**3 944**	**–**	**24 370**	**–**	**28 314**
Other		**2 297**	**–**	**6 280**	**–**	**8 577**
– Europe		**864**	**–**	**3 452**	**–**	**4 316**
– North America		**504**	**–**	**719**	**–**	**1 223**
– South America		**–**	**–**	**161**	**–**	**161**
– Australasia		**107**	**–**	**1 058**	**–**	**1 165**
– Asia		**822**	**–**	**890**	**–**	**1 712**
Gross value of advances		**183 711**	**31**	**512 547**	**22**	**696 311**
Impairment of advances	3	**–**	**(1)**	**(10 384)**	**–**	**(10 385)**
Net advances		**183 711**	**30**	**502 163**	**22**	**685 926**

2 ADVANCES continued

		2013				
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Notional value of advances		157 053	47	455 192	72	612 364
Contractual interest suspended		–	(4)	(1 862)	–	(1 866)
Gross value of advances		157 053	43	453 330	72	610 498
Sector analysis						
Agriculture		574	–	19 966	72	20 612
Banks		4 411	–	2 767	–	7 178
Financial institutions		48 610	–	17 360	–	65 970
Building and property development		23 814	–	9 365	–	33 179
Government, Land Bank and public authorities		14 732	–	3 437	–	18 169
Individuals		130	43	318 122	–	318 295
Manufacturing and commerce		25 752	–	48 973	–	74 725
Mining		14 751	–	8 257	–	23 008
Transport and communication		9 659	–	5 985	–	15 644
Other services		14 620	–	19 098	–	33 718
Gross value of advances		157 053	43	453 330	72	610 498
Impairment of advances	3	–	(1)	(9 432)	–	(9 433)
Net advances		157 053	42	443 898	72	601 065

2 ADVANCES continued

		2013				
R million	**Notes**	**Designated at fair value through profit or loss**	**Held-to-maturity**	**Loans and receivables**	**Available-for-sale**	**Total**
Category analysis						
Overdrafts and cash management accounts		–	–	43 934	–	43 934
Term loans		2 225	–	26 515	72	28 812
Card loans		–	–	15 321	–	15 321
Instalment sales and hire purchase agreements		–	–	118 525	–	118 525
Lease payments receivable		–	–	10 609	–	10 609
Property finance		2 583	43	189 911	–	192 537
– Home loans		–	43	174 695	–	174 738
– Commercial property finance		2 583	–	15 216	–	17 799
Personal loans		–	–	23 975	–	23 975
Preference share agreements		22 713	–	3 046	–	25 759
Assets under agreement to resell		38 828	–	1 734	–	40 562
Investment bank term loans		90 008	–	508	–	90 516
Long-term loans to associates and joint ventures		–	–	1 602	–	1 602
Other		696	–	17 650	–	18 346
Gross value of advances		157 053	43	453 330	72	610 498
Impairment of advances	3	–	(1)	(9 432)	–	(9 433)
Net advances		157 053	42	443 898	72	601 065
Geographic analysis (based on credit risk)						
South Africa		145 393	43	395 829	72	541 337
Other Africa		8 201	–	37 443	–	45 644
United Kingdom		1 216	–	14 733	–	15 949
Other		2 243	–	5 325	–	7 568
– Europe		582	–	2 792	–	3 374
– North America		346	–	678	–	1 024
– South America		89	–	283	–	372
– Australasia		600	–	757	–	1 357
– Asia		626	–	815	–	1 441
Gross value of advances		157 053	43	453 330	72	610 498
Impairment of advances	3	–	(1)	(9 432)	–	(9 433)
Net advances		157 053	42	443 898	72	601 065

2 ADVANCES continued

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
				2014
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	**2 478**	**6 975**	**614**	**10 067**
Suspensive sale instalments receivable	**45 820**	**123 136**	**9 339**	**178 295**
Sub total	**48 298**	**130 111**	**9 953**	**188 362**
Less: Unearned finance charges	**(8 912)**	**(25 373)**	**(2 181)**	**(36 466)**
Total gross instalment sales and lease payments receivable	**39 386**	**104 738**	**7 772**	**151 896**
Less: Interest in suspense				**(97)**
Total net instalment sales and lease payments receivable				**151 799**

R million	Within 1 year	Between 1 and 5 years	More than 5 years	Total
				2013
Analysis of instalment sales and lease payments receivable				
Lease payments receivable	2 845	7 738	606	11 189
Suspensive sale instalments receivable	39 788	98 139	6 914	144 841
Sub total	42 633	105 877	7 520	156 030
Less: Unearned finance charges	(7 481)	(17 881)	(1 400)	(26 762)
Total gross instalment sales and lease payments receivable	35 152	87 996	6 120	129 268
Less: Interest in suspense				(134)
Total net instalment sales and lease payments receivable				129 134

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R84 million (2013: R162 million).

2 ADVANCES continued

Securitisation transactions

In a synthetic securitisation transaction, credit risk related to specific advances is transferred to a structured entity through credit derivatives. The securitised advances are neither transferred nor derecognised and associated credit derivatives are recognised at fair value through profit or loss. The Group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.

Fresco II, is a bankruptcy remote structured entity that was previously created to facilitate synthetic securitisation transactions in the Group. Credit risk relating to R5 billion (2013: R5 billion) of the Group's corporate advances, was transferred to Fresco II. The securitisation materially matured on 2 August 2013.

In a traditional securitisation transaction, specific advances are transferred to a structured entity, which then issues liabilities to third party investors, for example, variable rate notes. The Group consolidates these securitisation vehicles as structured entities under IFRS 10 (refer to note 44 in the annual integrated report) and has therefore not derecognised the securitised advances. The Group's obligations (associated liability) toward the third party note holders is limited to the cash flows received on the underlying securitised advances, i.e. the note holders only have a claim to the ring-fenced advances in the structured entity and not to other assets of the Group.

The following bankruptcy remote structured entities were created to facilitate traditional securitisation transactions related to WesBank (Nitro 4) and MotoNovo (Turbo Finance 2, 3 and 4) retail instalment sale advances:

			Carrying value of assets		Carrying value of liabilities	
Name of securitisation	**Established**	**Initial transaction value**	**2014**	**2013**	**2014**	**2013**
Nitro 4	July 2011	R4 billion	**729**	1 453	**729**	1 747
Turbo Finance 2	March 2012	GBP314 million	**1 235**	2 552	**1 216**	2 526
Turbo Finance 3	November 2012	GBP326 million	**2 299**	4 048	**2 252**	4 000
Turbo Finance 4	November 2013	GBP374 million	**7 689**	–	**7 628**	–

In the prior year, the Turbo Finance securitisation was wound up and the notes called and settled.

2 ADVANCES continued

Credit risk mitigation

Collateral is an important mitigant of credit risk. Refer to the *risk and capital management report* in the annual integrated report for detailed information on credit risk mitigation.

The table below sets out the financial effect of collateral per class of advance:

R million	2014	2013
FNB retail	**7 419**	6 959
FNB commercial	**482**	455
Total FNB	**7 901**	7 414
RMB investment banking	**1 056**	1 432
RMB corporate banking	**26**	24
Total RMB	**1 082**	1 456
WesBank	**1 959**	1 727
Corporate Centre and other	**73**	19
Total	**11 015**	10 616

The financial effect of collateral and other credit enhancements has been calculated with reference to the unsecured loss given default (LGD) per class for the performing book (IBNR and portfolio specific impairments) and the non-performing book separately. The amounts disclosed above represent the difference between the balance sheet impairment using the actual LGD and the proxy unsecured LGD for all secured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect was calculated.

It is the Group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which therefore yields a more accurate financial effect.

3 IMPAIRMENT OF ADVANCES

Significant loans and advances are monitored by the credit committee and impaired according to the Group's impairment policy when an indication of impairment is observed.

The following factors are considered when determining whether there is objective evidence that the asset has been impaired:

- decrease in the estimated amount of collateral held against the loans and advances;
- breaches of loan covenants and conditions;
- the time period of overdue contractual payments;
- actuarial credit models;
- loss of employment or death of the borrower; and
- the probability of liquidation of the customer.

Where objective evidence of impairment exists, impairment testing is performed based on LGD, PD and EAD.

	2014			
	FNB		RMB	
R million	**Retail**	**Commercial**	**Investment banking**	**Corporate banking**
Analysis of movement in impairment of advances per class of advance				
Opening balance	**4 852**	**1 007**	**279**	**233**
Amounts written off	**(3 472)**	**(195)**	**(8)**	**(4)**
Transfers from/(to) other divisions	**2**	**10**	**–**	**(10)**
Reclassifications	**–**	**–**	**–**	**–**
Exchange rate difference	**7**	**5**	**5**	**–**
Unwinding of discounted present value on non-performing loans	**(116)**	**(8)**	**–**	**–**
Net new impairments created*	**3 209**	**363**	**177**	**33**
Closing balance	**4 482**	**1 182**	**453**	**252**
Increase in impairments*	**(3 209)**	**(363)**	**(177)**	**(33)**
Recoveries of bad debts previously written off	**1 129**	**30**	**–**	**1**
Impairment loss recognised in profit or loss	**(2 080)**	**(333)**	**(177)**	**(32)**

* *Refer to the risk management framework and governance structure report in the following categories for more details:*
Credit risk – under the impairment of financial assets and NPLs section.
Operational risk – under the boundary events.

	2014				
	WesBank	Other	Total impairment	Specific impairment	Portfolio impairment
	2 256	806	9 433	5 713	3 720
	(2 148)	(8)	(5 835)	(5 835)	–
	(2)	–	–	–	–
	–	–	–	(7)	7
	10	–	27	17	10
	(11)	–	(135)	(135)	–
	2 564	549	6 895	5 822	1 073
	2 669	**1 347**	**10 385**	**5 575**	**4 810**
	(2 564)	(549)	(6 895)	(5 822)	(1 073)
	483	–	1 643	1 643	–
	(2 081)	**(549)**	**(5 252)**	**(4 179)**	**(1 073)**

3 IMPAIRMENT OF ADVANCES continued

	2013			
	FNB		RMB	
R million	Retail	Commercial	Investment banking	Corporate banking
Analysis of movement in impairment of advances per class of advance				
Opening balance	4 579	873	292	210
Amounts written off	(3 044)	(199)	(122)	(34)
(Disposals)/acquisitions of advances	–	–	–	–
Transfers (to)/from other divisions	(11)	10	44	–
Reclassifications	–	–	–	–
Exchange rate difference	28	–	2	1
Unwinding of discounted present value on non-performing loans	(135)	(13)	–	–
Net new impairments created	3 435	336	63	56
Closing balance	4 852	1 007	279	233
Increase in impairments	(3 435)	(336)	(63)	(56)
Recoveries of bad debts previously written off	700	18	2	12
Impairment loss recognised in profit or loss	(2 735)	(318)	(61)	(44)

2013				
WesBank	Other	Total impairment	Specific impairment	Portfolio impairment
2 145	800	8 899	5 574	3 325
(1 876)	(2)	(5 277)	(5 277)	–
(8)	8	–	–	–
(44)	1	–	–	–
–	–	–	158	(158)
5	(1)	35	30	5
(20)	–	(168)	(168)	–
2 054	–	5 944	5 396	548
2 256	806	9 433	5 713	3 720
(2 054)	–	(5 944)	(5 396)	(548)
405	–	1 137	1 137	–
(1 649)	–	(4 807)	(4 259)	(548)

3 IMPAIRMENT OF ADVANCES continued

R million	2014 Total value net of interest in suspense	2014 Security held and expected recoveries	2014 Specific impairment
Non-performing loans by sector			
Agriculture	**200**	**143**	**57**
Financial institutions	**167**	**47**	**120**
Building and property development	**2 194**	**1 850**	**344**
Government, Land Bank and public authorities	**53**	**19**	**34**
Individuals	**11 729**	**7 836**	**3 893**
Manufacturing and commerce	**661**	**218**	**443**
Mining	**248**	**160**	**88**
Transport and communication	**91**	**43**	**48**
Other	**938**	**390**	**548**
Total non-performing loans	**16 281**	**10 706**	**5 575**
Non-performing loans by category			
Overdrafts and cash management accounts	**1 114**	**346**	**768**
Term loans	**669**	**369**	**300**
Card loans	**391**	**113**	**278**
Instalment sales and hire purchase agreements	**3 617**	**2 248**	**1 369**
Lease payments receivable	**225**	**124**	**101**
Property finance	**6 507**	**5 037**	**1 470**
– Home loans	**5 946**	**4 725**	**1 221**
– Commercial property finance	**561**	**312**	**249**
Personal loans	**1 508**	**518**	**990**
Investment bank term loans	**1 635**	**1 635**	**–**
Long-term loans to associates and joint ventures	**154**	**30**	**124**
Other	**461**	**286**	**175**
Total non-performing loans	**16 281**	**10 706**	**5 575**

For asset finance, the total security value reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of the recoveries total.

