owner-manager culture

innovation

entrepreneurship

franchise value

Annual integrated report 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

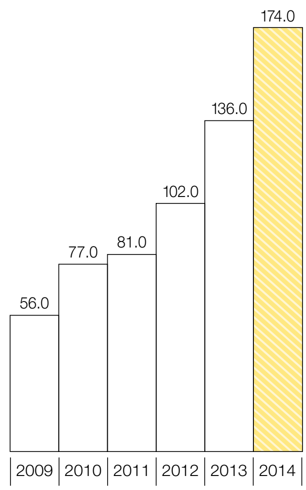
FINANCIAL HIGHLIGHTS

28%
Ordinary dividend per share

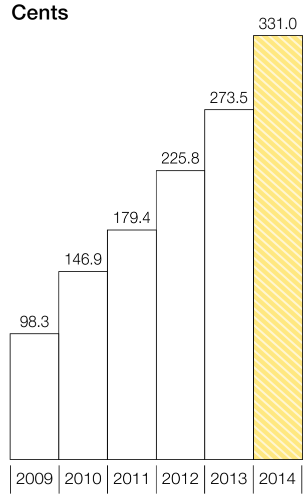
21%
Diluted normalised earnings per share

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 60 to 68 of this report.

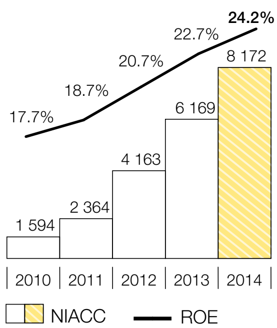
MEASURING PERFORMANCE

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.

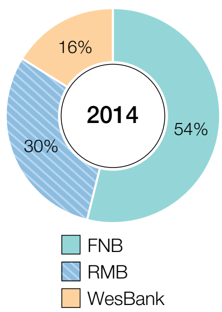
NIACC and ROE



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.

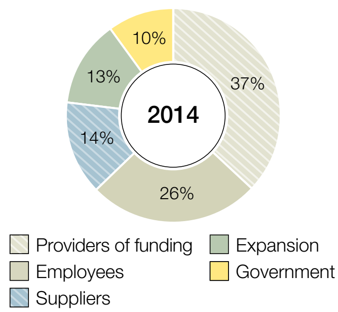
Franchise diversification (normalised earnings)



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.

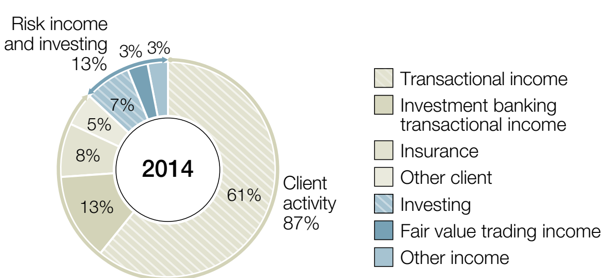
Economic impact



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

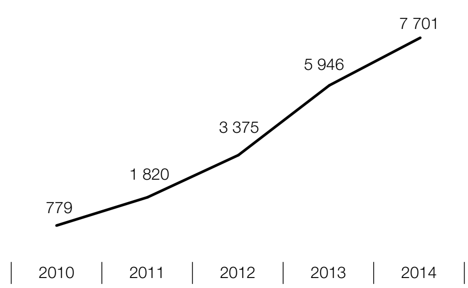


Values and culture

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.

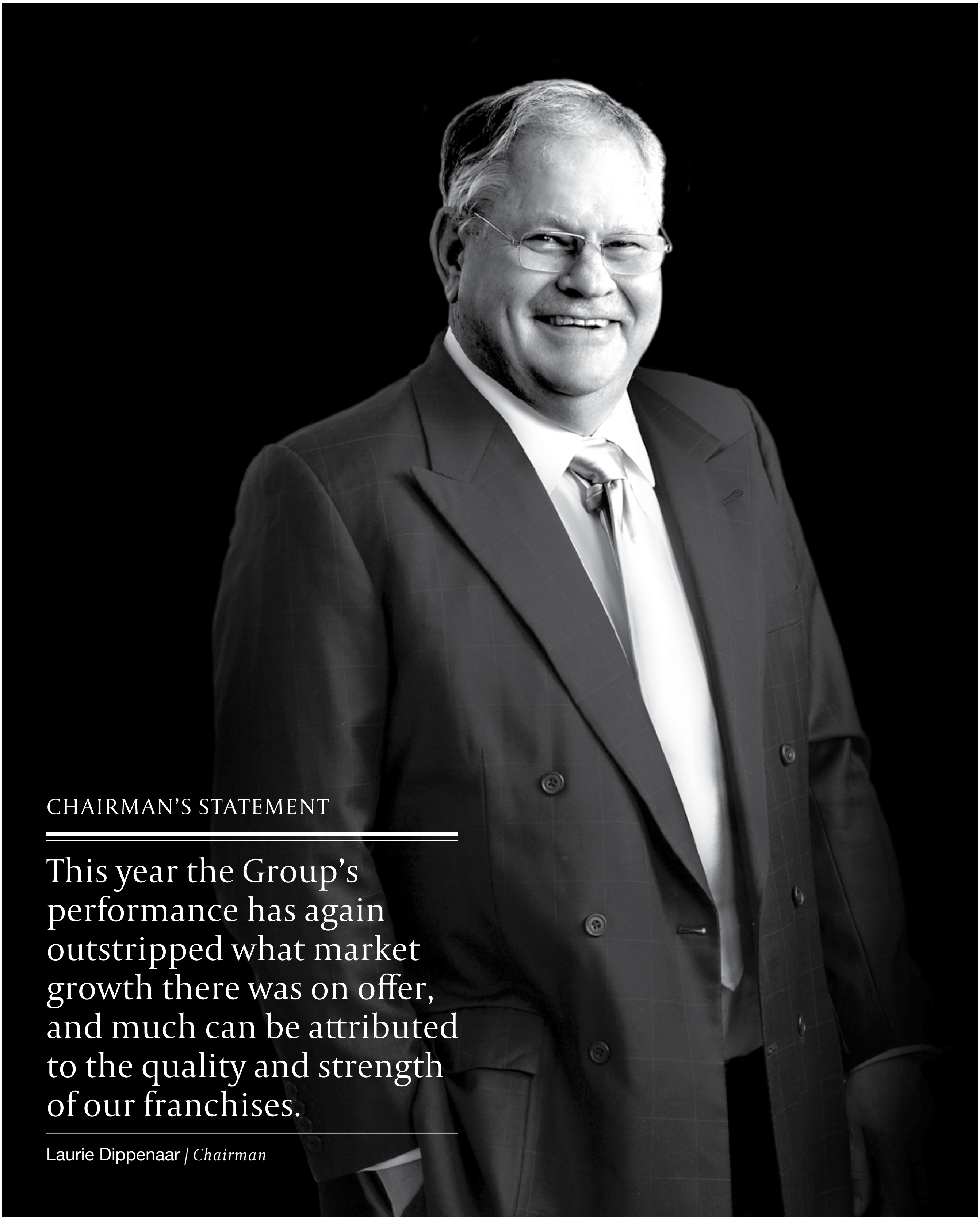
Cumulative innovations implemented

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

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.

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.

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 92 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

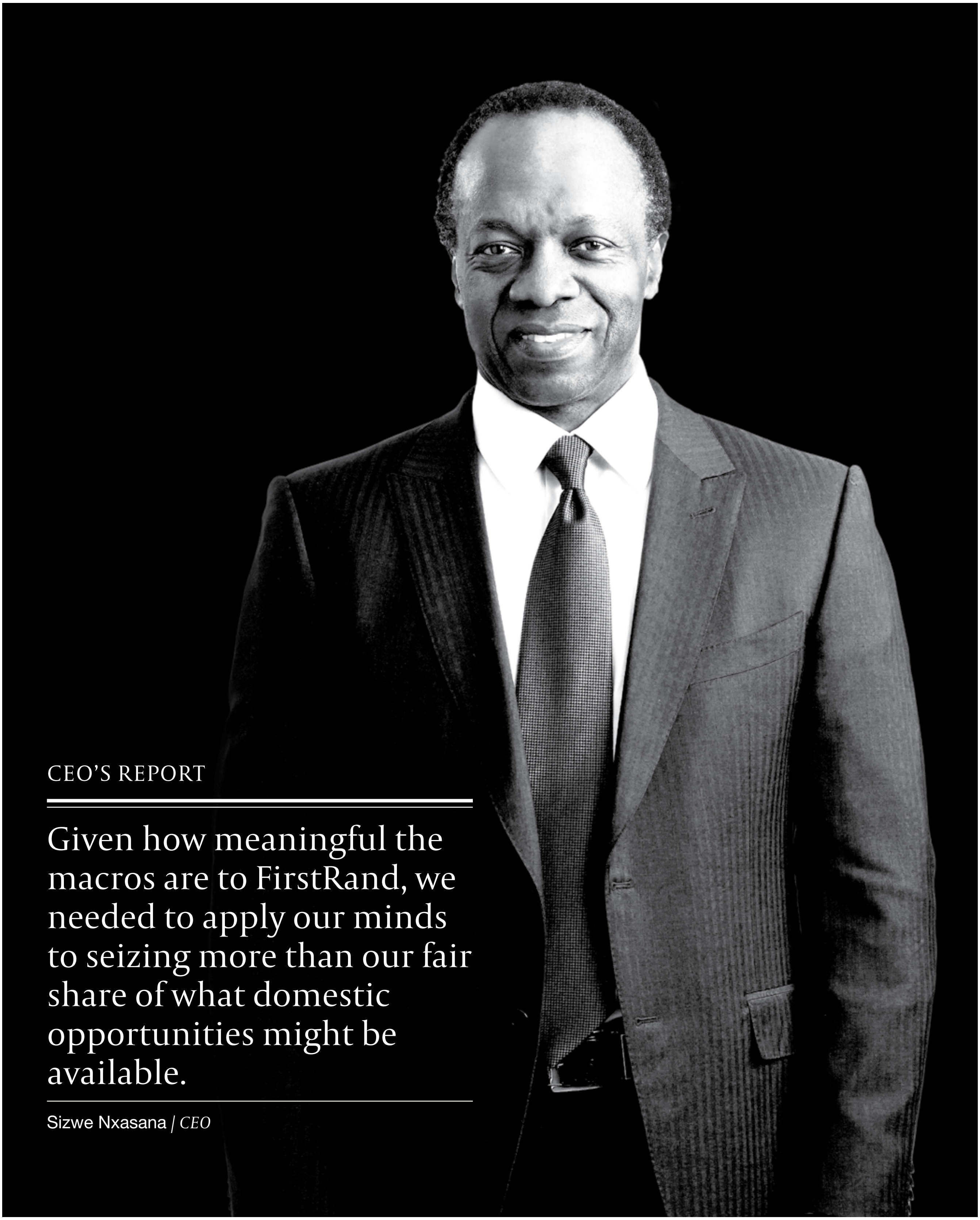
South Africa is currently in an interest rate hiking cycle which will place further pressure on the consumer. Economic headwinds are increasing and growth in the system looks sluggish. I do believe however that, despite this deteriorating operating environment, FirstRand has a set of very robust strategies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

LL Dippenaar

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 62 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.

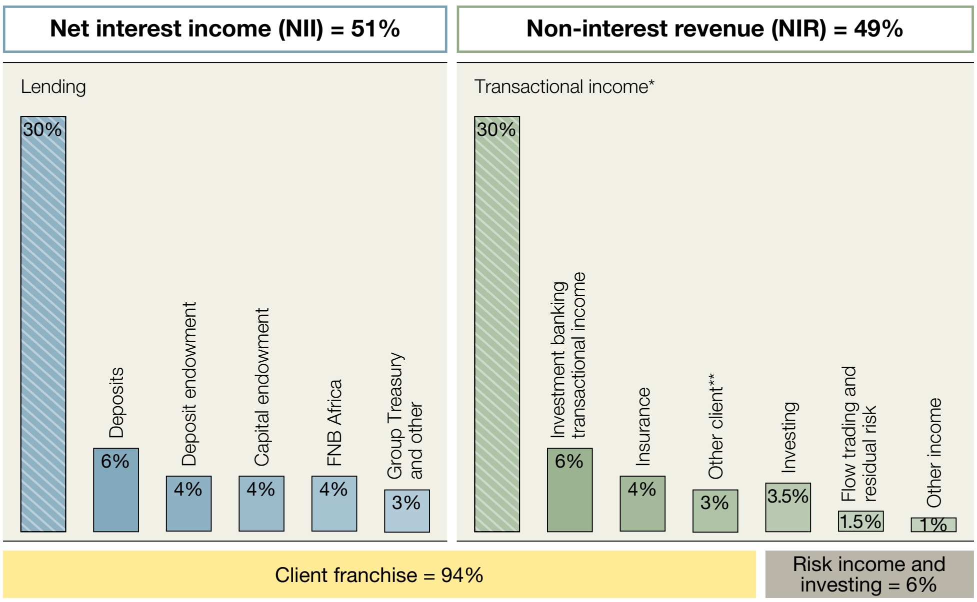
RESILIENCE OF EARNINGS, GROWTH, RETURNS AND BALANCE SHEET STRENGTH

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.

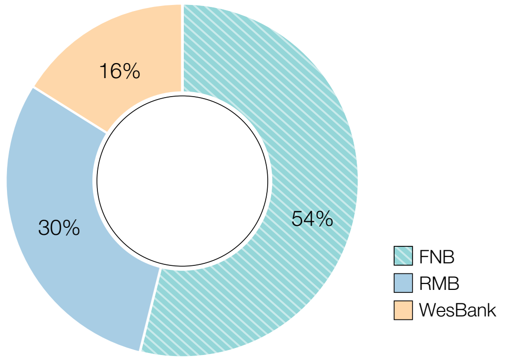
FirstRand's portfolio provides good diversification and represents the appropriate mix of business activities, at both a franchise and segment level. The Group believes that it is well represented in all segments, but not necessarily all profit pools, e.g. corporate transactional banking, insurance and 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**



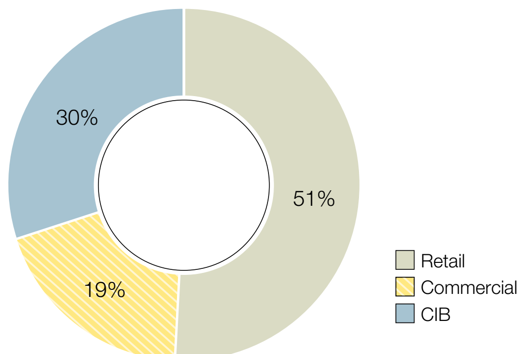
The Group believes that the relative contribution from each franchise is appropriate given the cycle. FNB represents the largest contribution at 54% (2013: 53%). RMB's contribution has increased slightly year-on-year from 29% to 30% and WesBank's contribution has reduced to 16%, which reflects the current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

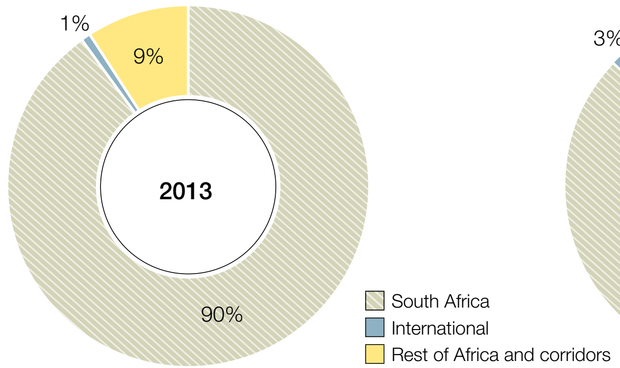
* *Includes FNB commercial and WesBank corporate.*
** *Other comprises FirstRand company, consolidation adjustments and dividends paid on NCNR preference shares.*
# *FCC (which includes Group Treasury) is excluded from the segment contribution analysis chart.*

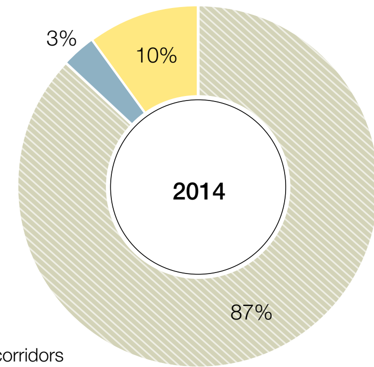
Normalised earnings mix#



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



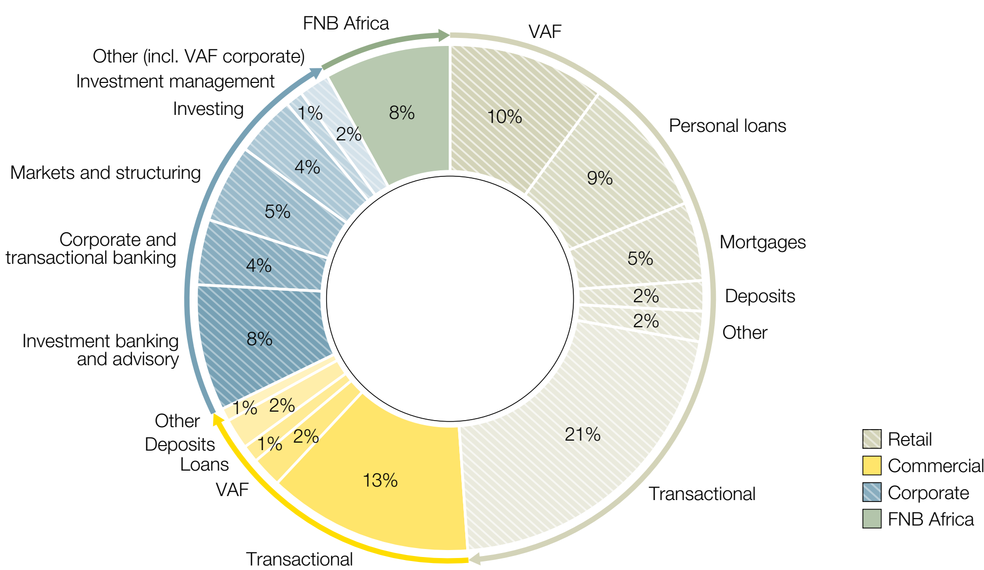


Based on gross revenue, excluding FCC (which includes Group Treasury).

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.