3 IMPAIRMENT OF ADVANCES continued

R million	Total value net of interest in suspense (2014)	Security held and expected recoveries (2014)	Specific impairment (2014)
Non-performing loans by class			
FNB retail	**8 065**	**5 412**	**2 653**
FNB commercial	**1 321**	**526**	**795**
Total FNB	**9 386**	**5 938**	**3 448**
RMB investment banking	**2 105**	**1 832**	**273**
RMB corporate banking	**6**	**–**	**6**
Total RMB	**2 111**	**1 832**	**279**
WesBank	**4 784**	**2 936**	**1 848**
Total non-performing loans	**16 281**	**10 706**	**5 575**
Non-performing loans by geographical area			
South Africa	**15 062**	**10 030**	**5 032**
Other Africa	**810**	**506**	**304**
United Kingdom	**83**	**29**	**54**
Other	**326**	**141**	**185**
– North America	**26**	**–**	**26**
– South America	**161**	**141**	**20**
– Australasia	**78**	**–**	**78**
– Asia	**61**	**–**	**61**
Total non-performing loans	**16 281**	**10 706**	**5 575**

3 IMPAIRMENT OF ADVANCES continued

	2013		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
Non-performing loans by sector			
Agriculture	617	508	109
Financial institutions	247	152	95
Building and property development	2 540	2 151	389
Government, Land Bank and public authorities	145	78	67
Individuals	11 946	7 710	4 236
Manufacturing and commerce	741	382	359
Mining	105	66	39
Transport and communication	138	68	70
Other	752	403	349
Total non-performing loans	17 231	11 518	5 713
Non-performing loans by category			
Overdrafts and cash management accounts	1 068	345	723
Term loans	420	194	226
Card loans	348	87	261
Instalment sales and hire purchase agreements	3 041	1 830	1 211
Lease payments receivable	485	260	225
Property finance	7 817	5 947	1 870
– Home loans	7 210	5 615	1 595
– Commercial property finance	607	332	275
Personal loans	1 506	382	1 124
Investment bank term loans	2 289	2 289	–
Other	257	184	73
Total non-performing loans	17 231	11 518	5 713

For asset finance, the total security value reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of the recoveries total.

3 IMPAIRMENT OF ADVANCES continued

	2013		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
Non-performing loans by class			
FNB retail	9 292	6 166	3 126
FNB commercial	1 429	647	782
Total FNB	10 721	6 813	3 908
RMB investment banking	2 571	2 442	129
RMB corporate banking	9	–	9
Total RMB	2 580	2 442	138
WesBank	3 930	2 263	1 667
Total non-performing loans	17 231	11 518	5 713
Non-performing loans by geographical area			
South Africa	16 041	10 741	5 300
Other Africa	678	412	266
United Kingdom	50	15	35
Other	462	350	112
– North America	34	34	–
– South America	315	315	–
– Australasia	75	1	74
– Asia	38	–	38
Total non-performing loans	17 231	11 518	5 713

4 SHARE CAPITAL AND SHARE PREMIUM

4.1 Share capital and share premium classified as equity

	2014		
	Number of ordinary shares	**Number of A preference shares****	**Number of B preference shares**#
Authorised			
Number of shares	**6 001 688 450**	**198 311 550**	**100 000 000**
Issued – fully paid up			
Ordinary shares			
Opening balance	**5 637 941 689**	**–**	**–**
Closing balance	**5 637 941 689**	**–**	**–**
B preference shares			
Opening balance	**–**	**–**	**45 000 000**
Closing balance	**–**	**–**	**45 000 000**
Total issued share capital and share premium	**5 637 941 689**	**–**	**45 000 000**
Analysis of total issued share capital closing balance			
Ordinary issued share capital closing balance as above 1 cents each	**5 637 941 689**	**–**	**–**
Treasury shares	**(152 823 701)**	**–**	**–**
Total issue share capital attributable to ordinary equityholders	**5 485 117 988**	**–**	**–**
B variable rate, NCNR preference shares of 1 cent each	**–**	**–**	**45 000 000**
Total issued share capital attributable to equityholders of the group	**5 485 117 988**	**–**	**45 000 000**
Disclosed on the face of the statement of financial position			
Ordinary share capital			
Ordinary share premium			
NCNR preference shares			
Total			

* *Less than R500 000.*
** *The A variable rate cumulative convertible redeemable preference shares are not listed.*
# *The B preference shares are variable rate NCNR preference shares and are not listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the FNB prime lending rate effective 23 May 2012.*
† *The C preference shares are variable rate convertible non-cumulative redeemable preference shares.*

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

%	2014
The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June	
These shares have been treated as treasury shares.	**0.03**
Share option schemes	
The investment in FirstRand Limited by the share incentive schemes has been treated as treasury shares as set out above.	**2.69**

2014			
Number of C preference shares†	Ordinary share capital R million	Share premium R million	Total
100 000 000	–	–	–
–	56	7 082	7 138
–	56	7 082	7 138
–	*	4 519	4 519
–	*	4 519	4 519
–	56	11 601	11 557
–	56	7 082	7 138
–	(1)	(1 551)	(1 552)
–	55	5 531	5 586
–	*	4 519	4 519
–	55	10 050	10 105
			55
			5 531
			4 519
			10 105

4 SHARE CAPITAL AND SHARE PREMIUM continued

4.1 Share capital and share premium classified as equity continued

	2013		
	Number of ordinary shares	**Number of A preference shares****	**Number of B preference shares#**
Authorised			
Number of shares	6 001 688 450	198 311 550	100 000 000
Issued – fully paid up			
Ordinary shares			
Opening balance	5 637 941 689	–	–
Closing balance	5 637 941 689	–	–
B preference shares			
Opening balance	–	–	45 000 000
Closing balance	–	–	45 000 000
Total issued share capital and share premium	5 637 941 689	–	45 000 000
Analysis of total issued share capital closing balance			
Ordinary issued share capital closing balance as above 1 cents each	5 637 941 689	–	–
Treasury shares	(151 690 151)	–	–
Total issue share capital attributable to ordinary equityholders	5 486 251 538	–	–
B variable rate, NCNR preference shares of 1 cent each	–	–	45 000 000
Total issued share capital attributable to equityholders of the group	5 486 251 538	–	45 000 000
Disclosed on the face of the statement of financial position			
Ordinary share capital			
Ordinary share premium			
NCNR preference shares			
Total			

* *Less than R500 000.*
** *The A variable rate cumulative convertible redeemable preference shares are not listed.*
\# *The B preference shares are variable rate NCNR preference shares and are not listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the FNB prime lending rate effective 23 May 2012.*
† *The C preference shares are variable rate convertible non-cumulative redeemable preference shares.*

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

%	2013
The following represents the shareholding of subsidiaries in FirstRand Limited at 30 June	
These shares have been treated as treasury shares.	0.01
Share option schemes	
The investment in FirstRand Limited by the share incentive schemes has been treated as treasury shares as set out above.	2.69

2013			
Number of C preference shares[†]	Ordinary share capital R million	Share premium R million	Total
100 000 000	–	–	–
–	56	7 082	7 138
–	56	7 082	7 138
–	–	4 519	4 519
–	–	4 519	4 519
–	56	11 601	11 657
–	56	7 082	7 138
–	(1)	(1 473)	(1 474)
–	55	5 609	5 664
–	*	4 519	4 519
–	55	10 128	10 183
			55
			5 609
			4 519
			10 183

4 SHARE CAPITAL AND SHARE PREMIUM continued

Preference shares that qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in deposits or other liabilities as appropriate.

4.2 Share capital and share premium classified as liabilities

R million	2014	2013
Redeemable preference shares		
Authorised		
5 billion redeemable preference shares with a par value of R0.0001 per share	**1**	1
100 million cumulative redeemable preference shares with a par value of 1 cent per share	**1**	1
Issued – fully paid up		
32 670 (2013: 1 670) redeemable preference shares with a par value of R0.0001 per share	**3 267**	167
5 million (2013: 3.5 million) cumulative redeemable preference shares with a par value of 1 cent per share at various premiums per share*	**–**	1 687
Redeemable class R preference shares		
Authorised		
50 000 redeemable preference shares with a par value of R0.0001 per share		
Issued – fully paid up		
9 812 (2013: 8 905) redeemable preference shares with a par value of R0.0001 per share issued by FirstRand Bank Limited	**981**	891

* *The amount excludes shares issued within the Group and eliminated upon consolidation of R5 030 million (2013: R3 530 million).*

	Number of redeemable preference shares	Number of cumulative redeemable preference shares	Number of redeemable class R preference shares
Reconciliation of shares issued			
Shares at 1 July 2012	1 905	3 557 621	7 270
(Redeemed)/issued during the year	(235)	(10 755)	1 635
Shares at 30 June 2013	1 670	3 546 866	8 905
Issued during the year	**31 000**	**1 500 000**	**907**
Redeemed during the year	**–**	**(16 865)**	**–**
Shares at 30 June 2014	**32 670**	**5 030 001**	**9 812**

For detail on capital management of the Group please refer to the *risk and capital management report* in the annual integrated report.

1 100 (2013: 1 635) class R redeemable preference shares were issued during the year of which 193 shares (2013: nil shares) were redeemed during the current year. These preference shares yield dividends at 66.67% of the FNB prime lending rate and are redeemable after three years and one day after the date of issue.