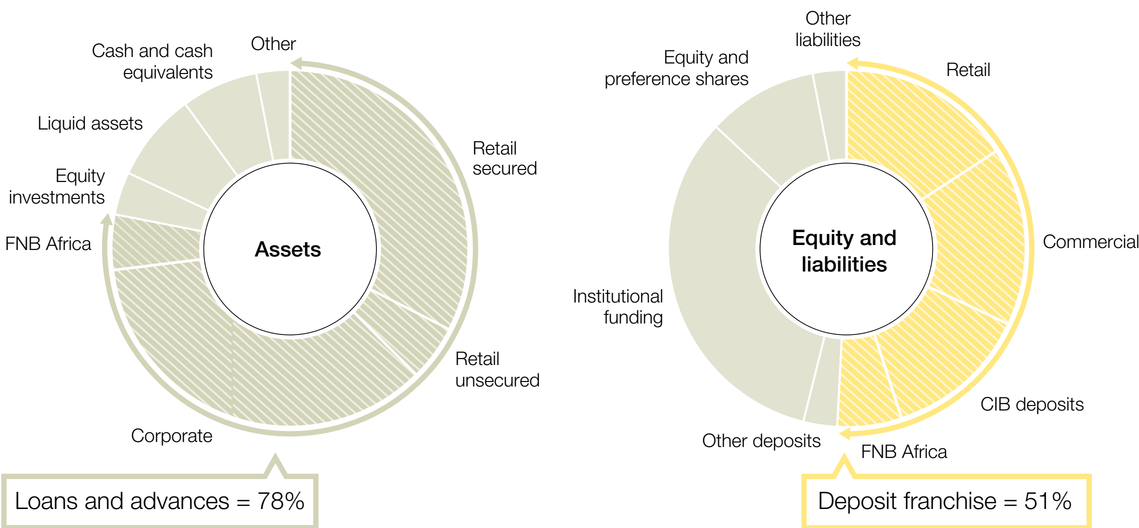
GROWTH OPPORTUNITIES

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



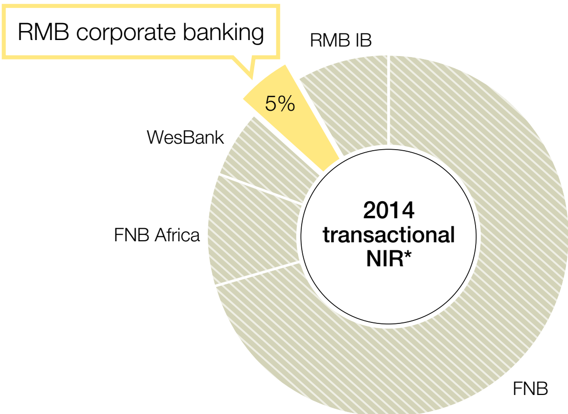
Note: Economic view of the balance sheet reflected above. Non-recourse-, derivative-, securities lending- and short trading position assets and liabilities have been netted off.

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



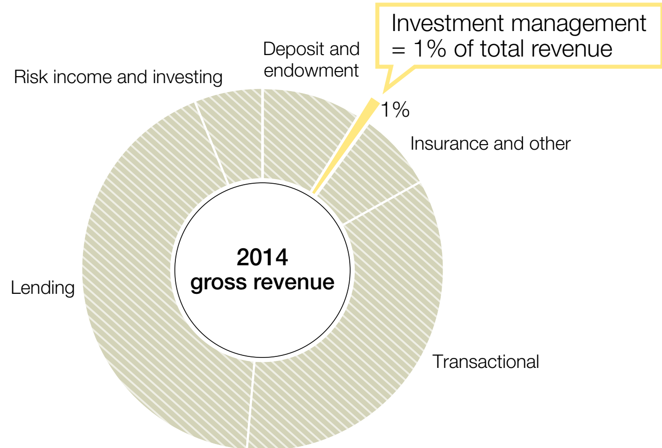
* *FCC (which includes Group Treasury) excluded from franchise NIR split.*

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.

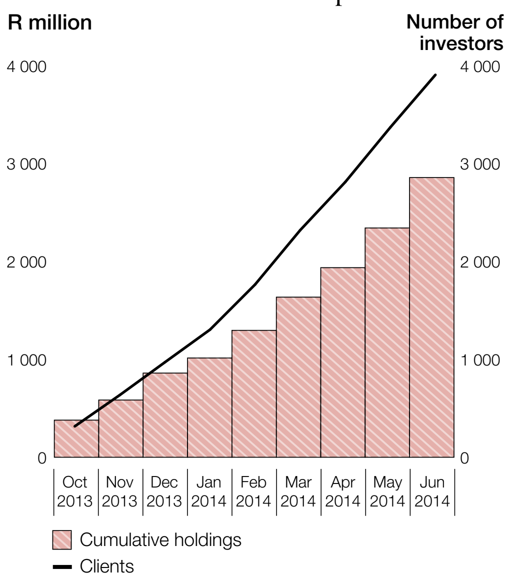
> The Group considers investment management to be a very attractive new revenue pool.

Activity split of revenue

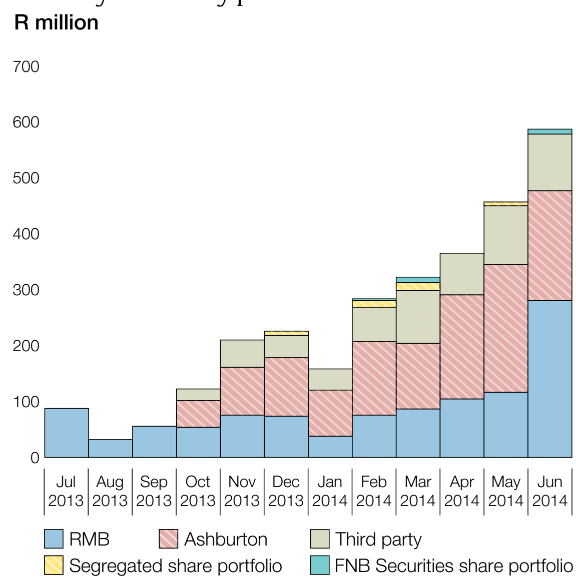


Investment management currently only contributes 1% of total revenue. The Group considers this to be a very attractive revenue pool and it launched Ashburton Investments in 2013 to address this gap in its portfolio. In the year under review, Ashburton Investments launched its own LISP platform to the 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

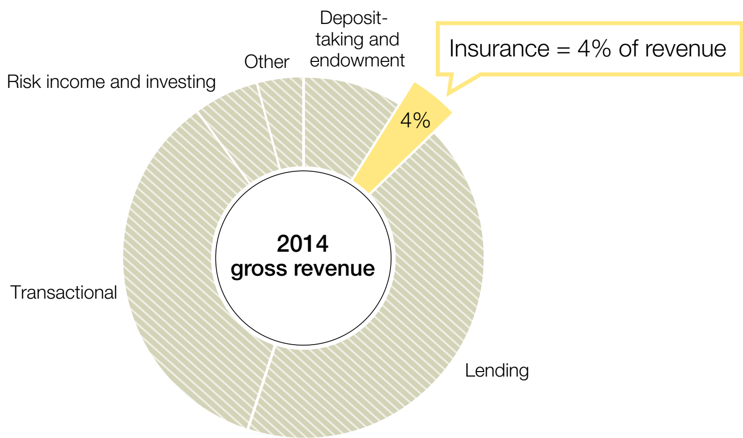


Monthly inflows by product



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

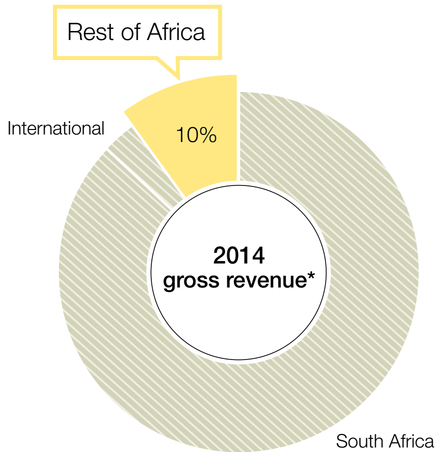
Revenue split by activity



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.

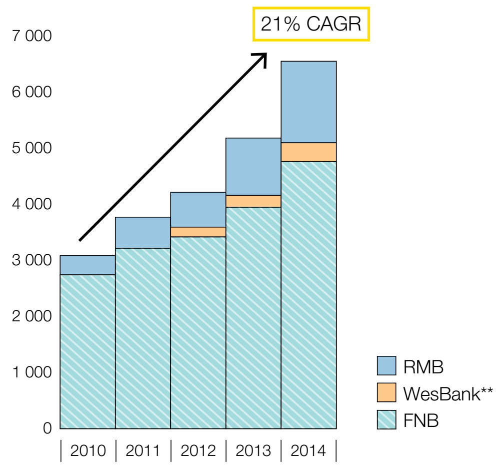
> There has been material success in the deployment of the balance sheet and intellectual capital in the rest of Africa by both RMB and FNB.

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.

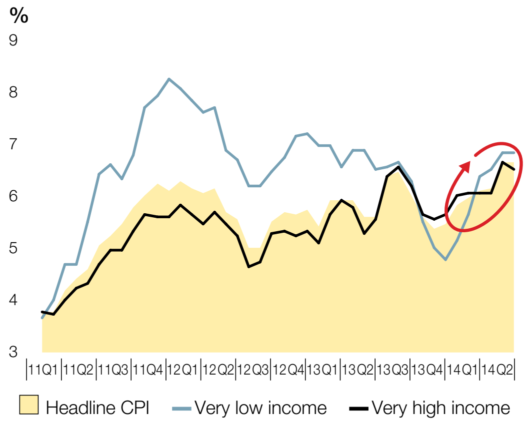
The Group continues to focus on achieving positive operating jaws and, as revenues grew faster than costs in the year under review, the cost-to-income ratio improved to 51.1% (2013: 51.5%).

UNDERSTANDING RISK AND REWARD THROUGH THE CYCLE

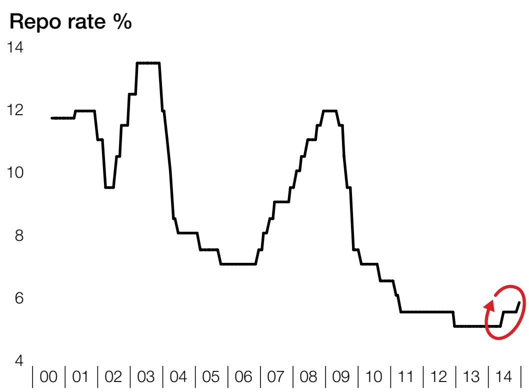
The Group aims to be countercyclical with respect to origination strategies. Given the duration of its lending products it is necessary to act ahead of the cycle. A good understanding of macros is therefore critical to identify emerging risks in order to achieve this objective. From the charts below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

Household nominal income growth slowed

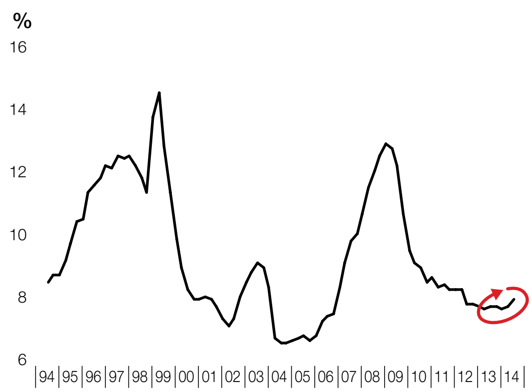
Consumer price inflation increased



Interest rates bottomed

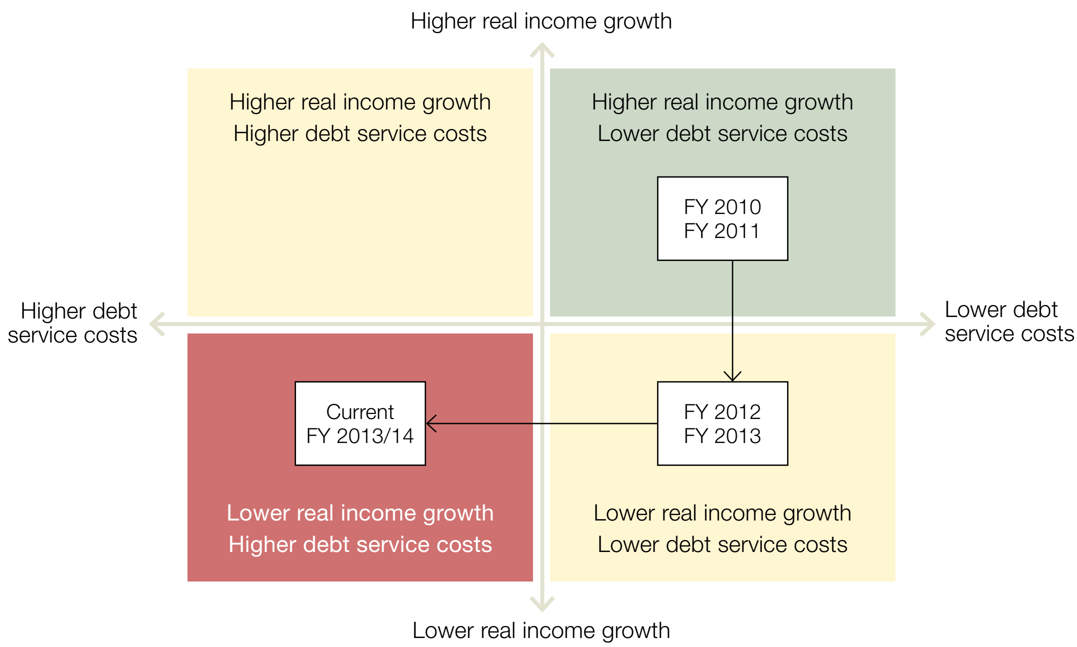


Debt service costs bottomed



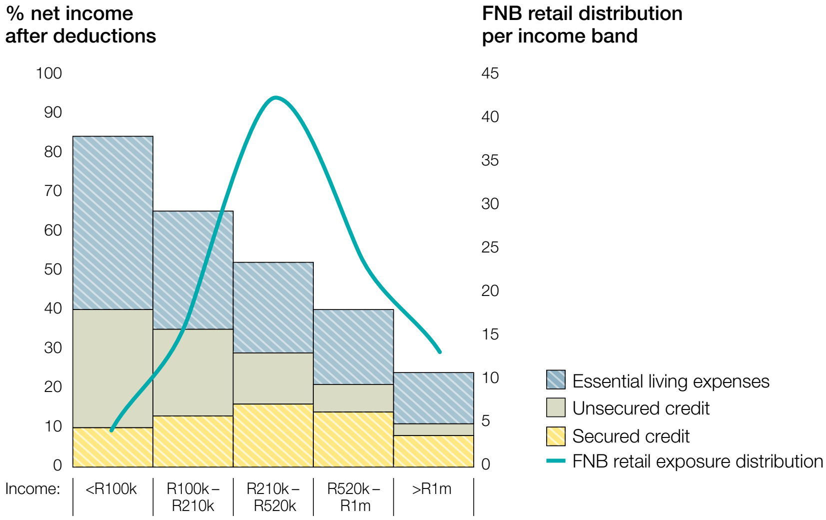
The Group therefore continues to adjust its origination strategies accordingly.

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.

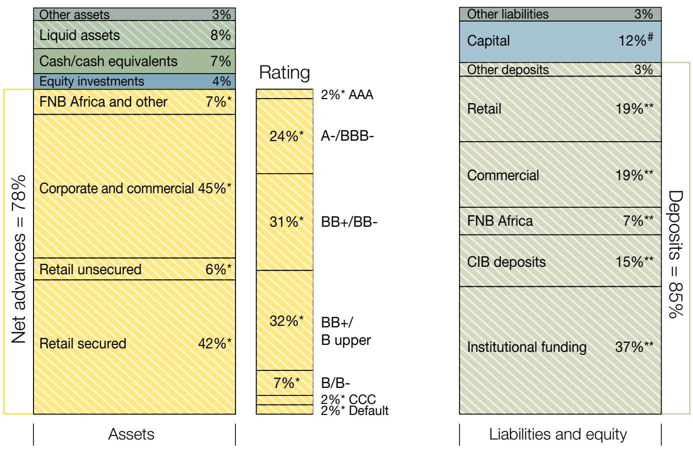
FNB's retail credit exposure has been plotted across the various income categories and it is clear that FNB's exposure is weighted more to the middle-to-upper income bands where there is less pressure on affordability.

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.

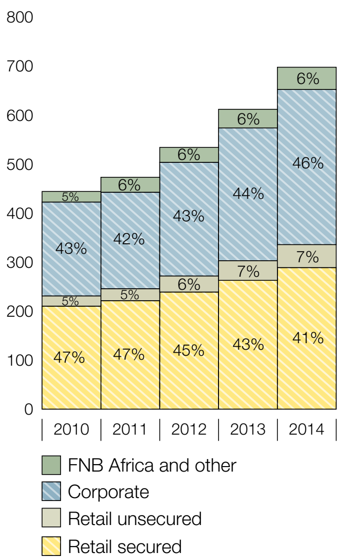
FirstRand's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the Group has continued to reduce its reliance on institutional funding and further improve the term profile from a weighted average remaining term of 12 months in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

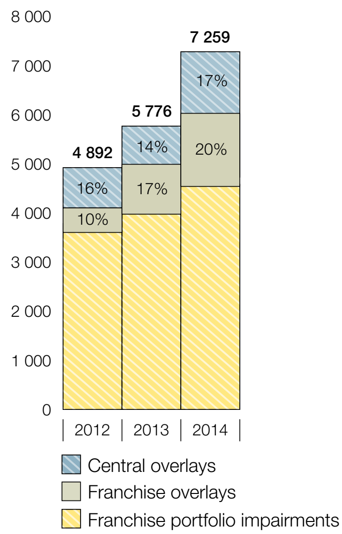
CREDIT PORTFOLIO

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.

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* 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.*

FUNDING AND LIQUIDITY PROFILE

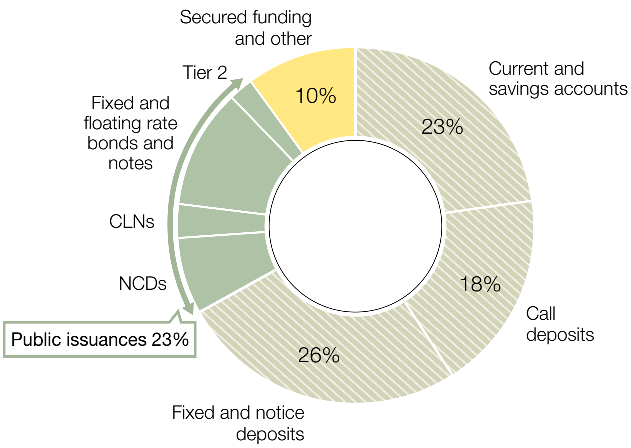
Proactive funding and liquidity management is becoming increasingly critical and FirstRand's objective is to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements.

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.

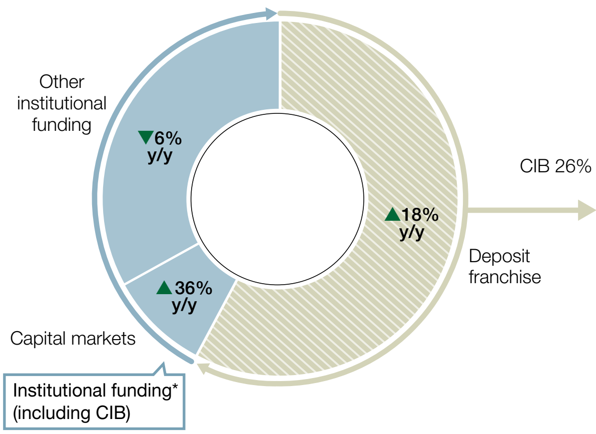
The Group has achieved a better balance between retail and corporate assets and these portfolios are now similar in size.

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.