5 CONTINGENCIES AND COMMITMENTS

R million	2014	2013
Contingencies and Commitments		
Guarantees*	**33 114**	30 137
Letters of credit	**7 588**	9 195
Total contingencies	**40 702**	39 332
Irrevocable commitments	**78 785**	78 783
Committed capital expenditure	**3 964**	3 487
Operating lease commitments	**2 581**	2 514
Other	**585**	599
Contingencies and commitments	**126 617**	124 715

* *Guarantees consist predominantly of endorsements and performance guarantees.*

	2014	2013
Other contingencies		
The Group is exposed to various actual or potential claims.		
Legal proceedings		
There are a number of legal or potential claims against the Group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.		
Provision is made for all liabilities that are expected to materialise.	**219**	60
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors comprises of the capital commitments contracted for at the reporting date but not yet incurred:		
Property and equipment and intangible assets	**1 169**	1 585
Capital commitments not yet contracted for at reporting date but have been approved by the directors:		
Property and equipment and intangible assets	**2 795**	1 902

Funds to meet these commitments will be provided from the Group's resources.

5 CONTINGENCIES AND COMMITMENTS continued

Commitments under operating leases where the Group is the lessee

The Group's significant operating leases relate to property rentals of office premises and the various branch network channels represented by full service branches, agencies, mini branches and ATM lobbies. The rentals have fixed monthly payments, often including a contingent rental based on a percentage contribution of the monthly operating costs of the premises. Escalation clauses are based on market related rates and vary between 8% and 12%.

The leases are usually for a period of one to five years. The leases are non-cancellable and certain of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

	2014		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Office premises	**783**	**1 345**	**36**
Equipment and motor vehicles	**133**	**138**	**145**
Total operating lease commitments	**916**	**1 483**	**181**

	2013		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Office premises	709	1 372	43
Equipment and motor vehicles	96	192	102
Total operating lease commitments	805	1 564	145

5 CONTINGENCIES AND COMMITMENTS continued

Future minimum lease payments receivable under operating leases where the Group is the lessor

The Group owns various assets that are leased to third parties under non-cancellable operating leases as part of the Group's revenue generating operations. The operating leases have various lease terms ranging from three to fifteen years.

The minimum future lease payments receivable under non-cancellable operating leases on assets where the Group is the lessor:

	2014		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	**67**	**198**	**93**
Motor vehicles	**631**	**1 076**	**34**
Total operating lease commitments	**698**	**1 274**	**127**

	2013		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	55	200	134
Motor vehicles	621	1 112	34
Total operating lease commitments	676	1 312	168

6 FAIR VALUE MEASUREMENTS

6.1 Valuation methodology

In terms of IFRS, the Group is required to or elects to measure certain assets and liabilities at fair value. The Group has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established within each franchise and at an overall Group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date i.e. an exit price. Fair value is therefore a market based measurement and when measuring fair value the Group uses the assumptions that market participants would use when pricing an asset or liability under current market conditions, including assumptions about risk. When determining fair value it is presumed that the entity is a going concern and the fair value is therefore not an amount that represents a forced transaction, involuntary liquidation or a distressed sale.

Fair value measurements are determined by the Group on both a recurring and non-recurring basis.

Recurring fair value measurements

Recurring fair value measurements are those for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including investment properties and commodities, that the Group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (for example in a dealer market), the Group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the Group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

When determining the fair value of a financial liability or the Group's own equity instruments the quoted price for the transfer of an identical or similar liability or own equity instrument is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability or own equity instrument is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or using another valuation technique.

Where the Group has any financial liability with a demand feature, such as demand deposits, the fair value is not less than the amount payable on demand, discounted from the first date that the amount could be required to be paid where the time value of money is significant.

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the Group's investment properties and commodities, the highest and best use of the assets was their current use.

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where fair value less costs to sell is the recoverable amount, IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date, and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

6 FAIR VALUE MEASUREMENTS continued

6.1 Valuation methodology continued

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under point 6.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

6.2 Fair value hierarchy and measurements

The Group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the Group include, inter alia, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

Where a valuation model is applied and the Group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The Group will consider the following in assessing whether a mark-to-model valuation is appropriate:

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Level 1

Fair value is determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. This category includes listed bonds and equity, exchange-traded derivatives, exchange-traded commodities and short trading positions.

Level 2

Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category includes loans and advances to customers, equities listed in an inactive market, certain debt instruments, over the counter derivatives or exchange traded derivatives where a market price is not available, deposits, other liabilities, Tier 2 liabilities, commodities which are not exchange-traded and investment properties.

Level 3

Fair value is determined using a valuation technique and significant inputs that are not based on observable market data (i.e. unobservable inputs) such as an entity's own assumptions about what market participants would assume in pricing assets and liabilities. The assumptions applied by the Group are set out in the table below. This category includes certain loans and advances to customers, certain over the counter derivatives such as equity options, investments in debt instruments, and certain deposits such as credit linked notes.

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

The table below sets out the valuation techniques applied by the Group for recurring fair value measurements of assets and liabilities categorised as level 2 and level 3.

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Derivative financial instruments					
Option contracts	Level 2 and level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market related discount rate; forward rate and cap and floor volatility	Volatilities
Futures contracts	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
Forward contracts	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Derivative financial instruments continued					
Credit derivatives	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Where prices are obtainable from the market, individual credit spreads are used.	Market interest rates and curves	Credit inputs
Commodity derivatives	Level 2	Discounted cash flows	Commodity linked instruments are measured by taking into account the price, the location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.	Futures prices	Not applicable
Equity derivatives	Level 2 and level 3	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates and curves	Volatilities

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Loans and advances to customers					
Investment banking book*	Level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate. To calculate the fair value of credit the Group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
Equities/bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as Level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable

* *The Group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and has a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy.*

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark to market bond yield.	Market interest rates and curves	Not applicable

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Non-recourse investments	Level 2	Discounted cash flows	The future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves	Not applicable
Deposits					
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Non-recourse deposits	Level 2	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	The future cash flows are discounted using a market related interest rate.	Market interest rates and curves	Not applicable
Investment properties	Level 2	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the Group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts.	Market prices, rental capitalisation rates, current rentals obtained, remaining lease term and the specialised nature of the properties	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

For non-recurring fair value measurements, the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction. During the current year there were no such transactions which required IFRS 13 disclosures.

During the current reporting period there were no changes in the valuation techniques used by the Group.

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

The following table presents the recurring fair value measurements and fair value hierarchy of assets and liabilities of the Group which are recognised at fair value.

	2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**22**	**38 896**	**120**	**39 038**
Advances*	**–**	**31 923**	**151 810**	**183 733**
Investment securities and other investments	**57 601**	**38 106**	**3 958**	**99 665**
Non-recourse investments	**–**	**18 370**	**–**	**18 370**
Commodities	**7 904**	**–**	**–**	**7 904**
Investment properties	**–**	**419**	**–**	**419**
Total financial assets measured at fair value	**65 527**	**127 714**	**155 888**	**349 129**
Liabilities				
Recurring fair value measurements				
Short trading positions	**5 442**	**–**	**–**	**5 442**
Derivative financial instruments	**25**	**41 629**	**5**	**41 659**
Deposits	**125**	**84 940**	**1 327**	**86 392**
Non-recourse deposits	**–**	**18 370**	**–**	**18 370**
Other liabilities	**–**	**3 505**	**–**	**3 505**
Tier 2 liabilities	**–**	**1 030**	**–**	**1 030**
Total financial liabilities measured at fair value	**5 592**	**149 474**	**1 332**	**156 398**

* *Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the Group has classified loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

During the current year there were no assets or liabilities measured at fair value on a non-recurring basis.

There were no transfers of assets and liabilities between level 1 and level 2 during the current year.

6 FAIR VALUE MEASUREMENTS continued

6.2 Fair value hierarchy and measurements continued

	2013			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	181	51 986	110	52 277
Advances*	–	40 376	116 749	157 125
Investment securities and other investments	59 108	44 006	5 330	108 444
Non-recourse investments	–	19 225	–	19 225
Total financial assets measured at fair value	59 289	155 593	122 189	337 071
Liabilities				
Recurring fair value measurements				
Short trading positions	2 991	–	–	2 991
Derivative financial instruments	75	52 932	1	53 008
Deposits	–	84 141	1 517	85 658
Non-recourse deposits	–	19 225	–	19 225
Other liabilities	–	2 023	–	2 023
Tier 2 liabilities	–	1 049	–	1 049
Total financial liabilities measured at fair value	3 066	159 370	1 518	163 954

* *Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the Group has classified loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

There were no transfers of assets or liabilities between level 1 and level 2 during the prior year.

6 FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments

6.3.1 Changes in level 3 instruments with recurring fair value measurements

The following tables show a reconciliation of the opening and closing balances for fair value assets and liabilities classified as level 3 in terms of the fair value hierarchy, for which recurring fair value measurements are required.

	2014		
R million	**Fair value on 30 June 2013**	**Gains/ losses recognised in profit or loss**	**Gains/losses recognised in other comprehen-sive income**
Assets			
Derivative financial instruments	**110**	**30**	**–**
Advances	**116 749**	**3 511**	**–**
Investment securities and other investments	**5 330**	**361**	**4**
Total financial assets measured at fair value in level 3	**122 189**	**3 902**	**4**
Liabilities			
Derivative financial instruments	**1**	**4**	**–**
Deposits	**1 517**	**59**	**–**
Total financial liabilities measured at fair value in level 3	**1 518**	**63**	**–**

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

During the current reporting period investment securities to the value of R185 million were transferred out of level 3 and into levels 1 and 2 due to these investment securities listing on an exchange. Of these, investment securities of R150 million were transferred to level 2 as the market is not yet considered to be active for these investments. In addition, investment securities to the value of R187 million and deposits of R111 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.

2014					
Purchases, sales, issues and settlements	Acquisitions/ disposals of subsidiaries	Transfers into level 3	Transfers out of level 3	Exchange rate difference	Fair value on 30 June 2014
(20)	–	–	–	–	120
31 110	–	–	–	440	151 810
(1 752)	–	187	(185)	13	3 958
29 338	–	187	(185)	453	155 888
–	–	–	–	–	5
(383)	–	111	–	23	1 327
(383)	–	111	–	23	1 332

6 FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.1 Changes in level 3 instruments with recurring fair value measurements continued

	2013		
R million	**Fair value on 30 June 2012**	**Gains/ losses recognised in profit or loss**	**Gains/losses recognised in other comprehen- sive income**
Assets			
Derivative financial instruments	198	34	–
Advances	101 109	2 106	–
Investment securities and other investments	5 404	(852)	24
Total financial assets measured at fair value in level 3	106 711	1 288	24
Liabilities			
Derivative financial instruments	147	72	–
Deposits	3 267	(243)	–
Total financial liabilities measured at fair value in level 3	3 414	(171)	–

Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

Advances to the value of R349 million were transferred out of level 2 and into level 3 in the prior year. This transfer was as a result of certain unobservable inputs becoming significant to the calculation of fair value. The inclusion of these advances in level 3 of the fair value hierarchy was therefore more appropriate.

Investment securities to the value of R14 million were transferred out of level 3 and into level 1 as these were previously unlisted shares which listed during June 2013.

Derivative financial liabilities to the value of R200 million were transferred out of level 3 and into level 2 as a result of a change in input into the valuation techniques used to value these derivatives. The inputs around volatility are based on observable market inputs.