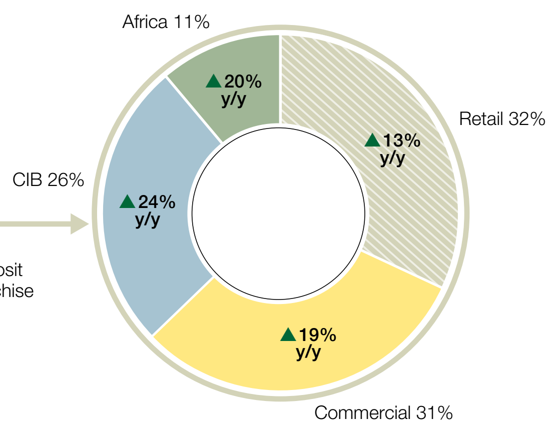
Funding diversified across instruments



Liability growth attributed to better source and term



Deposit franchise diversified across segments



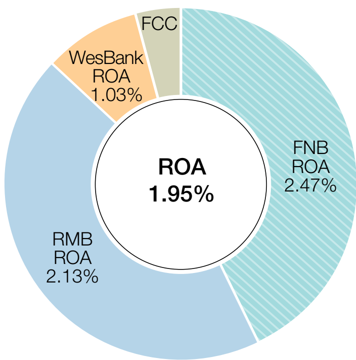
* *Weighted average remaining term = 27 months.*

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.

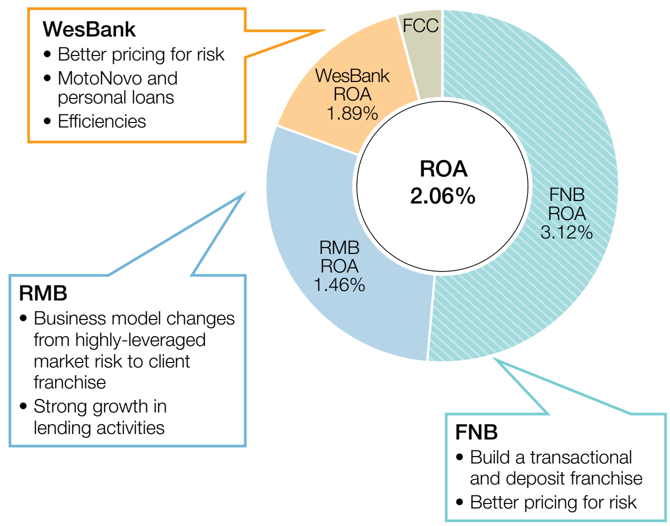
GEARING AND RETURNS

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 earn ins split



2014 normalised earnings split



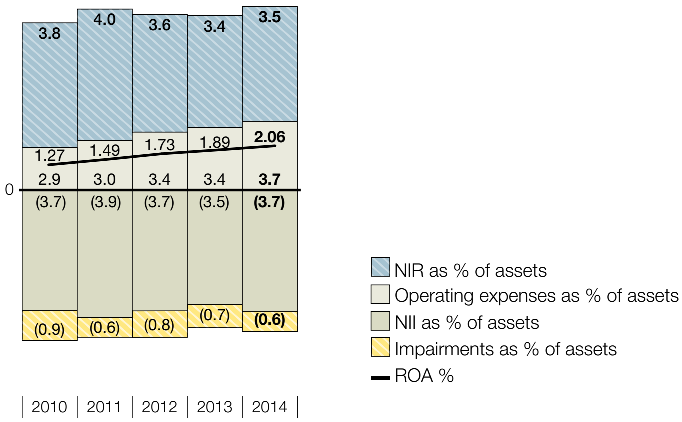
The improvement in FNB's ROA from 2.47% in 2007 to 3.12% in 2014 can be attributed to the strong growth in its transactional and deposit franchise. In addition, where FNB uses its balance sheet, it prices appropriately for risk. In this regard, mortgages have seen a meaningful improvement in ROA.

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.

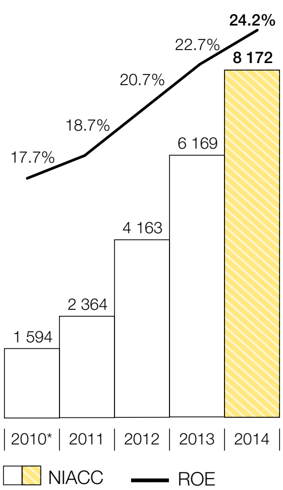
The chart below depicts a decomposition of the Group's ROA, which reflects better quality of earnings. It is important to note that the ROA is at a cyclical high as the bad debt charge has remained below the average long-run expected underwriting credit losses. This can be attributed to the slower-than-expected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

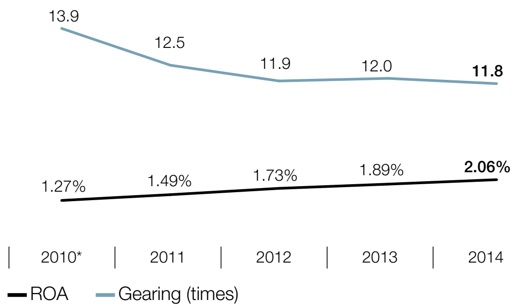
The Group fundamentally believes that net income after capital charge (NIACC) provides the best measure of shareholder value creation. The chart below shows the strong growth in economic profits (the premium above cost of equity) since 2010.

NIACC and ROE



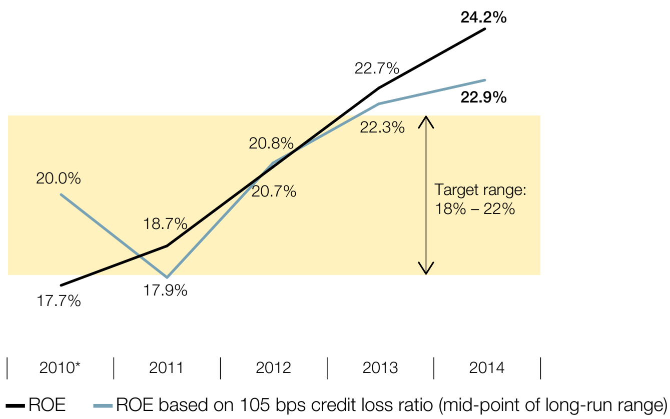
* *Comparatives prior to 2011 are for FirstRand Banking Group.*

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* 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:

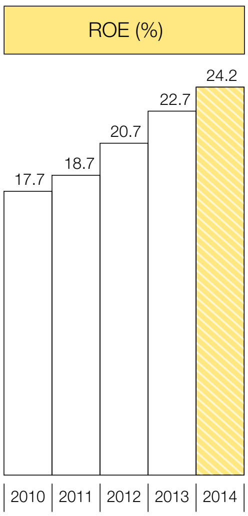
- its positioning as the leading advisory and origination franchise in South Africa;
- strong growth in corporate advances, both in South Africa and cross border, whilst further improving overall portfolio quality;
- very strong earnings from underlying investments in private equity including the benefit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

WesBank benefited from:

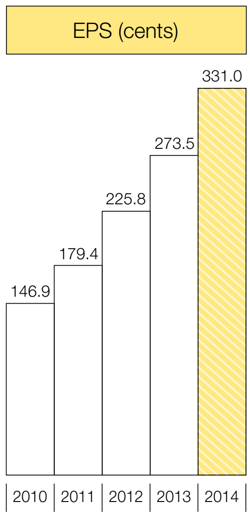
- its consistent point of sale presence and partnership model, which ensured resilient new business volumes;
- an excellent performance from MotoNovo, which grew strongly in GBP terms; and
- discipline in origination which resulted in better than expected cost of credit.

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

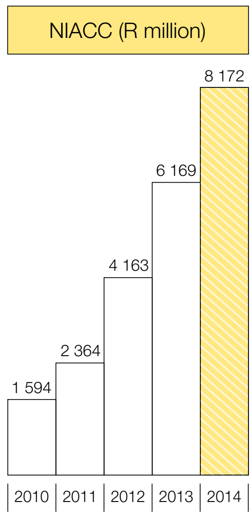
Key performance indicators



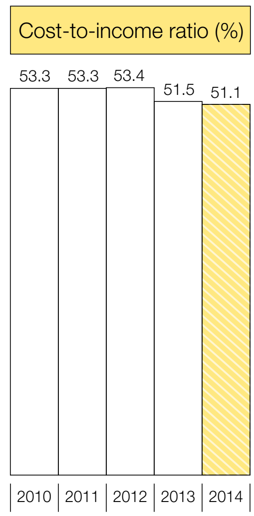
When the Group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The Group's long-term ROE target range is 18% to 22% for normal economic cycles.



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.



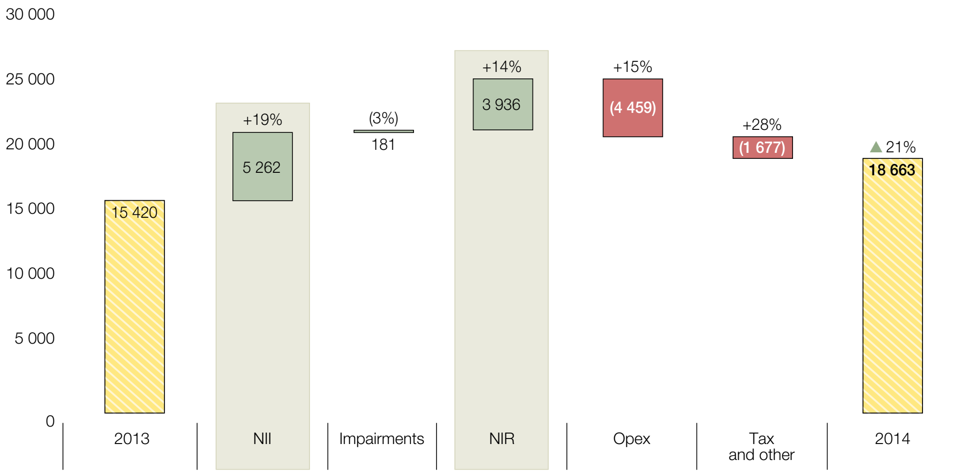
The Group monitors efficiency through the cost-to-income measure. Whilst the Group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

> 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.

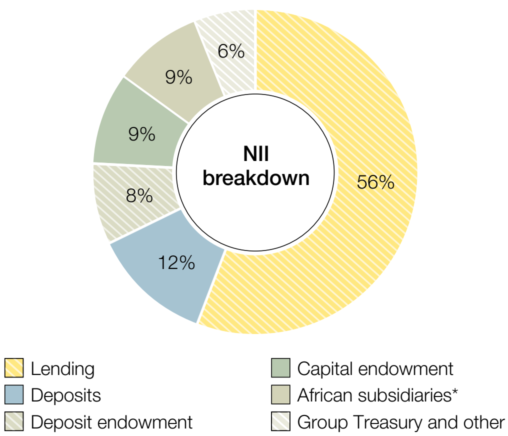
Breakdown of NII by activity

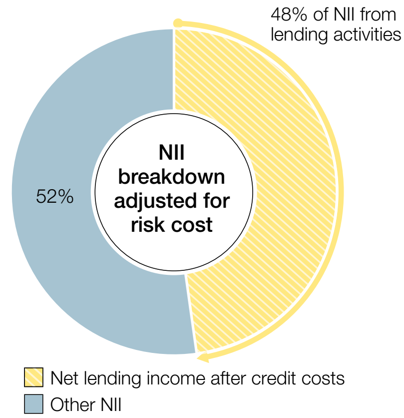
Net interest income* (R million)	2014	2013	Movement	% change
Lending	**18 830**	16 153	2 677	17
Deposits	**4 046**	3 748	298	8
Deposit endowment	**2 704**	2 295	409	18
Capital endowment	**2 833**	2 463	370	15
African subsidiaries**	**2 858**	2 335	523	22
Group Treasury and other	**2 091**	1 106	985	89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





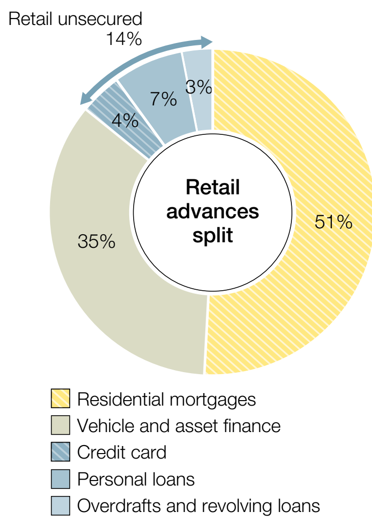
* *Reflects legal entity view.*

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

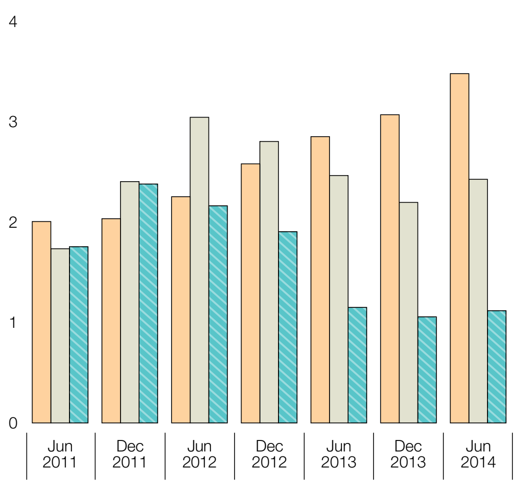
Retail			
Mortgages	**Affordable housing**	**SA VAF**	**UK VAF (MotoNovo)**
→	↗	→	↑
Remaining conservative with focus on low-risk FNB customers; gradual improvement in demand	Continued strong demand and credit performance	Gradual reduction of higher-risk with volumes tracking vehicle sales and coming 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.

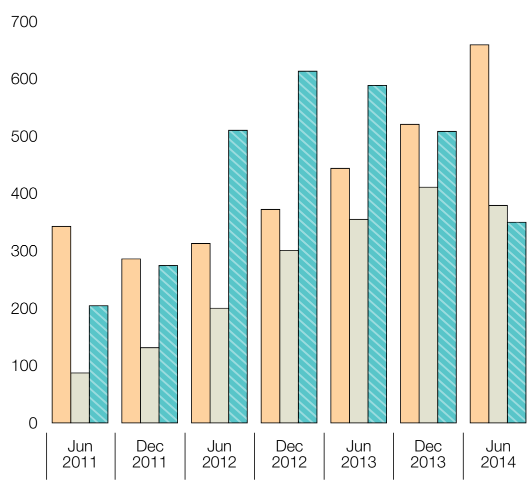
New business origination

R billion



NPLs

R million



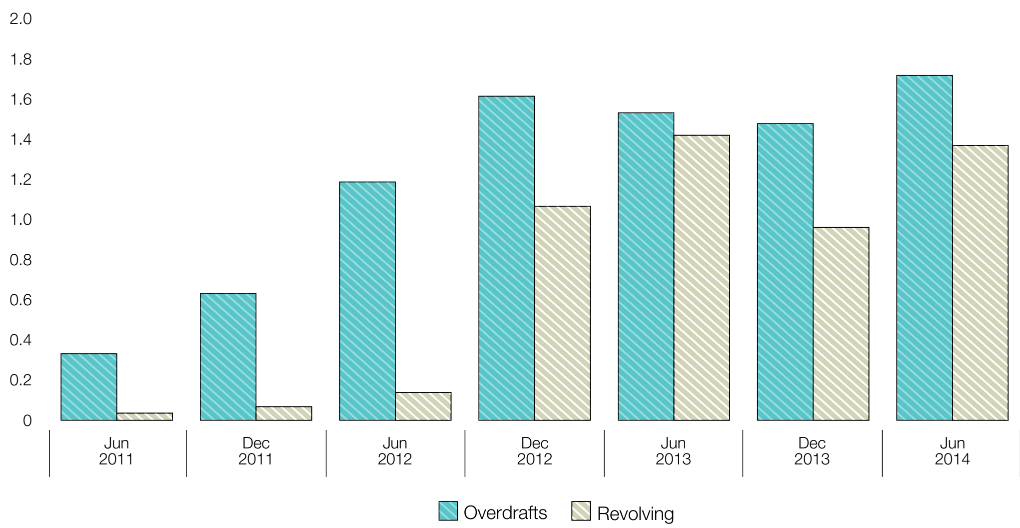
WesBank consumer loans   FNB consumer loans   FNB mass loans

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



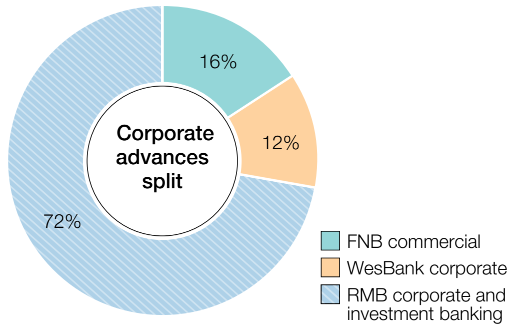
RMB and FNB have delivered good growth in corporate and commercial advances.

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

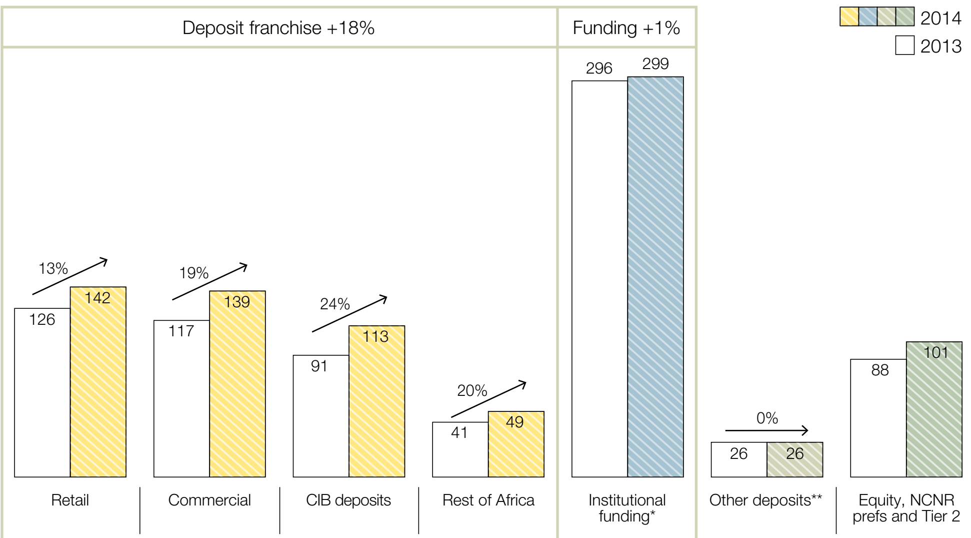
For more detail on the credit portfolio, refer to pages 179 to 211 of the *risk and capital management report*.