2013					
Purchases, sales, issues and settlements	Acquisitions/ disposals of subsidiaries	Transfers into level 3	Transfers out of level 3	Exchange rate difference	Fair value on 30 June 2013
(122)	–	–	–	–	110
12 507	–	349	–	678	116 749
721	(3)	–	(14)	50	5 330
13 106	(3)	349	(14)	728	122 189
(18)	–	–	(200)	–	1
(1 614)	–	–	–	107	1 517
(1 632)	–	–	(200)	107	1 518

6 FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.2 Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The Group classifies assets or liabilities in level 3 of the fair value hierarchy when the significant inputs into the valuation model are not observable. In addition the valuation model for level 3 assets or liabilities typically also relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

The table below presents the total gains/losses relating to fair value remeasurement of assets and liabilities classified in level 3 that are still held at reporting date. With the exception of interest on funding instruments and available-for-sale financial assets, all gains or losses are recognised in non-interest income.

	2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**22**	**–**	**22**
Advances*	**3 039**	**–**	**3 039**
Investment securities and other investments	**287**	**(1)**	**286**
Total	**3 348**	**(1)**	**3 347**
Liabilities			
Derivative financial instruments	**4**	**–**	**4**
Deposits	**(23)**	**–**	**(23)**
Total	**(19)**	**–**	**(19)**

* *Mainly accrued interest on the fair value loans and advances and movements in interest rates that have been hedged.*

Decreases in the value of level 3 assets and liabilities are indicated with brackets. Decreases in the value of assets may be as a result of losses recognised in profit or loss and other comprehensive income. Decreases in the value of liabilities may be as a result of gains recognised in profit or loss.

6 FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.2 Unrealised gains or losses on level 3 instruments with recurring fair value measurements continued

	2013		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	32	–	32
Advances*	2 414	–	2 414
Investment securities and other investments	155	24	179
Total	2 601	24	2 625
Liabilities			
Derivative financial instruments	–	–	–
Deposits	(146)	–	(146)
Total	(146)	–	(146)

* *Mainly accrued interest on the fair value loans and advances and movements in interest rates that have been hedged.*

Decreases in the value of level 3 assets and liabilities are indicated with brackets. Decreases in the value of assets may be as a result of losses recognised in profit or loss and other comprehensive income. Decreases in the value of liabilities may be as a result of gains recognised in profit or loss.

6 FAIR VALUE MEASUREMENTS continued

6.3 Additional disclosures for level 3 financial instruments continued

6.3.3 Effect of changes in significant unobservable assumptions of level 3 instruments to reasonably possible alternatives

R million	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs
Assets		
Derivative financial instruments	Volatilities	Volatilities are increased and decreased by 10%.
Advances	Credit	Credit migration matrix*
Investment securities and other investments	Growth rates and P/E ratios of unlisted investments	Unobservable inputs are increased and decreased by 10%
Total financial assets measured at fair value in level 3		
Liabilities		
Derivative financial instruments	Volatilities	Volatilities are increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit linked notes	Credit migration matrix**
Total financial liabilities measured at fair value in level 3		

* *The credit migration matrix is used as part of the Group's credit risk management process for the advances measured at fair value through profit or loss. The matrix is a simulation model that contains a matrix of probabilities for downgrading or upgrading to another rating bucket. The migration matrix is based on actual observed rating migrations from S&P over the long term and is based on the fair value in the 75th percentile.*

** *The deposits included in level 3 of the hierarchy represent the collateral leg of credit linked notes. The most significant unobservable input in determining the fair value of the credit linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.*

	2014			2013		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
	Fair value	**Using more positive assumptions**	**Using more negative assumptions**	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**
	120	**175**	**107**	110	136	93
	151 810	**153 180**	**151 817**	116 749	118 166	115 625
	3 958	**4 381**	**3 540**	5 330	5 985	4 591
	155 888	**157 736**	**155 464**	122 189	124 287	120 309
	5	**5**	**5**	1	1	1
	1 327	**1 195**	**1 460**	1 517	1 365	1 668
	1 332	**1 200**	**1 465**	1 518	1 366	1 669

6 FAIR VALUE MEASUREMENTS continued

6.4 Other fair value measurements

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position but, for which fair value is required to be disclosed.

	2014					2013	
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**	**Carrying value**	**Fair value**
Assets							
Advances	**502 195**	**505 747**	**–**	**72 581**	**433 166**	443 940	437 876
Investment securities and other investments	**1 072**	**1 070**	**–**	**729**	**341**	719	715
Total financial assets at amortised cost	**503 267**	**506 817**	**–**	**73 310**	**433 507**	444 659	438 591
Liabilities							
Deposits	**663 472**	**664 789**	**18 156**	**646 537**	**96**	592 152	593 585
Other liabilities	**3 075**	**2 850**	**–**	**975**	**1 875**	4 068	3 911
Tier 2 liabilities	**10 953**	**11 216**	**–**	**11 099**	**117**	7 067	7 189
Total financial liabilities at amortised cost	**677 500**	**678 855**	**18 156**	**658 611**	**2 088**	603 287	604 685

For all other financial instruments the carrying value is equal to or a reasonable approximation of the fair value.

6.5 Day 1 profit or loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the entry or exit price) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Day 1 profit or loss arises on the initial recognition of a financial instrument when the fair value of the instrument is determined using a valuation technique that makes use of inputs that are not observable in an active market. In terms of IAS 39 if the fair value determined in accordance with such a valuation technique differs from the transaction price the initial recognition should take place at the transaction price. The day 1 profits or losses arising as a result of the difference between the two values should only be recognised over the life of the instrument as a result of changes that would also be considered by market participants.

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	**2014**	**2013**
Balance at 1 July	**28**	37
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**–**	–
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(8)**	(9)
Balance at 30 June	**20**	28

7 SEGMENT INFORMATION

7.1 Reportable segments

Set out below is information about the reportable segments of the FirstRand Group, details of the various products and services provided by the franchises, their major customers and the basis of preparation of segment information.

FNB

FNB represents FirstRand's retail and commercial activities in South Africa and the broader African continent. FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products include mortgage loans, credit and debit cards, personal loans and investment products. Services include transactional and deposit taking, card acquiring, credit facilities and distribution channels (namely the branch network, ATMs, call centres, cellphone and internet). This full range of products and services is also provided by FNB's subsidiaries in Namibia, Botswana, Lesotho, Swaziland, Zambia, Mozambique, Tanzania and Nigeria. FNB's primary segments are retail and commercial.

RMB

RMB is the corporate and investment banking arm of FirstRand and offers advisory, financing, trading, corporate banking and principal investing solutions. RMB has a deal footprint across more than 35 African countries and offices in Namibia, Botswana, Nigeria, Angola and Kenya, and also operates in the UK, India, China and the Middle East. RMB also offers its products and services through the FNB subsidiaries in Zambia, Tanzania, Lesotho, Swaziland and Mozambique. RMB's business units include global markets, investment banking, private equity and corporate banking.

WesBank

WesBank represents the Group's activities in vehicle and asset finance in the retail, commercial and corporate segments operating primarily through alliances and JVs with leading motor manufacturers, suppliers and dealer groups where it has built up a strong point-of-sale presence. WesBank also manages a personal loans business, driven through the Direct Axis marketing origination channel in South Africa, and has a vehicle finance business in the UK, MotoNovo.

FCC (FirstRand Corporate Centre)

FCC represents key group-wide functions, including Group Treasury (capital, liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the Group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key Group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the Group delivers on its commitments to stakeholders.

The results of Ashburton Investments, the Group's recently established investment management business, are also included in the FCC segment. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers Ashburton and RMB.

Major customers

In terms of IFRS 8 a customer is regarded as a major customer if the revenue from transactions with this customer exceeds 10% or more of the entity's revenue. The FirstRand Group has no major customer as defined and is therefore not reliant on the revenue from one or more major customers.

Basis of preparation of segment information

The segmental analysis is based on the information reported to management for the respective segments. The information is prepared in terms of IFRS with the exception of certain adjustments made to the segment results in order to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance.

In order to ensure that the total segment results, assets and liabilities agree to the amounts reported in terms of IFRS, the aforementioned amounts are adjusted in the IFRS adjustments column.

7 SEGMENT INFORMATION continued

7.2 Description of normalised adjustments

The Group believes normalised results more accurately reflect the economic substance of the Group's performance. The Group's results are adjusted to take into account non-operational items and accounting anomalies. A reconciliation of the profit for the year to the normalised earnings is provided in note 7.4.

Equity settled share-based payments, employee benefits and treasury shares: consolidation of staff share trusts

IFRS 2 requires that all share-based payment transactions for goods or services received must be expensed with effect from financial periods commencing on or after 1 January 2005.

In 2005, the Group concluded a BEE transaction. As part of this transaction, rights were granted to the Group's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. The Group hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying in the open market the FirstRand shares required to settle these schemes. These shares are held in various share trusts. IFRS 10 requires that these share trusts be consolidated by the Group. FirstRand shares held by the staff share trusts are, therefore, treated as treasury shares. In addition to the 2005 grants, the staff share trusts received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI.

IFRS 10 Consolidated Financial Statements requires certain of these share trusts to be consolidated by the Group. FirstRand shares held by the staff share trusts are, therefore, treated as treasury shares. MMI shares held by the staff share trusts are treated as available-for-sale equity investments.

From an IFRS perspective the following expenses are recognised:

- IFRS 2 cost for the FirstRand shares granted to employees based on grant date fair value; and
- an IAS 19 expense for the movement in fair value of the MMI shares that are expected to vest.

For purposes of calculating normalised earnings the following adjustments are made in respect of the staff share trusts to reflect the economic cost of the scheme:

- FirstRand shares held by staff share schemes are treated as issued to parties external to the Group and loans to share trusts are recognised as external loans;
- the IFRS 2 expense is reversed; and
- the IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

Consolidated private equity subsidiaries

In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the Group's relationship with these entities.

FirstRand shares held for client trading activities

The Group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the Group.

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

In addition, in terms of IAS 28 Investments in Associates, upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, the Group's portion of the fair value change in FirstRand shares is therefore deducted from equity accounted earnings and the investment recognised using the equity accounted method.

7 SEGMENT INFORMATION continued

7.2 Description of normalised adjustments continued

FirstRand shares held for client trading activities continued

Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits, when equity accounting is applied the corresponding fair value changes (or the Group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the Group.

For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the Group.

Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

Economic interest rate hedges

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

Fair value annuity income – lending

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

When calculating normalised results the Group reclassifies the margin relating to the annuity fair value income earned on the RMB wholesale advances book from NIR to NII to reflect the economic substance of the income earned on these assets. The corresponding impairment charge is reallocated from NIR to impairment of advances. Fair value advances are adjusted to reflect the cumulative adjustment.

IAS 19 Remeasurement of plan assets

In terms of the revised *IAS 19 Employee Benefits*, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. Therefore, to the extent that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

Realisations on the sale of private equity subsidiaries

In terms of *Circular 2/2013 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings.

The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The Group includes gains or losses on the sale of private equity subsidiaries in normalised headline earnings to reflect the nature of these investments.

Cash settled share-based payments and the economic hedge

The Group entered into a Total Return Swap (TRS) with external parties in order to economically hedge itself against the exposure to changes in the FirstRand share price associated with the Group's share option schemes.

7 SEGMENT INFORMATION continued

7.2 Description of normalised adjustments continued

Cash settled share-based payments and the economic hedge continued

In terms of IAS 39 Financial Instruments: Recognition and Measurement, the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR.

In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense.

When calculating normalised results, the Group defers the recognition of the fair value gain or loss on the hedging instrument for the specific reporting period to the period in which the IFRS 2 impact will manifest in the Group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the Group.

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.

Headline Earnings adjustments

All adjustments that are required by SAICA circular 2/2013 Headline Earnings per Share in calculating headline earnings are included in normalised earnings.

The description and amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

7 SEGMENT INFORMATION continued

7.3 Geographic segments

Refer to the reportable segment information for a description of the divisions.

Segment	Countries included	Divisions included
South Africa	South Africa	FNB RMB WesBank FCC
Other Africa	Namibia Botswana Swaziland Lesotho Zambia Mozambique Tanzania Nigeria	FNB RMB WesBank
United Kingdom	England	FNB RMB WesBank
Australasia	Australia	RMB
Other	Asia (India, China) Middle East (U.A.E) Mauritius Brazil Ireland	FNB RMB

The following significant exchange rates were used to convert the statement of financial position. Foreign denominated assets and liabilities are converted at the closing rate of exchange.

	2014	2013
GBP	**18.17**	15.22
EUR	**14.55**	13.04
USD	**10.63**	10.01
AUD	**10.02**	9.17
BRL	**4.83**	4.50
INR	**0.18**	0.17

7 SEGMENT INFORMATION continued

7.4 Reportable segments

R million	2014	
	FNB	FNB Africa
Net interest income before impairment of advances	15 052	2 865
Impairment of advances	(2 151)	(262)
Net interest income after impairment of advances	12 901	2 603
Non-interest income	17 405	2 279
Net income from operations	30 306	4 882
Operating expenses	(17 776)	(2 876)
Share of profit of associates after tax	30	1
Share of profit of joint ventures after tax	–	–
Income before tax	12 560	2 007
Indirect tax	(488)	(69)
Profit for the year before tax	12 072	1 938
Income tax expense	(3 380)	(643)
Profit for the year	8 692	1 295
The income statement includes:		
Depreciation	(1 189)	(148)
Amortisation	(24)	(12)
Impairment charges	(27)	–
The statement of financial position includes:		
Investments in associates	244	4
Investments in joint ventures	–	–
Total assets	271 661	56 449
Total liabilities	260 398	53 728

* *Other includes FirstRand company and the consolidation of treasury shares.*

Geographical segments

R million	2014					
	South Africa	Other Africa	United Kingdom	Australasia	Other	Total
Net interest income after impairment	20 928	2 982	588	47	81	24 626
Non-interest income*	32 205	3 093	1 094	206	479	37 077
Total assets	833 469	65 292	38 427	4 160	4 187	945 535
Non-current assets**	19 683	1 791	70	1 572	28	23 144
Total liabilities	757 431	56 672	38 111	2 863	2 241	857 318

* *Includes share of profit of associates and joint ventures after tax.*

** *Excludes financial instruments, deferred income tax assets, post-employment benefit assets and rights arising under insurance contracts.*

	2014						
	RMB						
	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury)	Consolidation and IFRS adjustments	Other*	Total
	758	712	7 775	2 777	49	(110)	29 878
	(177)	(32)	(2 081)	(98)	(451)	–	(5 252)
	581	680	5 694	2 679	(402)	(110)	24 626
	11 321	1 220	3 290	2 740	(2 163)	58	36 150
	11 902	1 900	8 984	5 419	(2 565)	(52)	60 776
	(6 119)	(1 351)	(4 889)	(4 331)	1 208	686	(35 448)
	770	–	214	(8)	(337)	–	670
	328	–	–	–	(72)	1	257
	6 881	549	4 309	1 080	(1 766)	635	26 255
	(69)	(25)	(253)	27	2	(3)	(878)
	6 812	524	4 056	1 107	(1 764)	632	25 377
	(1 907)	(147)	(1 137)	(310)	2 110	(177)	(5 591)
	4 905	377	2 919	797	346	455	19 786
	(216)	(7)	(434)	(47)	(1)	–	(2 042)
	(15)	–	(44)	(2)	2	–	(95)
	(125)	–	(15)	(42)	(114)	–	(323)
	4 172	–	1 436	11	(20)	–	5 847
	1 214	–	–	–	(9)	–	1 205
	383 083	7 125	170 194	119 610	(119 253)	56 666	945 535
	373 661	6 446	166 137	55 351	(58 959)	556	857 318

Reconciliation of profit for the year to normalised earnings

R million	2014
Profit for the year (per above)	19 786
NCNR preference shareholders	(288)
Non-controlling interest	(1 058)
Attributable earnings to ordinary equity holders	18 440
Headline earnings adjustments	231
Headline earnings to ordinary equityholders	18 671
Normalised adjustments	(8)
– IFRS 2 Share-based payment expenses	182
– Treasury shares	97
– TRS adjustment	(198)
– IAS 19 adjustments	(104)
– Private equity subsidiary realisations	15
Normalised earnings from continuing operations	18 663

7 SEGMENT INFORMATION continued

7.4 Reportable segments continued

R million	2013 FNB	2013 FNB Africa
Net interest income before impairment of advances	13 161	2 375
Impairment of advances	(2 863)	(190)
Net interest income after impairment of advances	10 298	2 185
Non-interest income	16 059	1 793
Net income from operations	26 357	3 978
Operating expenses	(16 128)	(2 353)
Share of profit of associates after tax	38	2
Share of profit of joint ventures after tax	–	–
Income before tax	10 267	1 627
Indirect tax	(387)	(55)
Profit for the year before tax	9 880	1 572
Income tax expense	(2 765)	(462)
Profit for the year	7 115	1 110
The income statement includes:		
Depreciation	(1 151)	(123)
Amortisation	(64)	(13)
Impairment charges	(188)	–
The statement of financial position includes:		
Investments in associates	234	4
Investments in joint ventures	–	–
Total assets	249 373	47 662
Total liabilities	240 268	42 090

* *Other includes FirstRand company and the consolidation of treasury shares.*

Geographical segments

R million	2013 South Africa	Other Africa	United Kingdom	Australasia	Other	Total
Net interest income after impairment	17 082	2 384	375	14	107	19 962
Non-interest income*	28 020	2 353	955	(62)	292	31 558
Total assets	782 968	53 483	21 566	4 521	3 194	865 732
Non-current assets**	17 637	1 544	95	1 439	27	20 742
Total liabilities	713 363	46 327	21 955	3 334	1 720	786 699

* *Includes share of profit of associates and joint ventures after tax.*
** *Excludes financial instruments, deferred income tax assets, post-employment benefit assets and rights arising under insurance contracts.*

2013						
RMB						
Investment banking	**Corporate banking**	**WesBank**	**FCC (including Group Treasury)**	**Consoli-dation and IFRS adjustments**	**Other***	**Total**
493	607	6 853	1 346	47	(113)	24 769
(61)	(44)	(1 649)	–	–	–	(4 807)
432	563	5 204	1 346	47	(113)	19 962
9 675	1 148	2 829	1 966	(2 995)	259	30 734
10 107	1 711	8 033	3 312	(2 948)	146	50 696
(5 327)	(1 389)	(4 117)	(3 282)	1 562	230	(30 804)
498	–	261	(19)	(257)	–	523
367	–	–	–	(73)	7	301
5 645	322	4 177	11	(1 716)	383	20 716
(60)	(33)	(219)	110	–	(1)	(645)
5 585	289	3 958	121	(1 716)	382	20 071
(1 564)	(81)	(1 115)	(25)	2 001	(106)	(4 117)
4 021	208	2 843	96	285	276	15 954
(252)	(35)	(354)	(92)	(4)	–	(2 011)
(23)	–	(31)	(5)	2	–	(134)
(83)	(248)	(21)	(261)	–	–	(801)
3 435	–	832	1	(20)	–	4 486
920	–	–	–	(10)	–	910
349 427	5 331	145 179	121 707	(110 200)	57 253	865 732
341 221	4 912	140 814	69 692	(52 530)	232	786 699

Reconciliation of profit for the year to normalised earnings

R million	2013
Profit for the year (per above)	15 954
NCNR preference shareholders	(297)
Non-controlling interests	(872)
Attributable earnings to ordinary equity holders	14 785
Headline earnings adjustments	542
Headline earnings to ordinary equityholders	15 327
Normalised adjustments	93
– IFRS 2 Share-based payment expenses	43
– Treasury shares	33
– TRS adjustment	85
– IAS 19 adjustments	(110)
– Private equity subsidiary realisations	42
Normalised earnings from continuing operations	15 420

8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

8.1 Acquisitions of subsidiaries

	2014	
R million	**Total**	**RMB private equity**
Total goodwill is calculated as follows:		
Total cash consideration transferred	**15**	**15**
Less: Net identifiable asset value as at date of acquisition	**–**	**–**
Goodwill on acquisition	**15**	**15**
Cash flow information		
Discharged by cash consideration	**15**	**15**
Net cash outflow on acquisition of subsidiaries	**15**	**15**

Identifiable assets acquired and liabilities assumed at the acquisition date fair value

	2013		
R million	**Total**	**RMB private equity**	**Other insignificant acquisitions**
ASSETS			
Cash and cash equivalents	2	–	2
Accounts receivable	132	73	59
Investments in associates	97	97	–
Property and equipment	128	–	128
Investment properties	237	–	237
Total assets acquired	596	170	426
LIABILITIES			
Creditors and accruals	11	2	9
Other liabilities	151	151	–
Amounts due to holding company and fellow subsidiary companies	370	–	370
Total liabilities acquired	532	153	379
Net identifiable asset value as at date of acquisition	64	17	47
Total goodwill is calculated as follows:			
Total cash consideration transferred	84	26	58
Total non-cash consideration transferred	31	–	31
Add: Non-controlling interests at acquisition	(72)	(11)	(61)
Less: Net identifiable asset value as at date of acquisition	64	17	47
Goodwill/(Gain on a bargain purchase) at acquisition	(21)	(2)	(19)
Cash flow information			
Discharged by cash consideration	84	26	58
Less: Cash and cash equivalents in subsidiary acquired	2	–	2
Net cash outflow on acquisition of subsidiaries	82	26	56

8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

RMB private equity

During the current and prior years, the Group purchased various RMB private equity subsidiaries. The primary reason for these purchases is to expand the private equity portfolio of the Group by obtaining control of the operations and management of those companies.

Other insignificant acquisitions

During the prior year the Group entered into other individually insignificant acquisition transactions, including the acquisition of 85% of the issued shares of a company that owns a property that is occupied by Direct Axis thereby obtaining ownership of the property.