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

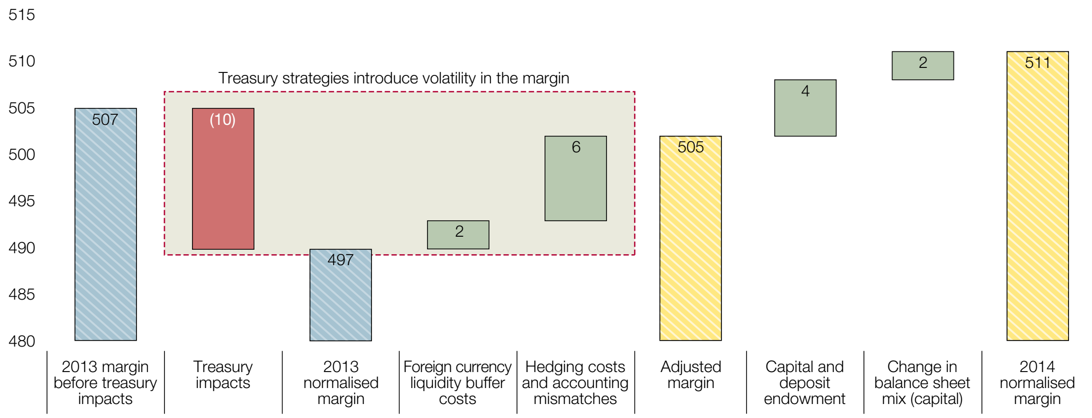
Net interest margin improved from 4.97% to 5.11% year-on-year. The positive endowment on capital and deposits was the main driver of the margin expansion from an operational perspective.

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.

Margin

bps



IMPAIRMENTS

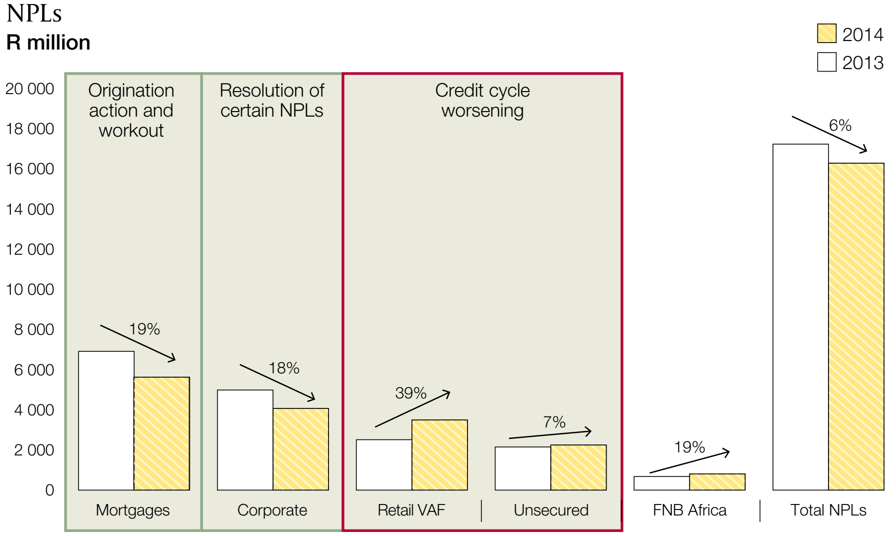
Bad debts continued to trend down from 95 bps (excluding the impact of the merchant acquiring event in 2013) to 84 bps, however, NPLs showed a mixed picture.

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

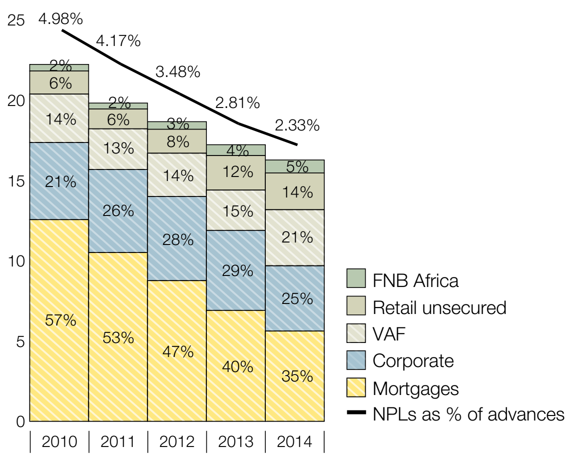
- Mortgage NPLs declined further this year by 19% clearly benefiting from workout actions and origination strategies, whilst the decline in corporate NPLs was the result of the resolution of a number of NPL accounts.
- VAF NPLs increased 39% and unsecured NPLs are up 7%. Personal loan NPLs benefited 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 million



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

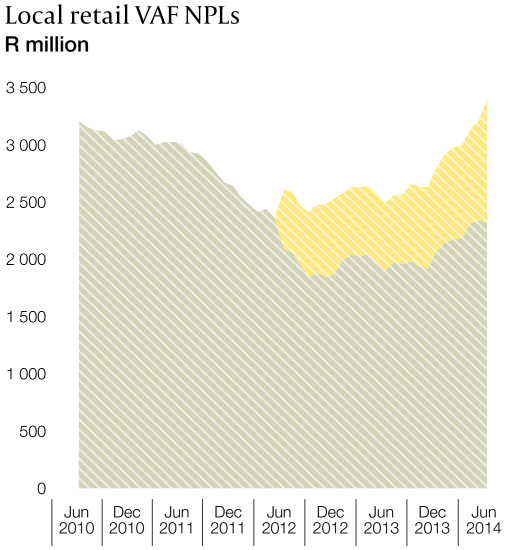
* *Includes FNB and WesBank loans.*
** *Includes portfolio overlays.*

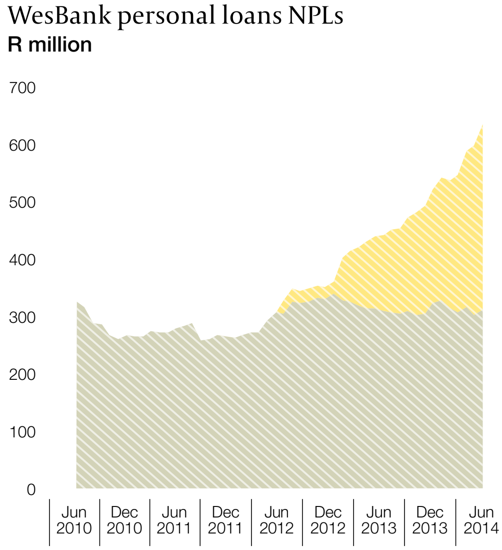
Absolute levels of NPLs decreased 6%, however, total coverage increased from 73.6% to 85.4% driven by a slight increase in specific coverage reflecting the change in mix of NPLs, but the bulk can be attributed to higher levels of portfolio impairments which resulted from the Group's proactive provisioning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





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.

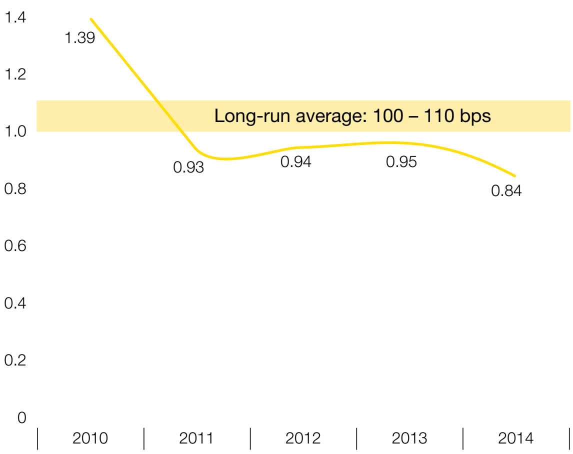
Credit loss ratio ratios (%)	2014	2013
Retail – secured	**0.54**	0.62
Residential mortgages	**0.09**	0.32
VAF	**1.22**	1.14
Retail – unsecured	**5.20**	6.19
Credit card	**0.64**	0.19
Personal loans*	**7.56**	9.67
Retail – other	**6.76**	7.47
Total retail	**1.18**	1.32
Corporate and commercial	**0.31**	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*

%



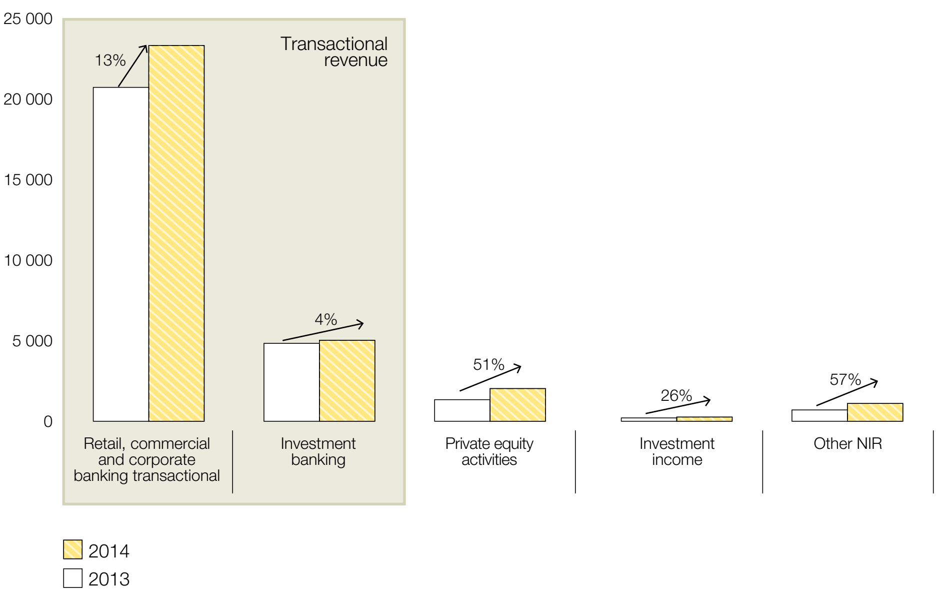
* *Excluding the impact of the merchant acquiring event.*

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

R million



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.

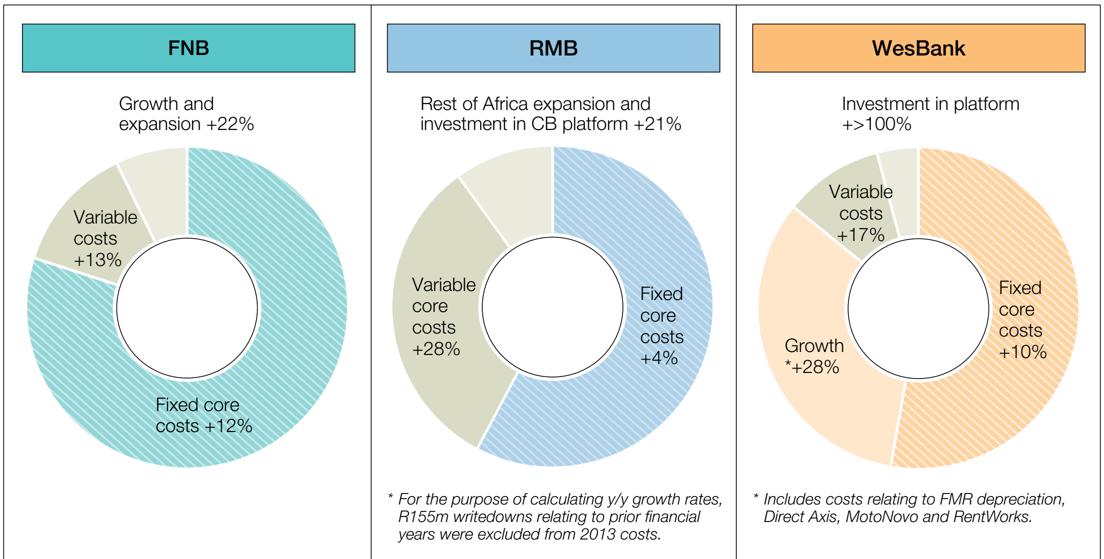
NIR growth was also driven by RMB's client franchises, particularly in the rest of Africa. In addition, RMB's investing activities produced an excellent performance, with good growth from equity-accounted income generated by the private equity portfolio. Investment income was boosted by realisations, 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%.



Cost-to-income ratio (Group: 51.1%)		
FNB: 54.9%	RMB: 43.5%	WesBank: 43.3%

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

five year review, highlights and other

FIVE YEAR REVIEW

R million	2010**	2011*,**	2012	2013	2014	Compound growth %
Statement of financial position – IFRS						
Total assets	845 240	697 927	765 528	865 732	**945 535**	3
Average assets	827 546	771 584	731 728	815 630	**905 634**	2
Net advances	434 793	464 593	527 279	601 065	**685 926**	12
Average advances	425 641	449 693	495 936	564 172	**643 496**	11
Impairment of advances	8 972	8 022	8 899	9 433	**10 385**	4
NPLs	22 205	19 790	18 712	17 231	**16 281**	(7)
Gross advances before impairments	443 765	472 615	536 178	610 498	**696 311**	12
Deposits	507 522	552 879	606 299	697 035	**768 234**	11
Capital and reserves attributable to equityholders of the Group	55 951	61 150	66 218	76 137	**85 033**	11
Treasury shares	6 077	2 226	1 795	1 253	**1 076**	(35)
Ordinary dividends	2 955	4 179	8 742	6 198	**8 669**	31
Total equity before dividends and treasury shares	64 983	67 555	76 755	83 588	**94 778**	10
Total ordinary equity	51 432	56 631	61 699	71 618	**80 514**	12
Assets under administration	1 006 475	790 758	904 485	996 608	**1 148 345**	3
Income statement – IFRS						
Net interest income before impairment of advances	16 350	17 369	21 882	24 769	**29 878**	16
Impairment of advances	(5 686)	(3 778)	(5 065)	(4 807)	**(5 252)**	(2)
Non-interest income	28 892	29 565	29 494	30 734	**36 150**	6
Share of profit of associates and joint ventures after tax	253	531	1 120	824	**927**	38
Operating expenses	(26 803)	(24 584)	(28 422)	(30 804)	**(35 448)**	7
Earnings attributable to ordinary equityholders	9 444	20 065	13 196	14 785	**18 440**	18
Headline earnings	9 453	9 856	12 642	15 327	**18 671**	19
Normalised earnings	9 963	10 805	12 730	15 420	**18 663**	17
Earnings per share (cents)						
– Basic	179.9	372.7	241.7	269.7	**336.2**	17
– Diluted	178.1	365.3	236.8	266.4	**332.7**	17
Headline earnings per share (cents)						
– Basic	180.1	183.1	231.5	279.6	**340.4**	17
– Diluted	178.3	179.4	226.9	276.2	**336.8**	17
Normalised earnings per share (cents)						
– Basic	176.7	191.6	225.8	273.5	**331.0**	17
– Diluted	176.7	191.6	225.8	273.5	**331.0**	17
Dividend per share (cents)	77.0	81.0	102.0	136.0	**174.0**	25
Dividend cover based on headline earnings	2.3	2.3	2.3	2.1	**2.0**	
Dividend cover based on normalised earnings	2.3	2.4	2.2	2.0	**1.9**	
Special dividend per share (cents)	–	70.0	–	–	**–**	
NCNR preference dividends per share (cents)						
– February	342.30	313.55	305.20	320.30	**320.30**	(2)
– August	355.00	305.20	333.08	320.25	**341.10**	(1)
Net asset value per ordinary share (cents)	980.00	1 051.82	1 129.94	1 306.31	**1 467.83**	11
Shares in issue (millions)	5 637.9	5 637.9	5 637.9	5 637.9	**5 637.9**	–
Weighted average number of shares in issue (millions)	5 248.2	5 384.1	5 460.4	5 482.5	**5 485.3**	1
Diluted weighted average number of shares in issue (millions)	5 302.4	5 492.8	5 572.5	5 550.0	**5 543.0**	1

* *During the year, Momentum and OUTsurance were disposed of.*

** *2010 and 2011 have not been restated for the new IFRS10, IFRS11 and the revised IAS19.*

R million	2010	2011	2012	2013	2014	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	19.5	18.2	21.2	23.0	**24.5**	
Price earnings ratio based on headline earnings (times)	10.0	10.8	11.4	10.3	**12.0**	
Price to book ratio (times)	1.8	1.9	2.3	2.2	**2.8**	
Market capitalisation (R million)	101 821	111 913	148 785	163 106	**229 746**	23
Closing share price (cents)	1 806	1 985	2 639	2 893	**4 075**	23
Cost-to-income ratio (%)	56.5	51.8	54.1	54.7	**52.9**	
Impairment charge as % of average advances	1.3	0.8	1.0	0.9	**0.8**	
NPLs as a % gross advances (%)	5.00	4.19	3.50	2.82	**2.34**	
Non-interest income as a % of total income (%)	61.3	63.6	56.2	54.6	**54.0**	
Return on average total assets based on headline earnings (%)	1.1	1.3	1.7	1.9	**2.1**	
Interest margin on average advances (%)	3.8	3.9	4.4	4.4	**4.6**	
Exchange rates						
Rand/USD						
– Closing	7.66	6.77	8.19	10.01	**10.63**	
– Average	7.59	6.96	7.78	8.84	**10.38**	
Rand/GBP						
– Closing	11.48	10.83	12.83	15.22	**18.17**	
– Average	11.96	11.08	12.31	13.86	**16.89**	
Statement of financial position (USD)*						
Total assets	110 379	103 044	93 471	86 487	**88 950**	(5)
Advances	56 779	68 594	64 381	60 046	**64 527**	3
Deposits	66 923	81 744	74 029	69 634	**72 270**	2
Total equity	7 307	9 028	8 085	7 606	**7 999**	2
Assets under administration	131 435	116 750	110 438	99 561	**108 029**	(5)
Income statement (USD)**						
Earnings attributable to ordinary equityholders	1 245	2 883	1 696	1 673	**1 776**	9
Headline earnings	1 246	1 416	1 625	1 734	**1 799**	10
Normalised earnings	1 313	1 552	1 636	1 744	**1 798**	8
Statement of financial position (GBP)**						
Total assets	73 657	64 396	59 667	56 881	**52 038**	(8)
Advances	37 889	42 867	41 097	39 492	**37 750**	–
Deposits	44 658	51 085	47 256	45 797	**42 280**	(1)
Total equity	4 876	5 642	5 161	5 002	**4 680**	(1)
Assets under administration	87 708	72 962	70 498	65 480	**63 200**	(8)
Income statement (GBP)*						
Earnings attributable to ordinary equityholders	790	1 811	1 072	1 067	**1 092**	8
Headline earnings	791	890	1 027	1 106	**1 105**	9
Normalised earnings	833	975	1 034	1 113	**1 105**	7

* *The income statement is converted using the average rate as disclosed.*
** *The statement of financial position is converted using the closing rates as disclosed.*

R million	2010	2011	2012	2013	2014	Compound growth %
CONTINUING						
Normalised earnings attributable to ordinary equityholders	7 963	9 889	12 586	14 785	**18 440**	23
Headline earnings	7 789	9 258	12 642	15 327	**18 671**	24
Normalised earnings	8 283	10 117	12 730	15 420	**18 663**	23
Earnings per share (cents)						
– Basic	150.7	183.1	228.8	269.7	**336.2**	22
– Diluted	149.2	179.5	224.2	266.4	**332.7**	22
Headline earnings per share (cents)						
– Basic	147.4	171.4	231.5	279.6	**340.4**	23
– Diluted	145.9	168.0	226.9	276.2	**336.8**	23
Normalised earnings per share (cents)						
– Basic	146.9	179.4	225.8	273.5	**331.0**	23
– Diluted	146.9	179.4	225.8	273.5	**331.0**	23
Normalised net asset value (R million)	49 382	58 858	64 409	72 696	**81 590**	13
ROE based on normalised earnings (%)	17.7	18.7	20.7	22.7	**24.2**	
Normalised cost-to-income ratio (%)*	53.1	53.3	53.4	51.5	**51.1**	

* *From 2010 normalisation per industry practice has been adopted.*

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

for the year ended 30 June

R million	2014	2013*	% change
Earnings attributable to ordinary equityholders	**18 440**	14 785	25
Headline earnings	**18 671**	15 327	22
Normalised earnings	**18 663**	15 420	21
Normalised net asset value	**81 590**	72 696	12
Normalised net asset value per share (cents)	**1 447.2**	1 289.4	12
Average normalised net asset value	**77 143**	68 019	13
Normalised earnings per share (cents)			
– Basic	**331.0**	273.5	21
– Diluted	**331.0**	273.5	21
Normalised ROE (%)	**24.2**	22.7	
Ordinary dividend (cents per share)	**174.0**	136.0	28
Dividend cover (times)	**1.9**	2.0	
Non-cumulative non-redeemable (NCNR) B preference dividend** – paid (cents per share)	**640.6**	653.4	(2)
Capital adequacy – FirstRand#			
Capital adequacy ratio (%)	**16.7**	16.3	
Tier 1 ratio (%)	**14.8**	14.8	
Common Equity Tier 1 (CET1) ratio (%)	**13.9**	13.8	
Market performance			
Market capitalisation	**229 746**	163 106	41
Price earnings ratio (times)	**12.3**	10.6	
Price-to-book ratio (times)	**2.8**	2.2	
Share price (closing – rand)	**40.75**	28.93	41

* *Refer to restatement of prior year numbers on pages 280 to 284.*
** *75.56% of FNB prime lending rate.*
# *Comparatives have not been restated for IFRS changes.*

STATEMENT OF HEADLINE EARNINGS – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Profit for the year (refer page 285)	**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 280 to 284.*

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 57. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

review of operations

FNB REVIEW OF OPERATIONS

FNB First National Bank

18%
normalised earnings

37.4%
return on equity

10%
core advances

Jacques Celliers / *CEO*
FNB

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.**

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.