8.2 Disposals of subsidiaries

	2014		
R million	**Total**	**RMB private equity**	**Other insignificant disposals**
ASSETS			
Cash and cash equivalents	**11**	**3**	**8**
Accounts receivable	**23**	**23**	**–**
Advances	**1**	**1**	**–**
Investments in joint ventures	**45**	**45**	**–**
Property and equipment	**20**	**20**	**–**
Total assets disposed of	**100**	**92**	**8**
LIABILITIES			
Creditors and accruals	**4**	**4**	**–**
Current tax liability	**7**	**7**	**–**
Other liabilities	**36**	**31**	**5**
Total liabilities disposed of	**47**	**42**	**5**
Net identifiable asset value as at date of disposal	**53**	**50**	**3**

8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

8.2 Disposals of subsidiaries continued

	2014		
R million	**Total**	**RMB private equity**	**Other insignificant disposals**
Total gain on disposal is calculated as follows:			
Total consideration received	**38**	**38**	**–**
Total cash consideration received	**32**	**32**	**–**
Total non-cash consideration received	**6**	**6**	**–**
Add: Non-controlling share of net asset value at disposal date	**33**	**31**	**2**
Less: Group's portion of the net identifiable asset value on disposal	**53**	**50**	**3**
Gain/(loss) on disposal of controlling interest in a subsidiary	**18**	**19**	**(1)**
Cash flow information			
Discharged by cash consideration	**32**	**32**	**–**
Less: Cash and cash equivalents disposed of in the subsidiary	**11**	**3**	**8**
Net cash inflow on disposal of subsidiaries	**21**	**29**	**(8)**

	2013	
R million	**Total**	**RMB private equity**
ASSETS		
Non-current assets and disposal groups held for sale	137	137
Intergroup banking accounts	4	4
Total assets disposed of	141	141
LIABILITIES		
Liabilities directly associated with disposal groups held for sale	145	145
Amounts due to holding company and fellow subsidiary companies	49	49
Total liabilities disposed of	194	194
Net identifiable asset value as at date of acquisition	(53)	(53)
Total gain on disposal is calculated as follows:		
Total non-cash consideration received	59	59
Add: Non-controlling share of net asset value at disposal date	(51)	(51)
Less: Group's portion of the net identifiable asset value on disposal	(53)	(53)
Gain on disposal of controlling interest in a subsidiary	61	61
Cash flow information		
Discharged by cash consideration	–	–
Less: Cash and cash equivalents disposed of in the subsidiary	–	–
Net cash inflow on disposal of subsidiaries	–	–

8 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

8.2 Significant disposal of subsidiaries

RMB private equity

During the current and prior years the Group disposed of various RMB private equity subsidiaries. During the prior year this included the disposal of the two entities that were classified as disposal groups held for sale at 30 June 2012. The Group lost control of both entities as a result of the transactions but retained joint control of the one entity through a loan agreement and obtained significant influence over the new owner of the other entity. These transactions are included in the acquisitions of investments in associates and joint ventures, refer to notes 14 and 15 in the annual integrated report.

Other insignificant disposals

During the current year the Group entered into other individually insignificant disposal transactions which resulted in the Group losing control over subsidiaries and no longer consolidating these entities.

definitions and abbreviations

DEFINITIONS

Additional Tier 1 (AT1) capital	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The Group believes normalised earnings more accurately reflect its economic performance. IFRS earnings are adjusted to take into account headline earnings adjustments, non-operational and accounting anomalies. Refer to page 53 for a detailed description of the difference between normalised and IFRS results.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.

Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	Common Equity Tier 1 capital plus AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

ABBREVIATIONS

AIRB	Advanced internal ratings based approach
AMA	Advanced measurement approach
AVC	Asset value correlation
BIA	Basic indicator approach
BPRMF	Business performance and risk management framework
CVA	Credit value adjustment
ICR	Individual capital requirement
LCR	Liquidity coverage ratio
NOFP	Net open forward position in foreign exchange
NSFR	Net stable funding ratio
TSA	The standardised approach
VaR	Value-at-Risk

shareholders' information

SIMPLIFIED GROUP STRUCTURE

REMGRO LIMITED

DIRECTORS AND MANAGEMENT

ROYAL BAFOKENG HOLDINGS (PTY) LTD

3.9%

27.9%

10.4%

15%

RMB HOLDINGS LIMITED

33.9%

BEE TRUSTS

8.1%

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% — FIRSTRAND BANK LIMITED — **Banking**

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

100% — FIRSTRAND EMA (PTY) LTD (FREMA) — **Africa and emerging markets**

58%	FNB Namibia
69%	FNB Botswana
100%	FNB Swaziland
90%	FNB Mozambique
100%	FNB Zambia
100%	FNB Lesotho
100%	FNB Tanzania
100%	RMB Nigeria
100%	FirstRand International – Mauritius

100% — FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL) — **Other activities****

96%	RMB Private Equity Holdings (Pty) Ltd
93%	RMB Private Equity (Pty) Ltd
100%	RMB Securities (Pty) Ltd
50%	RMB Morgan Stanley (Pty) Ltd
100%	RentWorks Africa (Pty) Ltd
65%	Direct Axis SA (Pty) Ltd
100%	FirstRand International Limited – Guernsey
100%	RMB Australia Holdings Limited

100% — ASHBURTON INVESTMENTS HOLDINGS LIMITED — **Investment management**

100%	Ashburton Fund Managers (Pty) Ltd
100%	Ashburton Investor Services (Pty) Ltd
100%	Ashburton Management Company (Pty) Ltd
100%	Ashburton Investments International Holdings Ltd
100%	RMB CIS Management Company (Pty) Ltd

Structure shows effective consolidated shareholding.

1. Division 2. Branch 3. Representative office

MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).

** For segmental analysis purposes, entities included in FRIHL are reported as part of results of the managing franchise. The Group's securitisations and conduits are in FRIHL.

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders	Shares held (thousands)	%
Shareholders holding more than 5%			
RMB Holdings Limited		1 910 433	33.9
Public Investment Corporation		487 765	8.7
FirstRand empowerment trust and related parties		457 355	8.1
Financial Securities Ltd (Remgro)		219 805	3.9
Subtotal		3 075 358	54.5
Other		2 562 584	45.5
Total		5 637 942	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 239	37.8
Pension funds		919 161	16.3
Insurance companies and banks		288 659	5.1
Unit trusts		964 498	17.1
Individuals		43 573	0.8
Empowerment trusts		285 954	5.1
Employee share trusts		171 402	3.0
Other		834 456	14.8
Total		5 637 942	100.0
Public and non-public shareholders			
Public	46 888	3 033 402	53.8
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 239	37.8
– Directors and prescribed officers*	13	16 945	0.3
– Empowerment trusts	1	285 954	5.1
– Employee share trusts	3	171 402	3.0
Total	46 907	5 637 942	100.0
Geographic ownership			
South Africa		4 146 620	73.5
International		1 081 266	19.2
Unknown/unanalysed		410 056	7.3
Total		5 637 942	100.0

* *Reflects direct beneficial interest.*

ANALYSIS OF B PREFERENCE SHAREHOLDERS
as at 30 June 2014

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**6 588**	**44 414**	**98.7**
Non-public			
– Directors	**2**	**586**	**1.3**
Total	**6 590**	**45 000**	**100.0**

PERFORMANCE ON THE JSE
as at 30 June

	2014	2013
Number of shares in issue (thousands)	**5 637 942**	5 637 942
Market price (cents per share)		
Closing price (cents per share)	**4 075**	2 893
Highest price over the period (cents per share)	**4 162**	3 359
Lowest price over the period (cents per share)	**2 765**	2 515
Weighted average closing price over the period (cents per share)	**3 431**	2 957
Closing price/net asset value per share	**2.76**	2.21
Closing price/earnings (headline)	**11.66**	10.35
Volume of shares traded (millions)	**2 664**	3 398
Value of shares traded (R million)	**90 928**	99 406
Market capitalisation (R billion)	**229.75**	163.11

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (Chairman), SE Nxasana (Chief executive officer), JP Burger (Deputy chief executive officer), HS Kellan (Financial director), VW Bartlett, JJH Bester, MS Bomela, P Cooper (alternate), L Crouse, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, RM Loubser, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), KB Schoeman, BJ van der Ross, JH van Greuning

SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

JSE INDEPENDENT SPONSOR

PricewaterhouseCoopers Corporate Finance (Pty) Ltd
2 Eglin Road
Sunninghill
Sandton 2196

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
2 Eglin Road
Sunninghill 2157

Deloitte & Touche
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

JSE Limited (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FNB Namibia Holdings Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

Listed debt instruments

JSE

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB03	ZAG000026774
	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
Upper Tier 2	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBN05	ZAG000042169
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ14	ZAG000069683
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS93	ZAG000107863
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS95	ZAG000107889
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS97	ZAG000108440
	FirstRand Bank Limited	FRS99	ZAG000109802
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS106	ZAG000112004
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS111	ZAG000114687
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRX14	ZAG000079815
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376

Listed debt instruments

JSE continued

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
	FirstRand Bank Limited	FRI15	ZAG000051137
Credit-linked notes	FirstRand Bank Limited	FRC29	ZAG000069857
	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC70	ZAG000088840
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC85	ZAG000091109
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC97	ZAG000093212
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC110	ZAG000094954
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC146	ZAG000099425
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC187	ZAG000111584
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRD003	ZAG000114067
Investment security index contracts	Rand Merchant Bank	RMBI02	ZAG000052986
	Rand Merchant Bank	RMBI03	ZAG000054032
	Rand Merchant Bank	RMBI05	ZAG000055864
	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

NSX

	Issuer	Bond code	ISIN code
Subordinated debt	First National Bank of Namibia Limited	FNBJ22	NA000A1G3AF2
	First National Bank of Namibia Limited	FNBX22	NA000A1G3AG0

London Stock Exchange (LSE)
European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0595260141
	FirstRand Bank Limited	XS0635404477

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

NOTICE OF ANNUAL GENERAL MEETING

FirstRand Limited

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304
JSE B preference share code: FSRP ISIN: ZAE000060141
NSX ordinary share code: FST
(FirstRand or the company or FSR)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the eighteenth annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Tuesday, 2 December 2014, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the Listings Requirements of the JSE Limited (JSE).

The record date in terms of section 59 of the Act for shareholders to be recorded in the securities register of the company in order to be able to attend, participate and vote at the meeting is Friday, 21 November 2014. Accordingly, the last day to trade in order to be able to attend, participate and vote at the annual general meeting is Friday, 14 November 2014. This notice will be sent to all shareholders who are recorded as such in the company's securities register on Friday, 17 October 2014.

AGENDA

1. **Annual financial statements**

   Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors for the financial year ended 30 June 2014, all of which are included in the 2014 annual integrated report and the summarised financial statements 2014 (annual report), of which this notice forms part, distributed as required by the Act to shareholders.

2. **Social and ethics committee**

   The FirstRand social and ethics committee report is set out in the annual integrated report, as required in terms of regulation 43 (5) (c) of the Companies Regulations, 2011.

3. **Ordinary resolutions number 1.1 to 1.10**

   Re-election of directors by way of separate resolutions

   To re-elect, by way of separate resolutions, the following directors of the company in accordance with the Act and in terms of clauses 25.2 and 25.7.1 of the company's Memorandum of Incorporation (MOI).

   1.1 Leon Crouse
   Non-executive director
   Date of appointment: 16 September 2008
   Educational qualifications
   CA(SA)

   1.2 Mary Sina Bomela
   Non-executive director
   Date of appointment: 24 September 2011
   Educational qualifications
   BCom (Hons), CA(SA), MBA

   1.3 Nolulamo Nobambiswano Gwagwa
   Independent non-executive director
   Date of appointment: 25 February 2004
   Educational qualifications
   BA (Fort Hare), MTRP (Natal),
   MSc (cum laude) (London),
   PhD (London)

   1.4 Deepak Premnarayen
   Non-executive director
   Date of appointment: 1 January 2009
   Educational qualifications
   BA Economics (Hons) India

   1.5 Kgotso Buni Schoeman
   Non-executive director
   Date of appointment: 29 May 2008
   Educational qualifications
   BA Economics, Advanced Financial Management Diploma

   1.6 Benedict James van der Ross
   Independent non-executive director
   Date of appointment: 27 May 1998
   Educational qualifications
   Dip Law (UCT)

   1.7 Jan Hendrik van Greuning
   Independent non-executive director
   Date of appointment: 1 January 2009
   Educational qualifications
   DCom (Economics), DCompt (Accounting Science), CA(SA), CFA

The directors proposed for re-election, retire by rotation in terms of clause 25.7.1 of the MOI, and being eligible and having been recommended by the board, offer themselves for re-election.

Biographical details of these directors are set out in the annual integrated report.

The percentage of voting rights required for each ordinary resolution contained under points 1.1 to 1.7 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

Re-election of directors by way of separate resolution

To re-elect the following director in terms of clause 25.2 and 25.7.1 of the company's MOI.

1.8 Vivian Wade Bartlett
Independent non-executive director
Date of appointment: 27 May 1998
Educational qualifications
AMP (Harvard), FIBSA

Mr Bartlett reached age 71 on 12 April 2014. The board has considered and has unanimously approved the extension of his tenure as a director for an additional 12 months from the date of the AGM.

Accordingly, being eligible for re-election and having been recommended by the board, Mr Bartlett offers himself for re-election.

The percentage of voting rights required for the ordinary resolution contained under point 1.8 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Vacancies filled by the directors during the year

To elect by way of a separate resolution, the following director who was appointed by the board on 1 January 2014 to fill a vacancy in accordance with the Act and in terms of clause 25.2 of the company's MOI, and is now recommended by the board for election by shareholders:

1.9 Hetash Surendrakumar Kellan
Financial director
Date of appointment: 1 January 2014
Educational qualifications
CA(SA)

To elect by way of a separate resolution, the following director who was appointed by the board with effect from 5 September 2014 to fill a vacancy in accordance with the Act and in terms of clause 25.2 of the company's MOI, and is now recommended by the board for election by shareholders:

1.10 Russell Mark Loubser
Independent non-executive director
Date of appointment: 5 September 2014
Educational qualifications
MCom (Statistics), CA(SA)

The percentage of voting rights required for each ordinary resolution contained under points 1.9 to 1.10 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Director retiring by rotation but not available for re-election

Mr JJH Bester will be retiring at the conclusion of the 2014 annual general meeting and does not offer himself for re-election.

4. Ordinary resolution number 2

Appointment of joint auditors responsible for the audit of the company

2.1 Resolved that as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

The percentage of voting rights required for each ordinary resolution contained under points 2.1 and 2.2 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Ratification of the individual registered auditor nominated by PricewaterhouseCoopers Inc. responsible for the audit of the company for the year ended 30 June 2014.

2.3 Shareholders are requested to ratify Mr Francois Prinsloo, nominated by PricewaterhouseCoopers Inc. as the individual registered auditor in place of Mr Tom Winterboer for the year ended 30 June 2014.

The reason for ordinary resolution number 2.3 is as follows:

At the FirstRand Limited annual general meeting held on 3 December 2013, PricewaterhouseCoopers Inc. (PwC) was appointed as the joint auditor of the company for the year ended 30 June 2014 and Mr Tom Winterboer nominated as the individual registered auditor responsible for the audit. Mr Tom Winterboer was subsequently appointed as the curator of African Bank Limited. On direction from the South African Reserve Bank and the Registrar of Banks, and to avoid the perception of any conflicts of interest, the individual registered auditor nominated by PwC to be responsible for the FirstRand Limited audit has been changed to Mr Francois Prinsloo.

The percentage of voting rights required for the ordinary resolution contained under point 2.3 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

5. Advisory endorsement of the remuneration policy

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out in the remuneration report contained on pages 79 to 95 of the summarised annual financial statements.

In terms of King III, every year, the company's remuneration policy should be tabled for a non-binding advisory vote at the meeting. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted and on their implementation. Shareholders are accordingly requested to endorse the company's remuneration policy.

6. Ordinary resolution number 3

Placing the unissued ordinary shares under the control of the directors

Resolved that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors and that the directors be and are hereby generally authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of the Act, the Banks Act, 94 of 1990 as amended (the Banks Act), the MOI and the Listings Requirements of the JSE and the Namibian Stock Exchange (NSX), when applicable.

Shareholders are asked to note that, at 363 746 761 ordinary shares, the unissued ordinary share capital of the company represents approximately 6% of the entire authorised share capital of the company.

The percentage of voting rights required for ordinary resolution number 3 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7. Ordinary resolution number 4

General authority to issue authorised but unissued ordinary shares

Resolved that subject to the passing of ordinary resolution number 3, the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued equity securities in the capital of the company for cash as and when they in their discretion deem fit, subject to the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:

- this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
- the ordinary shares must be issued to public shareholders as defined by the Listings Requirements of the JSE and the NSX and not to related parties;
- the equity securities which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- in respect of securities which are the subject of the general issue of shares for cash:
  - in the aggregate in any one financial year the ordinary shares may not exceed 5% (281 897 084) of the company's relevant number of equity securities in issue of that class, as at the date of this notice;
  - any equity securities issued under this authority during the period contemplated must be deducted from such number;

– in the event of a subdivision or consolidation of issued equity securities during the period contemplated, the existing authority must be adjusted to represent the same allocation ratio;

– the calculation of the listed equity securities is a factual assessment of the listed equity securities as at the date of the notice of the annual general meeting, excluding treasury shares;

- a maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors and the party subscribing for the securities;
- any such general issues are subject to exchange control regulations and approval at that point in time; and
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the Listings Requirements of the JSE.

The above general authority may be used to issue shares required to be issued to support the conversion and/or exchange (as the case may be) of Basel III compliant additional Tier 1 and Tier 2 instruments issued by FSR or FirstRand Bank Limited as contemplated in the regulations published pursuant to the Banks Act, 1990 (published on 12 December 2012 as No. R. 12 1029 in Government Gazette No. 35950) (the Regulations) into FSR ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks or such other regulatory body in South Africa that has the authority to make such decisions.

Basel III requires that the terms and conditions of additional Tier 1 and Tier 2 capital instruments contain a provision that such instruments, at the option of the Registrar of Banks, either be written off or converted into ordinary shares upon the occurrence of a trigger event. The Regulations further require that FSR must at all times maintain all prior authorisations necessary to immediately issue the relevant number of ordinary shares specified in the terms and conditions of the additional Tier 1 and Tier 2 capital instruments and/or in terms of the provisions of the Banks Act, 1990 and the Regulations dealing with additional Tier 1 and/or Tier 2 capital should the relevant trigger event occur. It is FSR's intention to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to these requirements.

The percentage of voting rights required for ordinary resolution 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

8. Special resolution number 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiaries be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in aggregate of the number of issued shares in the company at any time;
- neither the company nor its subsidiaries will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the Listings Requirements of the JSE, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed in an announcement on the JSE Stock Exchange News Service (SENS) prior to the commencement of the prohibited period;

- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the Group passed the solvency and liquidity test and that since the test was done there have been no material changes to the financial position of the company;
- any such general repurchases are subject to exchange control regulations and approval at that point in time;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS and in the financial press; and
- at any point in time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Additional Information in respect of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the Group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the Group will be in excess of the liabilities of the company and the Group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the Group will be adequate for ordinary business purpose for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the Group for a period of 12 months after the repurchase of shares in the open market;
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the Group; and
- upon entering the market to proceed with the general repurchase, the company's sponsor has confirmed the adequacy of the company and the Group's working capital for the purposes of undertaking a general repurchase of shares, in writing to the JSE.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Additional Information in respect of special resolution 1, as required by the Listings Requirements of the JSE is set out in Annexure 1.

9. Special resolutions number 2.1 to 2.3

Specific authorities to repurchase ordinary shares held by the FirstRand Black Employee Trust, the FirstRand Black Non-Executive Directors Trust and the FirstRand Staff Assistance Trust (together referred to as the trusts)

2.1 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 62 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Black Employee Trust, Master's reference number IT3066/05, (FRBET), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

2.2 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 9 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Black Non-Executive Directors Trust, Master's reference number IT3065/05, (FRBNEDT), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

2.3 Resolved that the company be and is hereby authorised, by way of a specific authority, to approve the purchase, in terms of section 48 of the Act and as authorised by the MOI of the company, of a maximum of 7 000 000 FirstRand ordinary shares of 1 cent each from the FirstRand Staff Assistance Trust, Master's reference number IT3067/05, (FRSAT), at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014.

The reason for and effect of special resolutions number 2.1 to 2.3 is to grant FirstRand's directors a specific authority to approve the repurchase of a maximum of 62 000 000, 9 000 000 and 7 000 000 ordinary shares from FRBET, FRBNEDT and FRSAT respectively, at no more than the thirty day volume weighted average price of a FirstRand ordinary share on 31 December 2014. The repurchased shares will be cancelled on 31 December 2014 and returned to the status of authorised and unissued shares.

The percentage of voting rights required for special resolutions number 2.1 to 2.3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution, excluding the votes of the trusts and their associates.

Additional Information in respect of special resolutions number 2.1 to 2.3, as required by the Listing Requirements of the JSE is set out in Annexure 1.

10. Special resolution number 3.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution 3.1

The percentage of voting rights required for this special resolution number 3.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

11. Special resolution number 3.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

The percentage of voting rights required for this special resolution number 3.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution:

Additional information in respect of special resolution number 3.2

Companies within the Group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

12. Special resolution number 4

Remuneration of non-executive directors

Resolved to approve as a special resolution in terms of section 66(9) of the Act that non-executive directors' remuneration (due to the applicable directors for services rendered by them in their capacities as such) be paid as follows with effect from2 December 2014:

	Current annual fee	Proposed annual fee with effect 2 December 2014
Board		
Chairman*	4 000 000	**4 793 000**
Director	417 300	**444 000**
Audit committee		
Chairman	594 000	**636 000**
Member	233 200	**250 000**
Risk, capital management and compliance committee		
Chairman	594 000	**636 000**
Member	233 200	**250 000**
Remuneration committee		
Chairman	300 000	**341 000**
Member	130 000	**139 100**
Directors' affairs and governance committee		
Chairman	101 640	**109 000**
Member	50 820	**54 377**
Large exposures committee		
Chairman		
Member		
(per meeting) on a preparation and attendance basis at the *ad hoc* work fee		
Transformation monitoring committee		
Chairman	132 000	**141 000**
Member	66 000	**71 000**
Ad hoc* work*		
Chairman	7 300	**7 800**
Member	3 600	**3 900**

* *The chairman will be paid a single fee, covering his activities as board chairman and for his activities on board committees.*

** *For work of an ad hoc nature on an hourly basis or for work on an ad hoc committee, or attendance at advisory/subsidiary board or committee meeting where no other fee is specifically approved, hourly for preparation and attendance basis.*

Further resolved that directors' resident outside of South Africa be paid double the approved fee for South African resident directors, in the foreign currency of the country in which they are resident.