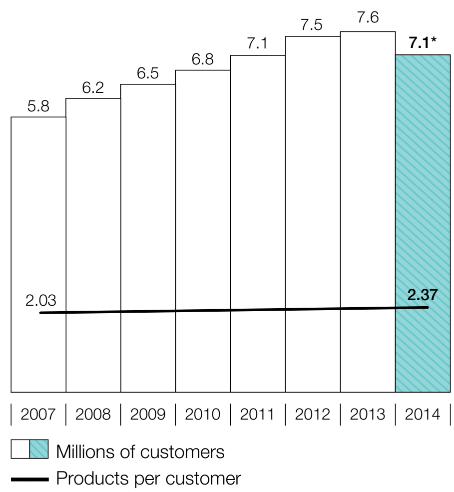
FNB's operations in the rest of Africa showed good profit growth of 21%. The established businesses grew profits 15%, particularly driven by Namibia and Swaziland. Botswana delivered a resilient performance despite a very difficult operating environment. Two of the newer subsidiaries, Zambia and Mozambique, 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

22%
normalised earnings

27.1%
return on equity

27%
core advances

Alan Pullinger / *CEO*
RMB

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.

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

	Investment banking			Corporate banking			Total RMB		
	Year ended 30 June			Year ended 30 June			Year ended 30 June		
R million	**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

	Year ended 30 June		
Normalised PBT R million	**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.

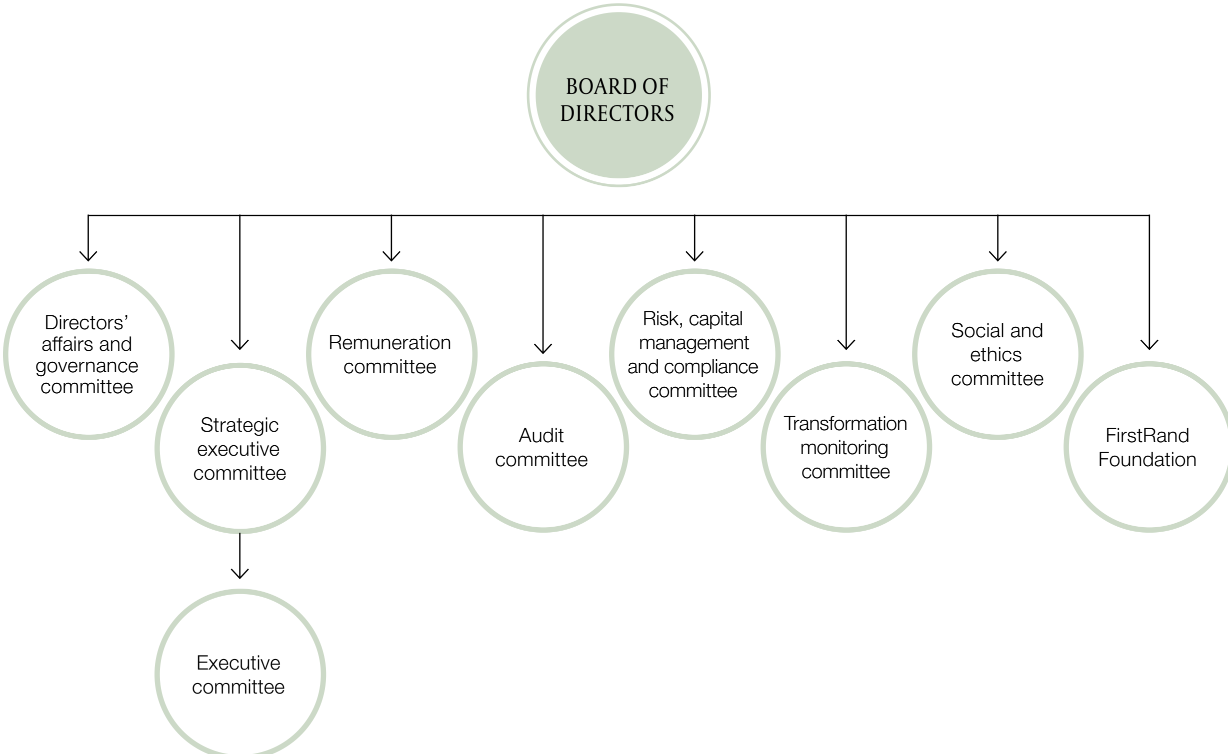
corporate governance

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.

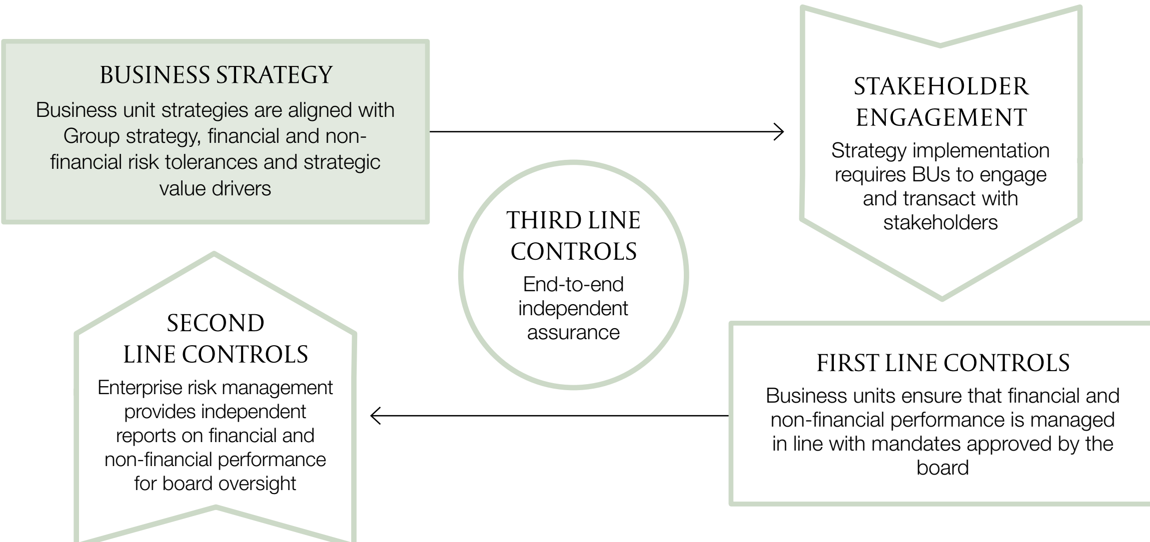


The board is assisted by FirstRand's strategic executive committee, which is the custodian of the Group's strategy and allocation of financial resources within the board-approved risk/reward framework. The committee is chaired by FirstRand's CEO and is composed of the deputy CEO, financial director and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

Economic impact

	2014		2013	
	R million	%	R million	%
Value added				
Net interest income after impairments	**45 160**	**56.7**	38 977	57.5
Non-operating income	**37 028**	**46.5**	31 682	46.8
Non-operating expenses	**(2 553)**	**(3.2)**	(2 897)	(4.3)
Value added by operations	**79 635**	**100.0**	67 762	100.0
To employees				
Salaries, wages and other benefits	**20 671**	**26.0**	17 242	25.4
To providers of funding	**29 491**	**37.0**	25 510	37.6
Dividends to shareholders	**8 957**		6 495	
Interest paid	**20 534**		19 015	
To suppliers	**10 968**	**13.7**	9 401	14.0
To government	**6 829**	**8.6**	5 838	8.6
Normal tax	**5 937**		5 173	
Value added tax	**872**		639	
Capital gains tax	**11**		6	
Other	**9**		20	
To communities				
CSI spend	**128**	**0.2**	115	0.2
To expansion and growth	**11 548**	**14.5**	9 656	14.2
Retained income	**9 771**		8 587	
Depreciation and amortisation	**2 137**		2 145	
Deferred income tax	**(360)**		(1 076)	
Total value added	**79 635**	**100.0**	67 762	100.0

Non-financial reporting policies

FirstRand's non-financial reporting policies are aligned to the Global Reporting Initiative (GRI) G3 guidelines, incorporating recommendations set out in the King III code on Corporate Governance in South Africa (King III), JSE Socially Responsible Investment (SRI) index, Black Economic Empowerment (BEE) transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry (dti) Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality and stakeholder inclusiveness. Material topics are defined as those reflecting significant economic, environmental and social impacts, or those that would influence the decisions of the Group's stakeholders.

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.

SKILLS AND EXPERIENCE

Lauritz Lanser (Laurie) Dippenaar (65)

Non-executive chairman

MCom, CA(SA)

Appointed July 1992

Laurie Dippenaar

Laurie Dippenaar graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years at the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments in 1977. Rand Consolidated Investments acquired control of Rand Merchant Bank in 1985 and he became an executive director. He was appointed managing director of Rand Merchant Bank in 1988 which position he held until 1992 when RMB Holdings acquired a controlling interest in Momentum Life Assurers (MLA).

He served as executive chairman of MLA from 1992 until the formation of FirstRand in 1998. He was appointed as the first CEO of FirstRand and held this position until the end of 2005 when he assumed a non-executive role. He was elected to the position of chairman of FirstRand in November 2008.

FirstRand – committee memberships
– Directors' affairs and governance
– Remuneration

Directorships – FirstRand Group
– FirstRand Bank Limited – chairman
– First National Bank*
– Rand Merchant Bank*

Directorships – external
– RMB Holdings Limited
– Rand Merchant Insurance Holdings Limited
– OUTsurance Holdings Limited – chairman

* *Divisional board*

Sizwe Errol Nxasana (57)

Chief executive officer

BCom, BCompt (Hons), CA(SA)

Appointed January 2006

Sizwe Nxasana

Sizwe Nxasana started his career at Unilever. In 1989 he established Sizwe & Co, the first black-owned audit practice in KwaZulu-Natal. In 1996 he became the founding partner of Nkonki Sizwe Ntsaluba, the first black-owned national firm of accountants and was national managing partner until 1998 when he joined Telkom SA as CEO. He held this position until August 2005.

He joined the board of FirstRand Bank Holdings in 2003 and was appointed CEO with effect from January 2006. In February 2006 he was appointed as an executive director of FirstRand. Sizwe was appointed CEO of FirstRand in January 2010.

FirstRand – committee memberships
– Asset liability and capital
– Audit – *ex officio*
– Executive – chairman
– Large exposures
– Remuneration – *ex officio*
– Risk, capital management and compliance – *ex officio*
– Social and ethics committee
– Strategic executive – chairman
– Transformation monitoring – *ex officio*

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited – CEO
– FirstRand EMA Holdings Proprietary Limited
– FirstRand Investment Holdings Proprietary Limited
– First National Bank* – chairman
– Rand Merchant Bank* – chairman
– FirstRand Foundation – chairman
– FirstRand Empowerment Foundation – chairman

Directorships – external
– The Banking Association South Africa
– MMI Holdings Limited
– Momentum Group Limited
– Metropolitan Life Limited

* *Divisional board*

Johan Petrus Burger (55)

Deputy chief executive officer

BCom (Hons), CA(SA)

Appointed January 2009

Johan Burger

Johan Burger joined RMB in 1986, where he performed a number of roles before being appointed financial director in 1995. Following the formation of FirstRand Limited in 1998, he was appointed financial director of the FirstRand Banking Group and in 2002 was appointed CFO of the FirstRand Group. In addition to his role as Group CFO, Johan was appointed as Group COO in 2009. He was appointed to his current role as deputy CEO in October 2013.

Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and qualified as a chartered accountant in 1984. Johan graduated from Rand Afrikaans University (now University of Johannesburg) with a BCom (Hons) (Accounting) in 1983.

FirstRand – committee memberships
– Audit – *ex officio*
– Social and ethics
– Executive
– Large exposures
– Remuneration – *ex officio*
– Risk, capital management and compliance – *ex officio*
– Strategic executive
– Transformation monitoring

Directorships – FirstRand Group
– Ashburton Investments Holdings Limited
– FirstRand Bank Limited
– First National Bank*
– Rand Merchant Bank*
– WesBank*

Directorships – external
– MMI Holdings Limited – deputy chairman
– MMI Group Limited
– Rand Merchant Insurance Holdings Limited
– RMB Holdings Limited
– University of Johannesburg

* *Divisional board*

Hetash (Harry) Surendrakumar Kellan (42)

Financial director

BCom, BCom (Hons), CA(SA)

Appointed January 2014

Harry Kellan

Harry Kellan graduated from the University of Witwatersrand in 1994 and qualified as a chartered accountant after serving articles at Arthur Andersen. He spent nearly six years with Arthur Andersen in Johannesburg and London and thereafter over four years with HSBC South Africa in the corporate finance department.

He joined FNB in 2005 and was appointed CFO in 2007. In January 2014 he was appointed financial director of FirstRand Limited.

FirstRand – committee memberships
– Audit – *ex officio*
– Executive
– Large exposures
– Remuneration – *ex officio*
– Risk, capital management and compliance – *ex officio*
– Strategic executive
– Transformation monitoring

Directorships – FirstRand Group
– FirstCorp Holdings Proprietary Limited
– FirstCorp Investments Proprietary Limited
– FirstRand Bank Limited
– FirstRand EMA Holdings Proprietary Limited
– FirstRand Finance Company Proprietary Limited
– FirstRand Investments Holdings Proprietary Limited
– First National Bank*
– Rand Merchant Bank*
– WesBank*

* *Divisional board*

Vivian Wade (Viv) Bartlett (71)

Independent non-executive director

AMP (Harvard), FIBSA

Appointed May 1998

Viv Bartlett

Viv Bartlett started his career with Barclays Bank DCO South Africa, which in 1987 became First National Bank of Southern Africa. After four years of overseas secondments he returned to South Africa in 1972 where he served as general manager and managing director at various group companies until being appointed as group managing director and CEO of First National Bank of Southern Africa in 1996. In 1998, he was appointed deputy CEO of FirstRand Bank, a position he held until his retirement in 2004.

FirstRand – committee memberships
- Audit
- Credit portfolio review
- Directors' affairs and governance
- Large exposures
- Remuneration

Directorships – FirstRand Group
- FirstRand Bank Limited
- First National Bank*
- RMB Co-Investment Trust – trustee

* *Divisional board*

Jurie Johannes Human Bester (72)

Independent non-executive director

BSc Eng Elect (Pret), ISMP (Harvard)

Appointed July 2010

Jurie Bester

Jurie Bester is a seasoned banker with a broad range of experience and expertise in banking and financial services, risk management, risk modelling and risk quantification. He was the head of risk management at RMB and risk and audit services of the FirstRand Banking Group from 1997 until he retired from the Group in 2005.

He serves as chairman or a member of a number of risk and audit committees and subcommittees of the FirstRand Group.

FirstRand – committee memberships
- Audit
- Directors' affairs and governance
- Large exposures – chairman
- Remuneration
- Risk, capital management and compliance – chairman

Directorships – FirstRand Group
- FirstRand Bank Limited
- RMB Co-Investment Trust – trustee

Mary Sina Bomela (41)

Non-executive director

BCom (Hons), CA(SA), MBA

Appointed September 2011

Mary Bomela

Mary Bomela was appointed to the position of CEO of the Mineworkers Investment Company Proprietary Limited (MIC) in July 2010 and was appointed to the board in September 2011.

Prior to joining the MIC, Mary was the CFO of Freight Dynamics and an executive in the corporate services division of the South African Institute of Chartered Accountants. She has held executive positions in the resources, media, utilities and financial services sector.

Mary is a chartered accountant and holds a BCom (Hons) in financial management from the University of Cape Town, a BCom (Hons) with the Certificate in the Theory of Accountancy from the University of KwaZulu-Natal and an MBA from the University of Pretoria.

FirstRand – committee memberships
– Directors' affairs and governance
– Social and ethics
– Transformation monitoring
– Risk, capital management and compliance

Directorships – FirstRand Group
– FirstRand Bank

Directorships – external
– BP Southern Africa Proprietary Limited
– Envision Trust – trustee
– Metrofile Holdings Limited
– Peermont Global Holdings Proprietary Limited
– Primedia Proprietary Limited
– Set Point Technology Holdings Proprietary Limited

Peter Cooper (58)

Alternate non-executive director

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

Appointed July 2013

Peter Cooper

Peter Cooper graduated from the University of Cape Town. After qualifying as a chartered accountant in 1981 he worked in the financial services sector, first as a tax consultant and later specialising in structured finance. Peter joined RMB's special projects division in 1992 and transferred to RMB Holdings Limited in 1997. He is CEO of RMB Holdings (FirstRand's most significant shareholder) as well as of its sister company, Rand Merchant Insurance Holdings Limited, both of which are listed on the JSE Limited.

FirstRand – committee memberships
– Directors' affairs and governance
– Transformation

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– RMB Holdings Limited – CEO
– Rand Merchant Insurance Holdings Limited – CEO
– OUTsurance Holdings Limited
– RMB Structured Insurance Limited Group – chairman

Leon Crouse (61)

Non-executive

CA(SA)

Appointed September 2008

Leon Crouse

Leon Crouse studied at the Nelson Mandela Metropolitan University in Port Elizabeth and after obtaining a Certificate in the Theory of Accounting in 1976, qualified as a chartered accountant in 1977. During his professional career of more than 30 years, he gained financial knowledge and experience by lecturing at the University of Stellenbosch and holding various financial management positions in the sectors of telecommunications, clothing and textiles, luxury goods and chemicals.

He joined the former Rembrandt Group in 1986 in which year he transferred to Switzerland to hold the position of financial controller of Compagnie Financiere Richemont AG and to be part of the team that unbundled the luxury goods business of the Rembrandt Group to form Richemont and list it on the Swiss, Luxembourg and South African Stock Exchanges.