The percentage of voting rights required for this special resolution number 4.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Important notes regarding attendance at the annual general meeting

General

Shareholders wishing to attend the meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

Certificated shareholders and own name dematerialised shareholders

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Proxy forms are to be forwarded to reach the registered office of the company's transfer secretaries by 09:00 on Friday, 28 November 2014. Before a proxy exercises any rights of a shareholder at the meeting, such form of proxy must be so delivered. Any forms of proxy not lodged by this time must be handed to the chairman of the meeting immediately prior to the meeting.

Dematerialised shareholders other than with own name registration

Shareholders who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Voting

Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shares held by FirstRand employee share trusts and unlisted shares will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the Listings Requirements of the JSE and the Act.

Proof of identification required

In compliance with section 63 of the Act, kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the form of proxy.

Directions for obtaining a copy of financial statements

A summarised form of the audited financial statements of the company is sent to shareholders with this notice. A copy of the comprehensive 2014 annual integrated report and the complete financial statements is available for viewing and downloading on FirstRand's website (www.firstrand.co.za) or a copy thereof can be requested in writing from the transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531.

By order of the board

C Low
Company secretary

8 September 2014

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

FIRSTRAND

ANNEXURE 1 – ADDITIONAL INFORMATION REGARDING SPECIAL RESOLUTIONS NUMBER 1 AND 2.1 TO 2.3

For the purposes of considering special resolutions number 1, 2.1, 2.2 and 2.3 and in compliance with the Listings Requirements of the JSE, the information listed below has been included.

1. Directors and management

The directors and management of the company are as follows:

Lauritz Lanser Dippenaar (Chairman)*
Sizwe Errol Nxasana (Chief executive officer)**
Vivian Wade Bartlett#
Jurie Johannes Human Bester#
Mary Sina Bomela**
Johan Petrus Burger (Group deputy CEO)**
Peter Cooper (Alternate to PK Harris)**
Leon Crouse*
Jan Jonathan Durand*
Grant Glenn Gelink#
Patrick Maguire Goss#
Nolulamo Nobambiswano Gwagwa#
Paul Kenneth Harris*
William Rodger Jardine#
Hetash Surendrakumar Kellan (Financial director)**
Russell Mark Loubser#
Ethel Gothatamodimo Matenge-Sebesho#
Amanda Tandiwe Nzimande*
Deepak Premnarayen (India)*
Kgotso Buni Schoeman*
Benedict James van der Ross#
Jan Hendrik van Greuning#

* *Non-executive director.*
** *Executive director.*
\# *Independent non-executive director.*

The business address for the above directors is 4 Merchant Place, Corner of Fredman Drive and Rivonia Road, Sandton, 2196.

2. Directors' interests

The interests of the directors in the share capital of the company as at 15 September 2014 (being the last practicable date prior to the finalisation of this notice) are set out on page 77 of the report of the chairman of the directors' affairs and governance committee in the summarised financial statements of which this Annexure 1 forms part.

3. Share capital

The authorised and issued share capital of the company as at the last practicable date is as follows:

Share capital of FirstRand	R thousand
Authorised	
6 001 688 450 ordinary shares of 1 cent each	60 017
198 311 550 A variable rate, convertible, cumulative redeemable preference shares of 1 cent each	1 983
100 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	1 000
100 000 000 C variable rate, convertible, non-cumulative redeemable preference shares of 1 cent each	1 000
100 000 000 D variable rate, cumulative redeemable preference shares of 1 cent each	1 000
Total authorised share capital	**65 000**
Issued	
5 637 941 689 ordinary shares of 1 cent each	56 379
Less: 151 111 993 treasury shares of 1 cent each	(1 511)
45 000 000 B variable rate, convertible, non-cumulative non-redeemable preference shares of 1 cent each	450
Total issued share capital	**55 318**
Share premium	
Ordinary shares	7 082 000
B variable rate, convertible, non-cumulative non-redeemable preference shares	4 519 000
Total share premium	**11 601 000**

- All of the issued ordinary shares are listed on the JSE and NSX.
- All of the issued B preference shares are listed on the JSE.

4. Major shareholders

The following shareholders were interested in 5% or more of the share capital of the company as at the last practicable date:

	Shares held (thousands)	%
RMB Holdings Limited	1 910 433	33.9
Public Investment Corporation	509 472	9.0
FirstRand empowerment trust and related parties	457 355	8.1
Financial Securities Ltd (Remgro)	219 805	3.9
Subtotal	3 075 360	54.5
Other	2 562 582	45.5
Total	**5 637 942**	**100.0**

5. Material changes

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the summarised financial statements to which this Annexure 1 forms part.

6. Directors' responsibility statement

The directors, whose names are set out in paragraph 1 of this Annexure 1, collectively and individually accept full responsibility for the accuracy of the information contained in special resolutions number 1, 2.1, 2.2 and 2.3, as well as the explanatory notes thereto, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that these resolutions contain all information required by the Listings Requirements of the JSE.

7. Litigation statement

The directors, whose names are set out in paragraph 1 of this Annexure 1, are not aware of any legal or arbitration proceedings (including any such proceedings that are pending or threatened) that may have, or have had in the previous 12 months, a material effect on the Group's financial position.

For the purposes of considering special resolutions number 2.1, 2.2 and 2.3 and in compliance with the Listings Requirements of the JSE, the information below is included.

8. Background

In 2005, FirstRand concluded a transaction which facilitated the acquisition of an effective 10% interest in the issued ordinary share capital of FirstRand by broad based black economic empowerment groups (BEE transaction).

The trusts were created in order to facilitate the staff and director components of the BEE transaction. The staff and director components of the BEE transaction are due to mature on 31 December 2014. On maturity the trusts are mandatorily required to settle their obligations in terms of the trust deeds. In order to settle their obligations to FirstRand Investment Holdings Proprietary Limited, a wholly-owned subsidiary of FirstRand, the trusts will have to dispose of some of their FirstRand ordinary shares (shares). FirstRand has agreed to the proposed specific repurchases (subject to shareholder approval) as this will facilitate the unwind of the trusts and the settlement of the obligations.

The remaining shares held by the trusts will be distributed to the participants thereof in accordance with a pre-determined formula as prescribed in the trust deeds.

9. Preliminary expenses and issue expenses

The estimated costs of the proposed specific repurchases will be borne by FirstRand and are as follows (excluding VAT):

Capacity	Provider	R
JSE inspection fees	JSE	18 519
Independent sponsor	PwC	35 000
Total		**53 519**

10. Financial effects

For IFRS reporting purposes

The repurchase of shares from FRBET and FRBNEDT will not have any financial effects on FirstRand given that the FRBET and FRBNEDT are consolidated and the shares they hold have been treated as treasury shares since inception. The remaining shares owned by FRBET and FRBNEDT that will not be repurchased will be distributed to the participants, will no longer be treasury shares and will form part of the issued share capital. The dilutive effect of these shares is independent of the repurchase of shares from FRBET and FRBNEDT and has been historically disclosed in FirstRand's financial results when determining diluted earnings per share.

FRSAT is not consolidated and has been treated as such for IFRS reporting purposes. The repurchase of shares from FRSAT will have the effect of reducing the number of shares in issue by up to 7 000 000 or 0.13% of the issued share capital. The effect of the repurchase of shares from FRSAT will be to reduce diluted earnings per share by 0.70 cents per share and net asset value per share by 3.65 cents per share. The interest foregone on the cash required to repurchase the shares from FRSAT (R302 750 000) amounts to R14 168 000 after tax.

For normalised reporting purposes.

The shares held by both FRBET and FRBNEDT were treated as part of shares in issue. FRSAT was not consolidated and was treated as such for normalised reporting. The repurchase of these shares from the trusts will increase normalised earnings per share by 4.41 cents per share and reduce the normalised net asset value per share by 15.22 cents per share or 1.05%.

11. Source of funds

The proposed specific repurchases will be funded from internal cash resources. The proceeds received by the trusts will in turn be used to settle their obligations to FRIHL.

12. Solvency and liquidity statement

The board of directors authorises the proposed specific repurchases, but undertakes that the company will not effect the proposed specific repurchases unless the board is satisfied that the company and its subsidiaries have passed the solvency and liquidity test as contemplated in the Act.

FIRSTRAND

ANNEXURE 2 – PROXY FORM – ORDINARY SHAREHOLDERS

FirstRand Limited

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06) Share code: (JSE): FSR ISIN: ZAE000066304
JSE B preference share code: FSRP ISIN: ZAE000060141 NSX ordinary share code: FST (FirstRand or the company or FSR)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2014 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Tuesday, 2 December 2014 at 09:00 (the annual general meeting).

I/We

Of (address)

Being the holder/s of ordinary shares in the company, hereby appoint (see notes overleaf)

1. Or, failing him/her

2. Or, failing him/her

3. The chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see notes overleaf).

Insert an X or the number of votes exercisable (one vote per ordinary share)

	In favour of	Against	Abstain
Ordinary resolution numbers 1.1 to 1.7 Re-election of directors by way of separate resolutions: 1.1 L Crouse			
1.2 MS Bomela			
1.3 NN Gwagwa			
1.4 D Premnarayen			
1.5 KB Schoeman			
1.6 BJ van der Ross			
1.7 JH van Greuning			
Ordinary resolution number 1.8 To re-elect director who has reached age 70: 1.8 VW Bartlett			
Ordinary resolution numbers 1.9 to 1.10 To elect directors appointed by the directors to fill vacancies: 1.9 HS Kellan			
1.10 RM Loubser			
Ordinary resolution numbers 2.1, 2.2 and 2.3 Appointment of auditor: 2.1 Deloitte & Touche			
2.2 PricewaterhouseCoopers Inc.			
2.3 Ratify Francois Prinsloo as the individual registered auditor in place of Tom Winterboer for the year ended 30 June 2014			
Advisory endorsement of remuneration policy Endorsement of remuneration policy			
Ordinary resolution number 3 Place the unissued ordinary shares under the control of the directors			
Ordinary resolution number 4 General authority to issue authorised but unissued ordinary shares			
Special resolution number 1 General authority to repurchase ordinary shares			
Special resolution number 2.1 **Specific authority to repurchase FSR ordinary shares:** Specific repurchase from FRBET			
Special resolution number 2.2 **Specific authority to repurchase FSR ordinary shares:** Specific repurchase from FRBNEDT			
Special resolution number 2.3 **Specific authority to repurchase FSR ordinary shares:** Specific repurchase from FRSAT			

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	In favour of	**Against**	**Abstain**
Special resolution number 3.1			
Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 3.2			
Financial assistance to related and interrelated entities			
Special resolution number 4			
Remuneration of non-executive directors with effect from 2 December 2014			

Signed at on 2014

Signature/s

Assisted by
(where applicable)

NOTES TO PROXY FORM

Use of proxies

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Every shareholder present in person or by proxy and entitled to vote at the annual general meeting of the company shall, on a show of hands, have one vote only, irrespective of the number of shares such shareholder holds, but in the event of a poll, every ordinary share in the company shall have one vote.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.

2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.

3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.

4. To be valid the completed proxy forms must be forwarded to reach the company's transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531 by no later than 09:00 on Friday, 28 November 2014. Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.

6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.

7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.

8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.

9. A proxy may not delegate his/her authority to any other person.

www.firstrand.co.za

FIRSTRAND