In 1993, as a Rembrandt appointee, he returned to South Africa to become a founder member of the Vodacom Group executive team. Rembrandt, at the time, held a 15% interest in Vodacom. During his nearly 15 year career at Vodacom, he served as general manager (finance) from 1993 to 1996 and as CFO from 1996 to March 2008. He joined Remgro in April 2008 as designate director: group finance and was appointed to the Remgro board on 18 June 2008.

FirstRand – committee memberships
– Audit
– Directors' affairs and governance
– Risk, capital management and compliance

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Dark Fibre Africa Proprietary Limited
– MMI Holdings Limited
– Rand Merchant Insurance Holdings Limited – alternate director
– Remgro Limited
– RMB Holdings Limited
– Total SA Proprietary Limited

Jan Jonathan (Jannie) Durand (47)

Non-executive director

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

Appointed October 2012

Jannie Durand

Jannie Durand studied at the University of Stellenbosch and after obtaining his BAcc degree in 1989 and BAcc (Hons) degree in 1990, he obtained his MPhil (Management Studies) degree from Oxford in 1992. He qualified as a chartered accountant in 1995.

He joined the Rembrandt Group in 1996. He became the financial director of VenFin Limited in 2000, becoming the CEO of VenFin Limited in May 2006. He was appointed chief investment officer of Remgro Limited in November 2009 and appointed CEO from 7 May 2012.

FirstRand – committee memberships
– Directors' affairs and governance
– Remuneration

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Discovery Holdings Limited
– Distell Group Limited
– Grindrod Limited
– Mediclinic International Limited
– RCL Foods Limited
– Unilever SA Holdings Limited
– RMI Holdings Limited

Grant Glenn Gelink (64)

Independent non-executive director

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

Appointed January 2013

Grant Gelink

Grant Gelink has had extensive work experience within Deloitte South Africa, which includes the following positions that span over 26 years – CEO (2006 to 2012), CEO: human capital corporation (2004 to 2006), managing partner: consulting and advisory services (2001 to 2006), and partner in charge Pretoria office (1997 to 1999).

FirstRand – committee memberships
– Audit
– Directors' affairs and governance
– Remuneration
– Risk, capital management and compliance

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Santam Limited
– Allied Electronics Corporation Limited (ALTRON)
– Grindrod Limited
– Eqstra Holdings Limited
– MTN Zakele (RF) Limited

Patrick Maguire (Pat) Goss (66)

Independent non-executive director

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

Appointed May 1998

Pat Goss

Pat Goss, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students, representing South Africa at The Hague and Basel. He qualified as a chartered accountant with Ernst and Young and subsequently joined the Industrial Development Corporation. Most of his active career was spent in food retailing and the hospitality industry.

He has served as a director of various Group companies for the past 35 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation related activities.

FirstRand – committee memberships
– Directors' affairs and governance
– Remuneration – chairman

Directorships – FirstRand Group
– FirstRand Bank Limited
– Rand Merchant Bank*

Directorships – external
– RMB Holdings Limited
– Rand Merchant Insurance Holdings Limited
– Goss and Company Proprietary Limited
– Umngazi Mouth Proprietary Limited

* *Divisional board*

Nolulamo Nobambiswano (Lulu) Gwagwa (55)

Independent non-executive director

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

Appointed February 2004

Lulu Gwagwa

Lulu Gwagwa worked as a town planner in the private, public and NGO sectors between 1981 and 1986, before furthering her studies. In 1992 she joined the University of Natal as a senior lecturer in the Department of Town and Regional Planning. In 1995 she was appointed as a deputy director general in the national Department of Public Works, where she was responsible for the national public works programme and the transformation of the construction industry.

From 1998 to 2003, she was the CEO of the Independent Development Trust. She is currently the CEO of Lereko Investments.

FirstRand – committee memberships
– Directors' affairs and governance
– Social and ethics
– Transformation monitoring – chairman

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Cisco Technology and Services Proprietary Limited
– Lereko Investments Proprietary Limited
– Massmart Holdings Limited
– Sun International Limited
– Tsebo Holdings Proprietary Limited

Paul Kenneth Harris (64)

Non-executive director

MCom

Appointed July 1992

Paul Harris

Paul Harris graduated from the University of Stellenbosch and joined the Industrial Development Corporation in 1974. He was a co-founder of Rand Consolidated Investments in 1977, which acquired control of Rand Merchant Bank in 1985, at which time he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as CEO. Subsequent to the formation of FirstRand, he was appointed CEO of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed CEO of FirstRand. He retired at the end of 2009 and has remained on the boards as a non-executive director.

FirstRand – committee memberships
– Directors' affairs and governance

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Remgro Limited
– RMB Holdings Limited
– Rand Merchant Insurance Holdings Limited

William Rodger (Roger) Jardine (49)

Independent non-executive director

BSc (Physics), MSc (Radiological Physics)

Appointed July 2010

Roger Jardine

Roger Jardine was national coordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995, he became the director general of the Department of Arts, Culture, Science and Technology. He was chairman of the board of the CSIR and the Nuclear Energy Corporation between 1999 and 2005. In 1999, Roger joined Kagiso Media Limited as CEO and in 2006 became the COO of Kagiso Trust Investments.

Roger was the CEO of Aveng Limited between July 2008 and August 2013. In February 2014 he took up the position of chief executive of the Primedia Group. He was appointed to the boards of FirstRand Bank during 2004 and FirstRand Limited during 2010.

FirstRand – committee memberships
- Directors' affairs and governance – chairman
- Large exposures
- Nominations

Directorships – FirstRand Group
- FirstRand Bank Limited

Directorships – external
- The Sharks Proprietary Limited
- Primedia Proprietary Limited

Ethel Gothatamodimo Matenge-Sebesho (59)

Independent non-executive director

MBA (Brunel), CAIB (SA)

Appointed July 2010

Ethel Matenge-Sebesho

Ethel Matenge-Sebesho has considerable experience in the banking and financial services sector at strategic and policy level and in several microfinance initiatives in Southern Africa.

Ethel started her career in banking with Standard Chartered Bank Botswana Limited from 1973 to 1996, during which time she studied for an MBA from Brunel University of London. She was the first person in Botswana to obtain the Institute of Bankers' Associate Diploma (CIAB) South Africa.

She is currently working for Home Finance Guarantors Africa Reinsurance, whose main objective is to facilitate access to housing finance in the low to medium income market in Africa. Her main role is to drive the establishment of new markets for the company in a number of African countries.

Ethel has served on various bodies, among them, Air Botswana (as vice chairman), Oikocredit (an international development financial institution based in the Netherlands), Botswana Housing Corporation and WDB-micro finance.

FirstRand – committee memberships
- Audit
- Directors' affairs and governance

Directorships – FirstRand Group
- FirstRand Bank Limited
- First National Bank*

Directorships – external
- Finmark Trust – trustee
- Momentum Ability Limited
- Momentum Structured Insurance Limited
- Momentum Alternative Insurance Limited
- Momentum Investments Proprietary Limited
- Botswana Investment and Trade Centre

* *Divisional board*

Amanda Tandiwe (Tandi) Nzimande (44)

Non-executive director

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

Appointed February 2008

Tandi Nzimande

Tandi Nzimande is the CFO of both WDB Trust and WDB Investment Holdings (WDBIH). In addition to ensuring that adequate financial systems and controls are in place at WDBIH and WDB Trust, her role includes executing transactions and the monitoring of ongoing investment relationships, participating in the management of WDBIH's portfolio of investments, as well as formulating strategic objectives for WDB.

She qualified in 1996 as a chartered accountant while with KPMG. She was a senior associate in the investment banking division of Deutsche Bank where she spent five years gaining experience in mergers and acquisitions internationally and in South Africa.

FirstRand – committee memberships
– Directors' affairs and governance
– Remuneration
– Transformation monitoring

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– Maemo Motors Proprietary Limited
– Masana Petroleum Solutions Proprietary Limited
– WDB Investment Holdings Proprietary Limited
– WDB Discovery Investments Proprietary Limited
– WDB Inyosi Investments Proprietary Limited
– Hollard Foundation Trust – trustee

Deepak Premnarayen (68)

Non-executive director

BA Economics (Hons) India

Appointed January 2009

Deepak Premnarayen

Deepak Premnarayen founded the ICS Group in 1998 to pursue emerging infrastructure development opportunities in India. He continues to serve as the executive chairman of the Group. ICS subsequently expanded into the real estate space and now has interests in:

- asset management;
- property development and management services;
- architectural design services;
- car parking;
- hospitality; and
- financial services: banking and corporate finance.

He is associated with various chambers such as:

- member of the Confederation of Indian Industry (CII) National Council;
- convener of the India-South Africa CEOs Forum;
- co-chair of CII National Committee on GCC and MENA countries;
- member of CII India-Qatar CEOs Business Forum;
- member of CII National Council Committees such as:
  - banking
  - public policy
  - financial inclusion
  - services
- member of the managing committee of the Indian Merchants Chamber.

FirstRand – committee memberships
– Directors' affairs and governance

Directorships – FirstRand Group
– FirstRand Bank Limited

Directorships – external
– ICS Group
– Triangle Real Estate India Fund LLC (Mauritius)
– Triangle Real Estate India Holdings Limited (Mauritius)
– Triangle Real Estate India Investments Limited (Mauritius)
– Triangle Real Estate India Projects Limited (Mauritius)
– Noida Toll Bridge Company Limited (India)

Kgotso Buni Schoeman (50)

Non-executive director

BA Economics, Advanced Financial Management Diploma

Appointed May 2008

Kgotso Schoeman

Kgotso Schoeman is currently the CEO of Kagiso Trust. He has been involved with the trust for over 15 years. He successfully managed the trust's transition from being dependent on international grants from donors such as the EU, Japanese government and Swedish Development Agency, to a trust that is now self-financed through its investment company. He is responsible for managing the R260 million budget of the trust.

Over the years he led the design of very strategic and important programmes for Kagiso Trust and partner organisations. He is leading the team responsible for the design of the current strategy of the trust, which has unlocked partnership funding agreements with the private sector and government. The two flagship programmes of the trust are the R190 million partnership agreement with the Free State Education Department and the R400 million partnership agreement between Shanduka Foundation, Kagiso Trust and the Free State Education Department.

FirstRand – committee memberships
- Directors' affairs and governance
- Transformation monitoring

Directorships – FirstRand Group
- FirstRand Bank Limited

Directorships – external
- Kagiso Tiso Holdings Proprietary Limited
- Kagiso Enterprises Private Equity Fund Proprietary Limited
- Kagiso Activ Training Proprietary Limited
- Kagiso Trust Consultancy Proprietary Limited

Benedict James van der Ross (67)

Independent non-executive director

Dip Law (UCT)

Appointed May 1998

Ben van der Ross

Ben van der Ross is a director of companies. He has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. He had a private practice for 16 years. He became an executive director at the Urban Foundation for five years until 1990 and then joined the Independent Development Trust where he was deputy CEO from 1995 to 1998. He acted as CEO of the South African Rail Commuter Corporation from 2001 to 2003 and as CEO of Business South Africa from 2003 to 2004. He served on the board of The Southern Life Association from 1986 until the formation of the FirstRand Group in 1998.

FirstRand – committee memberships
- Directors' affairs and governance
- Large exposures
- Remuneration
- Social and ethics
- Transformation

Directorships – FirstRand Group
- FirstRand Bank Limited
- First National Bank*
- WesBank* – chairman

Directorships – external
- Distell Group Limited
- Lewis Group Limited
- MMI Holdings Limited
- Naspers Limited
- Naspers Investments Limited
- Pick 'n Pay Stores Limited
- Strategic Real Estate Management Proprietary Limited – chairman, managers of the Emira Property Fund

* *Divisional board*

Jan Hendrik (Hennie) van Greuning (61)

Independent non-executive director

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

Appointed January 2009

Hennie van Greuning

Hennie van Greuning joined the World Bank in 1994 from the South African Reserve Bank where he served as financial manager (1986 – 1989) and Registrar of Banks (1990 – 1994). Prior to this he was a partner at Deloitte, where he spent ten years.

During his World Bank career he worked in the Financial Sector Development department as well as the Europe and Central Asia region. He retired from the World Bank Treasury, as Senior Adviser to the Treasurer, in 2009. He has worked extensively on financial regulatory, securities accounting and operational risk management issues.

He was involved in three World Bank publications: International Financial Reporting Standards, Analysing Banking Risk and Risk Analysis for Islamic Banks, as well as a CFA Institute publication on International Financial Statement Analysis.

FirstRand – committee memberships
- Audit – chairman
- Social and ethics – chairman
- Directors' affairs and governance
- Risk, capital management and compliance

Directorships – FirstRand Group
- FirstRand Bank Limited
- First National Bank*
  - First National Bank – Audit
  - First National Bank – Risk

Directorships – external
- BIBD, Brunei

* *Divisional board*

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 91. 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

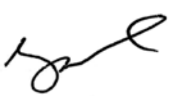
FirstRand's company secretary assists the board as a whole and directors individually with detailed guidance as to how their responsibilities should be properly discharged in the best interests of the FirstRand Group and its stakeholders. Where necessary, the company secretary facilitates induction and 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

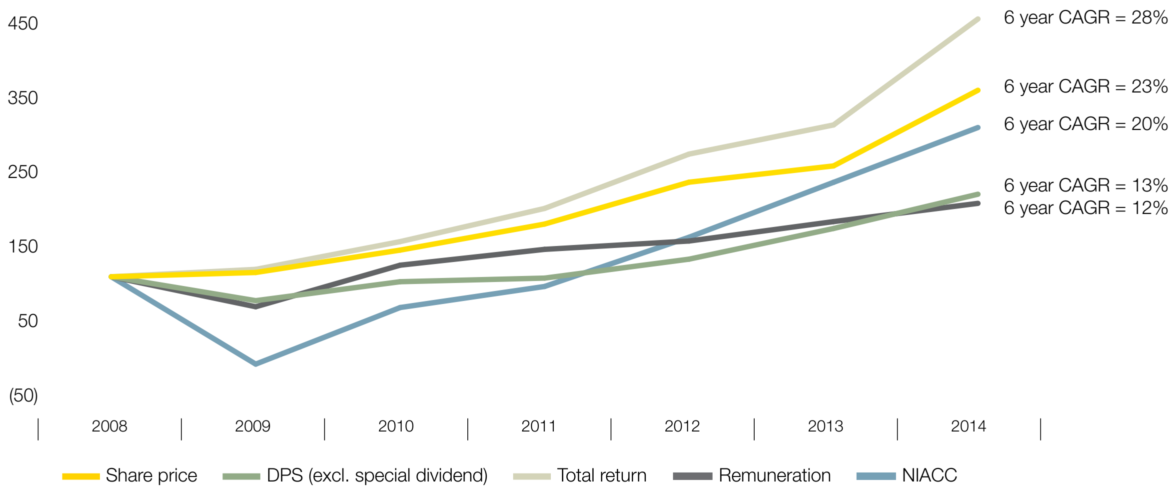
- ensuring guaranteed pay is commensurate with the volume of work, level of responsibility and individual performance in the role;
- protecting stakeholder value through compensation based on performance measured after adjusting for the level of risk assumed and the cost of capital incurred in the course 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 94, 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 91 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 99.

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.

Total compensation

Fixed compensation				Variable compensation	
Cash package	Retirement contribution	Medical aid contribution	Travel allowances	Performance related	Performance share awards
23%	4%	<0.1%		44%	29%

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. 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.

In terms of the scheme rules, participants do not receive dividends on their long-term incentive 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.

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			Services as directors		
R thousand	FSR	Group	Total 2014	FSR	Group	Total 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	476
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	650
D Premnarayen[2,3]	**910**	**122**	**1 032**	852	99	951
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 104 to 107.

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.*

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 104 to 107.

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.*
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 104 to 107.

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.*
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. *LTIs are share-based incentives that only become exercisable subject to clearly defined vesting criteria. Refer to page 96 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 96 for a detailed description of the Group's deferral policy.*
5. *Portion of cash bonus deferred to 2^{nd} and 3^{rd} 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 on page 96.*

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.

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* 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

RISK, CAPITAL MANAGEMENT AND COMPLIANCE COMMITTEE

Jurie Bester

Chairman

This report details some of the key measures undertaken from a risk governance perspective to enable effective risk oversight. Stakeholders are referred to pages 151 to 154 for a detailed discussion on specific risk management actions undertaken during the year in response to developments in the Group's evolving risk management environment.

COMPOSITION

FirstRand's RCC committee is a subcommittee of the FirstRand board composed exclusively of non-executive directors and independent specialist advisors with a majority of independent non-executive directors. Among the attendees are members of the Group's divisional risk committees, the CEO, deputy CEO, financial director, the Group and divisional chief risk officers, the Group audit executive and the head of regulatory risk management, all of whom attend meetings in an *ex officio* capacity.

The chairman and other members of the RCC committee are nominated by the board, which ensures that members have the necessary, skills, experience and financial services background to fulfil their duties.

ROLE

The RCC committee has a formally approved charter and provides independent oversight of risk, capital management and compliance activities undertaken within the FirstRand Group. This includes ensuring that:

- an effective policy and plan for risk management has been implemented to improve FirstRand's ability to achieve desired outcomes; and
- risk disclosures are timely, sufficiently detailed and relevant to the Group's stakeholders.

The committee does not assume the functions of management, which remains the responsibility of the executive directors, officers and other members of senior management.

During the year, the RCC committee reviewed reports from the chief risk officer, subsidiary risk committees and the head of regulatory risk management to ensure that significant issues are adequately addressed across the Group.

Highlights

Focus area	Actions
Combined assurance	The RCC committee assisted management in identifying and addressing key risk areas, while the prime responsibility for risk management is integrated into all levels of management. The committee has overseen greater coordination by management of the risk management processes affecting the life cycle of each business line.
International expansion	In line with FirstRand's strategic intent on international expansion of operations, the RCC committee oversaw processes for ensuring that the Group risk management policies and procedures are implemented at all operations.
Establishment of investment management business	Given the drive to diversify earnings for the Group, Ashburton Investments was established in 2013. As the business grows, refined risk management policies, practices, processes and principles continue to be implemented to ensure that the new risks assumed are effectively managed.
Aligning risk and reward	Increased focus was placed on the alignment of remuneration practices with risk taken by FirstRand employees. This includes recommendations on the remuneration of employees in the risk and control functions.
Identifying and managing sustainability risks	By means of analysis of potential volatility of earnings against earnings and internal capital adequacy processes under various stress conditions, the RCC committee quantified risk exposures impacting the short-, medium- and long-run viability of the going concern. In addition to the above, environmental, social and governance risks affecting the sustainability of the Group were assessed using both quantitative and qualitative methodologies.

Stakeholders are referred to the comprehensive *risk and capital management report* set out from pages 147 to 257 for a detailed review of the risk and capital management processes and responsibilities undertaken by the Group.

ACTIVITIES DURING THE YEAR

FirstRand's combined assurance model underlines the importance of an effective relationship between the RCC and audit committees. To this end, the committees work closely together to ensure that risk management processes and information appropriately reflects the evolving nature of risks affecting financial institutions.

In line with the above, the committee has undertaken the following during the year:

- approved risk management policies, standards and processes as required;
- received the reports from the Group, and franchise chief risk officer's and specialised risk functions, which highlighted the effectiveness of risk management processes;
- noted corrective actions implemented and initiated additional corrective actions, where necessary, across all risk types;
- received compliance and regulatory reports and noted corrective actions implemented, and initiated additional corrective actions where necessary. This included updates on new and pending regulatory changes;
- received presentations on emerging risks and topics requiring detailed analysis;
- reported the consolidated risk profile and risk management effectiveness to the board and highlighted areas of concern;
- approved regulatory capital models;
- reviewed and approved changes to board limits and risk appetite;
- oversaw the Group's stress testing processes used to assess capital adequacy and to determine internal policies and exposure limits approved by the board;
- reviewed the membership of the RCC committee subcommittees to ensure that there is adequate knowledge, skills and experience for effective risk management;
- reviewed the annual Group insurance renewal programme to ensure adequate cover for the Group;
- liaised with the audit committee to exchange information relevant to risk; and
- conducted a risk assessment of current and future risks, and communicated the outcome and concerns to management and the board for incorporation into strategic planning and risk management processes.

PROCEEDINGS AND PERFORMANCE REVIEW

Membership and attendance at the meetings held during the year was as follows:

	Aug 2013	Nov 2013	Feb 2014	May 2014
JJH Bester – chairman	✓	✓	✓	✓
MS Bomela	✓	A	✓	✓
L Crouse	✓	✓	✓	✓
GG Gelink	✓	✓	✓	✓
RM Loubser (specialist consultant)	✓	✓	A	✓
Z Roscherr (specialist consultant)	✓	✓	✓	A
JH van Greuning	✓	✓	✓	✓

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

The committee is satisfied that the FirstRand Group has the necessary resources, systems, skills and remuneration practices to enable the ongoing effectiveness of the risk, capital management and compliance functions within the FirstRand Group.

JJH Bester
Chairman, risk, capital management and compliance committee

8 September 2014

TRANSFORMATION MONITORING COMMITTEE

Lulu Gwagwa

Chairman

COMPOSITION

FirstRand's transformation monitoring committee is chaired by an independent non-executive director and comprises five non-executive directors, two of whom are independent. The chief executives of FirstRand's operating franchises and other members of senior management attend in an *ex officio* capacity.

ROLE

The committee is a subcommittee of the board charged with overseeing the development and successful implementation of the Group's BEE transformation strategy. The committee also has oversight of the compliance requirements relating to employee deployment in foreign jurisdictions.

Highlights

Focus area	Actions
BEE risk reporting	Oversaw the refinement of BEE risk reporting into the Group's enterprise risk management processes.
Employment equity and talent management	Monitored progress on implementation of the Group's 2013-2016 employment equity plan.
Development of critical skills for the purpose of meeting transformation goals	Monitored the impact of various franchise as well as FirstRand Group development programmes specifically those targeted at improving the diversity of the leadership pipeline.
Transformation scorecard	Oversaw the Group's Financial Sector Code scorecard reporting.

The Group retained level 2 BEE status. The committee received regular reports from management on all elements of its BEE scorecard and oversaw alignment of divisional and Group BEE performance.

%	Target	2014
Ownership	14 + 3	**15.27**
Management control	8	**5.85**
Employment equity	15	**9.87**
Skills development	10	**9.03**
Preferential procurement	16	**15.23**
Empowerment financing*	15	**15.00**
Enterprise development	5	**4.12**
Socioeconomic development	3	**3.00**
Access to financial services		**11.65**
Geographic	4	**3.05**
Electronic access	1	**1.00**
Banking densification	2	**1.88**
Access qualifying products	3	**2.13**
Affordable housing – origination	2	**1.59**
Consumer financial education	2	**2.00**

* *Empowerment financing score composed of transformational infrastructure, affordable housing, financing black SMEs, agricultural financing and BEE transactions.*

HUMAN CAPITAL MANAGEMENT

Succession planning

During the year the Group's human capital management activities were focused on succession planning. Employment equity, diversity management and skills development have been significant drivers of the Group's succession planning activities. Resources for the Group's expansion efforts and employee mobility are also focus areas.

Workforce profile

	Male					Female						
Occupational levels	**African**	**Coloured**	**Indian**	**White**	**Total male**	**African**	**Coloured**	**Indian**	**White**	**Total female**	**Foreign nationals**	**Total**
Top management	5	1	5	30	**41**	2	3	1	2	**8**	**5**	**54**
Senior management	98	39	163	699	**999**	71	38	72	312	**493**	**28**	**1 520**
Middle management	1 161	419	918	2 220	**4 718**	1 041	719	896	2 047	**4 703**	**119**	**9 540**
Junior management	1 933	641	520	744	**3 838**	3 537	1 980	976	1 997	**8 490**	**73**	**12 401**
Semi-skilled and discretionary decisions	1 990	391	255	242	**2 878**	3 972	1 052	462	785	**6 271**	**37**	**9 186**
Unskilled and defined decision making	205	33	–	2	**240**	176	25	–	–	**201**	**1**	**442**
Total South Africa	5 392	1 524	1 861	3 937	**12 714**	8 799	3 817	2 407	5 143	**20 166**	**263**	**33 143**

Employment equity

The Group is implementing a long-term strategy for ensuring that employment equity integrates with all aspects of the HR value chain. Skills development, and career and succession planning are coordinated in a way that will help to develop a diverse leadership pipeline within the group.

Strategic objectives are to:

- improve the representation of people with disabilities;
- improve the representation of Africans and women at all management levels;
- develop and retain key black talent to create future leaders at top and senior management; and
- meet and exceed the targets set out in the Department of Labour 2016 employment equity plan.

Skills development

- In line with the employment equity strategy and to close the skills shortages in the Group, a number of programmes are offered with emphasis on critical and scarce skills, and leadership:
  - bursaries and scholarships;
  - CA Training Programme (FirstRand Bank is an approved training organisation);
  - Quantitative Graduate Programme;
  - learnerships;
  - graduate development programmes;
  - mentoring and coaching initiatives;
  - leadership development programmes; and
  - participation in BankSeta programmes.

Workforce movements

	2014	2013	% change
SA staff complement at 1 July	**32 363**	32 175	1
New appointments	**4 253**	4 180	2
Resignations	**(2 531)**	(2 945)	(14)
Retrenchments	**(44)**	(237)	(81)
Dismissals	**(369)**	(469)	(21)
Deaths and disabilities	**(63)**	(54)	17
Other*	**(466)**	(287)	(62)
SA staff complement at 30 June	**33 143**	32 363	2
Rest of Africa	**4 842**	4 444	9
Other countries	**557**	424	31
Total workforce	**38 542**	37 231	4
Number of ACI employees (SA operations)	**23 800**	22 998	3
ACI employees as a % of SA workforce (%)	**72%**	71%	1

* *Other consists of retirements, non-renewal of contracts, secondments and internal transfers.*

RESPONSIBLE PROCUREMENT

Preferential procurement

A formal BEE procurement strategy has been rolled out in all of the Group's franchises and provides guidance for ensuring sustainable long-term empowerment. Two areas of focus are procuring with black owned and black women-owned entities.

BEE procurement spend

R million	2014	2013	% change
BEE procurement spend	**11 495**	10 074	14
Spend with EME and QSE's	**2 264**	2 601	(13)
Spend with black-owned and black women-owned business	**2 136**	1 653	29
Total measurement procurement spend	**12 252**	12 012	2
BEE as % of total measured procurement	**94%**	84%	12

Performance disclosed on a calendar year basis per regulatory reporting.

TRANSFORMATION PHILOSOPHY

FirstRand believes that transformation is a journey, accountability for the implementation of the Group's BEE strategy rests with executive management. The TMC's role is to ensure that the Group's transformation strategy takes cognisance of the Group's strategic objectives as well as the environment in which this has to be delivered.

PROCEEDINGS AND PERFORMANCE REVIEW

Attendance of FirstRand directors at the committee meetings held during the year was as follows:

	Aug 2013	Nov 2013	Feb 2014	Jun 2014
MS Bomela	✓	✓	✓	✓
NN Gwagwa – chairman	✓	✓	✓	✓
AT Nzimande	✓	✓	✓	✓
KB Schoeman	✓	✓	✓	✓
BJ van der Ross	✓	✓	✓	A

A – apology tendered and accepted.

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

NN Gwagwa
Chairman, transformation monitoring 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

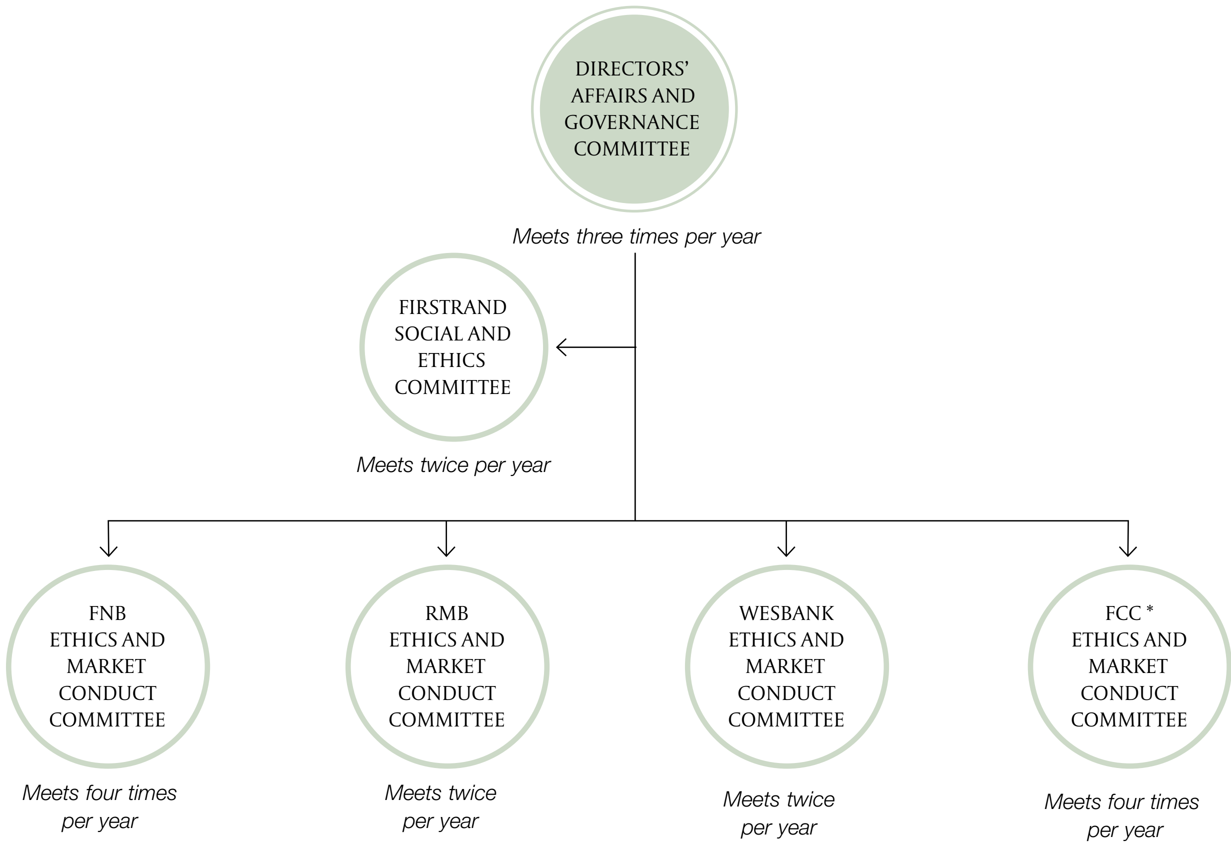
The committee is constituted as a subcommittee of FirstRand's directors affairs and governance committee in accordance with the statutory requirements set out in Section 72 and regulation 43 of the Companies Act 71 of 2008. It is charged with promoting responsible business practices across the FirstRand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

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.

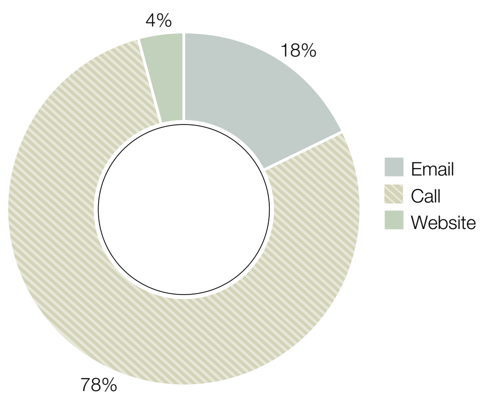
Ethics line reports

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.

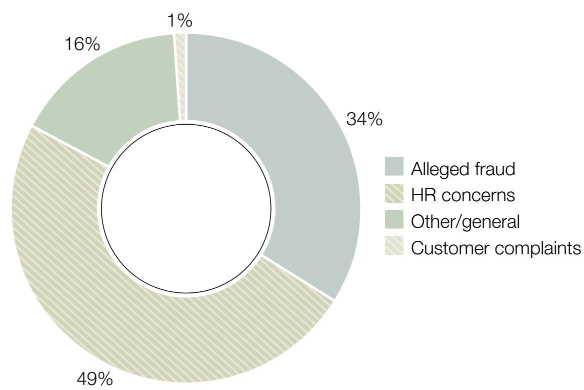
2014 tipoffs by channel

(%)



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 TCF 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*.

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 FOUNDATION

SE Nxasana

Chairman

COMPOSITION

The trustees of the FirstRand Foundation comprise five executives from the Group and six independent trustees with expert knowledge in areas supported by the Foundation. The Foundation is administered by Tshikululu Social Investments, an independent non-profit corporate social investment company.

ROLE

The Foundation is the principal vehicle for FirstRand's corporate social investment activities **and aims to be the foremost corporate social investor** contributing to the development of a better South Africa.

Highlights

Focus area	Actions
Grant making and beneficiary engagement	The Foundation has approved social investments of approximately R129 million during the year to a variety of organisations and activities across specific programmatic focus areas.
Employee volunteers	The Foundation provides ongoing funding for FirstRand's employee volunteer initiatives. Since the launch of the programme in 2003, employees have donated over R35 million. This amount has been matched by FirstRand with a further R35 million.
Monitoring and evaluation (M&E)	The FirstRand Foundation uses stringent pre-funding assessments, along with post-funding reporting requirements, on-site visits, face-to-face engagements and the deployment of a dedicated in-house monitoring and evaluation team.

MONITORING AND EVALUATION

In the prior year's annual integrated report, the Foundation introduced a new reporting format, which provided data relating to its social investment spend to assist the foundation to understand the real impact of its programmes. For the Foundation, this was a critical step towards its goal of ensuring that societal returns are measured with the rigour and attention to detail expected of any investment process.

SOCIAL INVESTMENT PORTFOLIO

The Foundation continually aims to improve the social returns attributable to its CSI activities. Strong emphasis on empirical analysis of social impacts generated relative to spend committed, inform the Foundation's portfolio management approach to CSI.

Portfolio breakdown

Investment value (R thousand)	2014	2013	% change
Arts, culture and heritage[1]	**9 720**	10 475	(7)
Bursaries and scholarships[2]	**12 003**	12 968	(7)
Community care[3]	**7 983**	8 858	(10)
Discretionary *ad-hoc* donations	**750**	740	1
Early childhood development[4]	**12 537**	7 924	58
Environment[5]	**3 846**	7 036	(45)
FirstRand Volunteers	**5 106**	4 284	19
Food security and agricultural livelihoods[6]	**21 625**	15 180	42
Hospice[7]	**9 565**	8 442	13
KhulaSangam[8]	**–**	2 000	–
Leadership[9]	**5 264**	7 550	(30)
Maths education chairs[10]	**7 500**	8 771	(14)
Maths leadership and development[11]	**8 116**	9 331	(13)
National Education Collaboration Trust (NECT)[12]	**10 000**	–	–
Primary education[13]	**8 340**	5 305	57
Strategic partners[14]	**1 870**	7 130	(74)
Total	**124 225**	115 994	7

1. *2013 figures included a once-off grant associated with an education outreach programme related to the War Horse production coming to South Africa.*
2. *Two rounds of Laurie Dippenaar scholarships were approved in 2014, in order to bring the programme into the correct financial year for reporting purposes. The amount will reduce in the new financial year.*
3. *2014 represented a bridging year between two three-year cycles, resulting in slightly lower grantmaking.*
4. *In 2013/14, the Foundation became an equal partner in the Ilifa Labantwana initiative. This is a R20 million, three-year commitment (R6 million in 2013/14), that is over and above normal grantmaking.*
5. *The environment programme's grant cycle was moved from March to September, which led to funding in 2014 reducing.*
6. *Increases in available budget year-on-year have been invested in agricultural livelihoods following the success of the programme.*
7. *Increased funding largely related to a special mainstreaming of disability projects in the sector.*
8. *Pilot programme was completed in September 2013 and planning is underway for second iteration of the programme (which will utilise unspent funds from 2012/13, as well as new funding to be approved in 2014/15).*
9. *Decision taken not to have a stand-alone leadership programme, therefore, funding reduced as part of exit grants.*
10. *2013 funding included a once-off amount for the external evaluation of the programme.*
11. *Evaluation of the programme was completed at the end of 2013 and decision taken to not consider new grants while strategy was redesigned.*
12. *First-time contribution to the NECT in 2014.*
13. *Programme started in KZN in 2013 and was expanded to Free State in 2014.*
14. *Strategic partners programme is being closed, therefore, exit grants make up the 2014 amount.*

SOCIAL IMPACT

FNB early childhood development (ECD) programme

The FNB ECD programme aims to increase access to and quality of ECD services to as many children as possible. Through the programme, 20 partners were funded, reaching over 19 000 children through various activities. It is interesting to note that the number of trained practitioners improving their daily programme in preschools increased significantly year-on-year, despite the number of trained practitioners remaining stable. In 2013, the FNB Fund also became an equal partner with the DG Murray Trust and ELMA Philanthropies in the *Ilifa Labantwana* initiative, which aims to help bring about systemic change in the ECD sector.

ECD investments	2014	2013	% change
Investment value (R thousand)	**12 537**	7 924	58
ECD practitioners reached	**775**	871	(11)
– through direct training	**574**	574	–
– through ECD centre capacity-building support	**201**	297	(32)
ECD practitioners obtaining ECD qualification*	**128**	159	(19)
Training practitioners implementing improved daily programme	**489**	315	(55)

* *Most training courses run for 18-34 months, so practitioners graduate on varying cycles, explaining change in qualification rates despite stable numbers of practitioners trained.*

FNB primary education programme (PEP)

The goal of the PEP is to improve the functionality of schools and delivery of quality education. It was established in late 2013 and is planned to run for the next three years in 39 schools across four specific education districts (two in KZN and two in Free State). Data related to 19 KZN schools is reported below. One of the early successes of the programme relates to learning barriers. Before the programme began, a baseline assessment revealed that participating KZN schools believed only 608 learners had a barrier of some kind. Through the work of one of the programme partners, the full scale of the challenge has been revealed, as noted below. The intention in the immediate and medium term is to broaden and deepen the reach of the programme through strategic partnerships with public institutions, private and civil society organisations.

PEP investments	2014
Investment value (R thousand)	**8 340**
Number of schools	**19**
Number of participating principals and managers	**61**
Number of teachers participating in teaching and curriculum support	**331**
Number of parents reached through parental school involvement	**2 768**
Learners screened for learning barriers	**5 341**
Learners with poverty-related barriers	**2 268**
Learners with academic barriers	**2 741**
Learner with health-related barriers	**250**
Learners with psychosocial barriers	**82**
Learners with disabilities	**16**

RMB maths leadership development programme

Increasing the participation of learners in mathematics as well as improving the quality of their passes in their Grade 12 examinations is the central goal of the programme. There was a large increase in the scale of the programme year-on-year as new partners were brought on board, although national challenges around quality were mirrored on the programme. Particularly encouraging was the percent of matriculants scoring between 70%-100% in mathematics and science from 2012 to 2013, which increased from 12% to 17% in mathematics and 4% to 9% in science (above national averages).

Mathematics and science statistics – total learners

	2014				2013				% change
	Grade 9	**Grade 10**	**Grade 11**	**Grade 12**	**Grade 9**	**Grade 10**	**Grade 11**	**Grade 12**	**Grade 12 (only)**
	Mathematics enrolment and performance								
0 – 29%	**22**	**159**	**8**	**13**	8	555	228	241	>100
30 – 49%	**53**	**162**	**109**	**91**	12	273	253	353	>100
50 – 69%	**89**	**87**	**100**	**109**	25	83	157	321	>100
70 – 100%	**31**	**41**	**72**	**30**	14	31	63	183	>100
Total	**195**	**449**	**289**	**243**	59	942	701	1,098	>100
	Physical science enrolment and performance								
0 – 29%	**1**	**16**	**11**	**22**	6	514	137	281	>100
30 – 49%	**11**	**100**	**74**	**90**	9	150	338	361	>100
50 – 69%	**69**	**75**	**53**	**64**	25	104	130	200	>100
70 – 100%	**14**	**15**	**11**	**7**	10	33	38	81	>100
Total	**95**	**206**	**149**	**183**	50	801	643	923	>100

Maths education chairs

The key focus of this programme is to provide quality in-service training for teachers in mathematics while also conducting research into pedagogical challenges facing mathematics education in the country. The intention is to find practical solutions to these challenges and to disseminate these widely to improve performance and the quality of mathematics discourse.

Maths education chairs	**2014**
Investment value (R thousand)	**7 500**
Number of teachers reached through in-service programme	**179**
Number of schools (primary and secondary) reached	**63**
Number of research articles published	**21**
Number of conferences where research articles were presented	**28**
Number of learners enrolled in Grade 12 mathematics	**1 509**
Number of learners passing mathematics with ≥50%	**109**

Bursaries and scholarships

The FNB Fund tertiary bursary programme aims to provide tertiary bursaries to over 250 students who have academic potential but are financially disadvantaged. In the past financial year, the annual budget of the programme was increased in order to reach more students and once again pass and graduation rates of bursars outperformed national averages. It is particularly encouraging to see that, while the number of bursars supported increased 22%, those who passed increased 33% and the number of dropouts substantially decreased. At a postgraduate level, 13 international scholarships and bursaries were awarded to exceptional young South Africans through the FirstRand Laurie Dippenaar scholarship and Momentum Dippenaar scholarship programmes.

Bursary and scholarship investments	2014	2013	% change
Investment value (R thousand)	**12 003**	12 968	(7)
Bursars enrolled in the FNB tertiary bursary programme	**248**	203	22
Passed and continuing to study	**145**	109	33
Passed and graduated	**52**	53	(2)
Left the programme*	**5**	5	–
Dropped out the of the programme**	**2**	23	(91)

* *Bursars who left the FNB programme after successfully finding bursary support from other sources.*
** *Bursars whose bursaries will be discontinued due to poor performance.*
\# *Two rounds of scholarships awarded to bring the programme in line with the Foundation's annual grantmaking.*

RMB arts, culture and heritage

The RMB Fund supports the disciplines of music, dance, drama, visual art and heritage to enable transformation, equitable access and excellence in the arts sector. The programme has reported encouraging progress across most performance indicators. Jobs created and/or sustained with partner organisations through RMB funding increased 138% in 2013 compared to 2012. The arts sector struggles to access funding from corporate and other donors, but the creative economy unquestionably plays a crucial role in South Africa's development.

Arts, culture and heritage investments	2014	2013	% change
Investment value (R thousand)	**9 720**	10 475	(7)
Communities reached	**158**	136	16
Arts, culture and heritage-related jobs created or sustained	**514**	214	>100
People reached through arts, culture and heritage events/shows	**209 479**	176 245	19

RMB environment programme

The RMB Fund environment programme's objective is to support initiatives geared towards conservation of species: biodiversity protection; climate change; care and protection of domestic animals; education, skills development and outreach; and research. It is encouraging to note that overall there has been a significant improvement in the impact of the programme over the past year when compared with the first year of funding. In the coming three years, the RMB Fund will support two key focus areas within government's green economy approach: facilitating the rehabilitation and restoration of ecosystems through shared partnerships, and advising and managing human environmental interactions effectively.

Environment investments	2014	2013	% change
Investment value (R thousand)	**3 846**	7 036	(45)
People trained in environmental conservation	**56 418**	45 487	24
Environment-related jobs created or sustained*	**97**	35	>100
Hectares under protection	**536 967**	536 937	–

* *Increase due to launch of two human resource-intensive projects launched during the year.*

FirstRand leadership programme

The leadership programme was piloted across the 2013 and 2014 financial years, to explore leadership in education, youth development and civil society sectors. The aim of the programme was to support initiatives that develop leadership skills across different sectors. Following the pilot year, a decision was taken to integrate leadership into an existing programme (*KhulaSangam*, see below), rather than have a stand-alone leadership programme.

FRF leadership programme investments	2014
Investment value (R thousand)	**5 264**
Education district officials who received leadership training	**145**
Non-profit organisations that received capacity-building support	**14**
Civil society leaders who participated in leadership programmes	**16**
Students awarded leadership programme scholarships	**3**
Research/evaluation reports produced on impact of youth programmes	**2**
Young people reached through civic education programmes	**600**

FirstRand *KhulaSangam* leadership programme

KhulaSangam, an Nguni-Hindi combination that roughly translates into 'growing by coming together', was established in early 2013. The programme aims to address the critical skills shortage that exists in South Africa by bridging the gap between tertiary education and employability. For the pilot of this programme, which took place between March and September 2013, ten young, unemployed South African graduates were selected to participate in a six-month internship with an Indian multinational company – Larsen and Toubro Infotech – in Mumbai.

***KhulaSangam* programme investments**	2014
Interns enrolled on the programme	**10**
Interns completing the programme and passing International Software Testing Qualifications board exam	**10**
Interns employed within three months of returning to South Africa	**9**
Interns employed within six months of returning to South Africa	**1**

WesBank food security and agricultural livelihoods programme (FSAL)

Helping people to help themselves through homestead and community food gardening, the WesBank Fund FSALP received an increase in funding during the current financial year, with the additional funding invested in:

- helping to establish locally-based self-sustaining food gardening support centres;
- water solutions for both household and community food gardens settings; and
- trials of new technologies, ranging from geo-map enabled monitoring systems to cost-effective water storage applications.

The culmination of the prior year's investments in developing a strong pipeline of trainees saw good quantities of trained gardeners starting gardens this year. Sustained quality support helped ensure that 94% of newly-activated gardens were still active at the end of the reporting period.

FSAL investments	2014	2013	% change
Investment value (R thousand)	**21 625**	15 180	42
People trained in food gardening	**9 117**	5 035	81
New food gardens established and supported	**6 162**	2 305	>100
Gardens established that remain active	**5 766**	2 247	>100
People benefiting from established gardens	**37 182**	20 569	81%

FNB hospice programme

The Hospice Programme aims to improve the quality of life of people with life-limiting illnesses. This is achieved through support for home-based care, palliative-care training and championing of palliative care as an integral part of public health care provisioning. This year, the hospice programme began funding community careworker training to support the implementation of the Department of Health's re-engineering of primary healthcare. Continued relevance of hospices in a fast changing health sector landscape depends on the development of sustainable income streams, such as offering accredited training or other professional services for hire.

Hospice investments	2014	2013	% change
Investment value (R thousand)	**9 565**	8 442	13
Patients reached	**9 660**	9 407	3
Direct HIV/Aids-related care	**6 894**	6 591	5
Direct cancer-related care	**1 073**	1 063	1
Direct chronic illness-related care	**4 056**	3 738	9

* *Prior year restated following improved reporting processes.*

FUTURE OUTLOOK

The Foundation is moving into a particularly exciting time. It will continue to refine M&E systems to ensure a stronger understanding of its impact, and is also starting to take a bolder and more ambitious approach to social investment work. The Foundation plans to be part of influencing, changing and improving systems through a focus on the root-cause of social challenges and systemic interventions to combat these.

This systemic focus will accompany greater coordination and integration of efforts of different social investment entities such as those undertaken by the Group's enterprise development fund, Vumela, and the FirstRand Empowerment Foundation, which was established as part of FirstRand's 2005 BEE transaction.

PROCEEDINGS AND PERFORMANCE REVIEW

During the year the Foundation's trustees conducted an effectiveness survey and are satisfied that they have met the requirements of its charter.

SE Nxasana
Chairman, FirstRand Foundation

8 September 2014

INDEPENDENT ASSURANCE REPORT ON SELECTED NON-FINANCIAL INFORMATION TO THE DIRECTORS OF FIRSTRAND LIMITED

We have undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand Limited Group annual integrated report for the year ended 30 June 2014.

FirstRand applies its own sustainability performance reporting criteria, derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative (G3), JSE SRI index, BEE transformation reporting requirements and the King III Code on Corporate Governance.

DIRECTORS' RESPONSIBILITY

The directors are responsible for:

- selection, preparation and presentation of the sustainability information included in the annual integrated report;
- identification of stakeholders and stakeholder requirements; and
- establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's integrated report.

INTERNAL AUDIT RESPONSIBILITY

Internal Audit's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement applying guidance from the International Standard on Assurance Engagements (ISAE 3000), Assurance Engagements Other Than Audits or Reviews of Historical Financial Information. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Procedures selected and the extent of these procedures depends on our judgement including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence obtained is sufficient and appropriate to provide a basis for our limited assurance conclusions.

Internal Audit was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

The following items were included in the scope:

- Verification and review of the accurate transfer and aggregation of information from the franchise records to the FirstRand Limited annual integrated report relating to:
  - workforce movements;
  - workforce profile; and
  - ethics line calls.
- Review of the accurate transfer and aggregation of the following information from the source data subjected to external assurance to the FirstRand Limited ESG report:
  - BEE scorecard, skills development, BEE procurement spend and BEE ownership. This information is included in the scope of the review of the dti scorecard performed by Sizwe Ntsaluba VSP; and
  - carbon data for the South African operations is prepared in accordance with the World Resources Institute (WRI) Greenhouse Gas Reporting Guidelines and is assured by PricewaterhouseCoopers Inc. for the purposes of the FirstRand Limited 2014 Carbon Disclosure Project submission.

- Review of the accuracy, validity and completeness of the CSI spend information with reference to the reports provided by Tshikululu Social Investments NPC.
- Review of the accurate transfer of financial data from the audited annual financial statements to the FirstRand Limited ESG report.
- Assurance work was not replicated by the above service providers and reliance was placed on the assurance opinion issued by the other parties where warranted.

Based on the results of the work performed on the selected non-financial information as presented in FirstRand's annual integrated report for the year ended 30 June 2014, Internal Audit confirms that:

- nothing has come to our attention that causes us to believe that the identified sustainability information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria;
- the level of data accuracy in the report content was found to be within satisfactory levels. Statements included in the report that required improvement were identified and all suggested changes and identified anomalies were corrected prior to the finalisation of the report. Additional improvements were recommended for the further enhancement of sustainability management and reporting within the Group;
- as required by King III, stakeholders were identified and adequately addressed in the report; and
- the report content includes information pertaining to the major operating divisions and local and international subsidiaries and is closely aligned to the ESG risks identified by FirstRand.

J John
Chief audit executive

Sandton

8 September 2014

FirstRand group annual financial statements

DIRECTORS' RESPONSIBILITY STATEMENT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited are responsible for the preparation of the consolidated and separate annual financial statements in terms of the Companies Act 71 of 2008. In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements in accordance with International Financial Reporting Standards and for keeping adequate accounting records in accordance with the Group's system of internal control. As such, the annual financial statements include amounts based on judgments and estimates made by management.

In preparing the annual financial statements, suitable accounting policies have been applied and reasonable estimates have been made by management. The directors approve significant changes to accounting policies. The financial statements incorporate full and responsible disclosure in line with the Group's philosophy on corporate governance.

The directors are responsible for the Group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements in accordance with IFRS and maintaining accountability for the Group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the Group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the Group and company at the end of the financial year and the net income and cash flows for the year. Jaco van Wyk, CA(SA), supervised the preparation of the financial statements for the year.

The directors have reviewed the Group and company's budget and flow of funds forecast and considered the Group and company's ability to continue as a going concern in the light of current and anticipated economic conditions. The directors have reviewed the assumptions underlying these budgets and forecasts based on currently available information. On the basis of this review, and in the light of the current financial position and profitable trading history, the directors are satisfied that the Group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements.

It is the responsibility of the Group's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act 71 of 2008. Their unqualified report appears on page 143.

The consolidated annual financial statements of the Group, which appear on pages 147 to 257 and 260 to 460 and the separate annual financial statements of the company, which appear on pages 462 to 484, and specified sections of the *risk and capital management report* were approved by the board of directors on 8 September 2014 and are signed on its behalf by:

LL Dippenaar
Chairman

SE Nxasana
Chief executive officer

Sandton

8 September 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.

C Low
Company secretary

Sandton

8 September 2014

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

We have audited the consolidated and separate financial statements of FirstRand Limited, set out on pages 260 to 484, which comprise the consolidated and separate statements of financial position as at 30 June 2014, the consolidated and separate income statements, the consolidated and separate statements of comprehensive income, consolidated and separate statements of changes in equity and consolidated and separate statements of cash flows for the year then ended and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The company's directors are responsible for the preparation and fair presentation of these consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited as at 30 June 2014, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate 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 identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements. These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per: Kevin Black
Partner

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered auditor
Director: Francois Prinsloo

Sandton

8 September 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 491 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 29 to the company's 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 492.

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 74 to 85.

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 89).

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 99 to 107). 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 91 to 107).

AUDIT COMMITTEE REPORT

The *audit committee report* appears on pages 108 to 111.

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 ventures companies, which are considered material in view of the Group's financial position and its results, are included in notes 41, 14 and 15.

COMPANY SECRETARY AND REGISTERED OFFICES

Ms C Low is the company secretary. FirstRand's business and postal addresses appear on page 494. 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
Chairman

SE Nxasana
Chief executive officer

8 September 2014

risk and capital management report

OVERVIEW

FirstRand Limited (FirstRand or the Group) believes that effective risk, capital and performance management are of primary importance to its success and is a key component of the delivery of sustainable returns to its shareholders. It is, therefore, deeply embedded in the Group's tactical and strategic decision making. The Group aligns its risk management approach to its strategy.

The Group defines risk widely – as any factor that, if not adequately assessed, monitored and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including damage to its reputation.

Risk taking is an essential part of the Group's business and FirstRand explicitly recognises risk identification, assessment, monitoring and management as core competencies and important differentiators in the competitive environment in which it operates. Through its portfolio of leading franchises namely, FNB, RMB, WesBank and Ashburton Investments, FirstRand aims to be appropriately represented in all significant profit pools across all chosen markets and risk-taking activities. This entails building revenue streams that are diverse and create long-term value within acceptable earnings volatility parameters.

MANAGING THE RISK PROFILE

The Group believes a strong balance sheet and resilient earnings are key to growth, particularly when entering periods of uncertainty. The Group's focus areas to manage its risk profile and optimise its portfolio are:

Earnings resilience and balance sheet strength

- Strong earnings resilience through diversification, growth in client franchise, appropriate risk appetite and positive operating margins.
- Quality of returns with a focus on ROA (not gearing) and discipline in deployment of capital.
- Maintain balance sheet strength through:
  - appropriate action in new business origination;
  - managing non-performing loans and coverage ratios;
  - growing the deposit franchise and improving liquidity profile; and
  - maintaining a strong capital position.

Refer to the *deputy CEO's report* for a detailed discussion on the Group's strategies to ensure resilience in earnings, growth and returns and maintain balance sheet strength.

Current board-approved adjusted targets and actual capital ratios are summarised in the following table.

Capital adequacy position

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Target	10.0 – 11.0	>12.0	>14.0
Actual	**13.9**	**14.8**	**16.7**

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

Risk governance

- Balancing the Group's overall risk capacity with a bottom-up and consolidated view of the planned risk profile for each business, in line with the board risk appetite principles.
- Strong risk governance with multiple points of control applied consistently throughout the organisation.

TOP AND EMERGING RISKS

- While there are signs of an improvement in South Africa's external imbalances, the country continues to run a large current account deficit. This imbalance reflects the economy's dependence on foreign capital inflows to fund growth and renders the economy vulnerable to any global or domestic economic developments that could affect foreign capital inflows.
- The normalisation of monetary policy in the US could also result in a slowdown in capital flows to South Africa, which will result in more currency weakness, higher inflation and lower economic growth.
- Factors that may impact the economy include potential power blackouts, an economic slump in China and/or a European economic fallout.
- Consumers' disposable income continues to be under pressure due to rising unemployment, tighter credit conditions, inflation (particularly linked to fuel and food) and additional tariffs (including e-tolls and electricity increases). Private investment spending will also slow as confidence wanes and profitability falls.
- Economic growth is affected by unrest in the labour market. A prolonged period of strike action across different sectors of the economy could negatively impact potential GDP growth and the long-term growth potential of the country.

- A changing and tougher regulatory landscape requires the Group to deal with a raft of new regulatory requirements. This includes recent and proposed changes relating to anti-money laundering, treating customers fairly, protection of personal information and Basel III. This is further exacerbated by new and complex international requirements such as the Foreign Account Tax Compliance Act and Office of Foreign Asset Control Sanctions, which do not form part of South African law, but which banks have to comply with in order to maintain correspondent banking relationships and secure funding.
- Cybercrime and potential money laundering threats continue to increase globally.

RECENT AND FUTURE REGULATORY CHANGES

The large volume of new regulatory and supervisory standards and requirements issued by international standard-setting bodies such as the Basel Committee on Banking Supervision (BCBS) requires ongoing review of South Africa's banking legislation and regulatory requirements in order to ensure that it aligns appropriately with international standards. Recent amendments to the Banks Act and the *Regulations relating to Banks* (the Regulations) included the implementation of the Basel III regulations with effect from 1 January 2013 and the Banks Amendment Act 22 of 2013, which came into effect on 10 December 2013.

Twin peaks

An important development in respect of the regulatory framework was a document issued for public comment in February 2013 by the Financial Regulatory Reform Steering Committee. This provides information on a wide-ranging set of reforms and proposals relating to, amongst others, the implementation of a twin peaks model of financial regulation in South Africa; details of which were initially published during February 2011 in a policy document, *A safer financial sector to serve South Africa better*. In this regard, four policy priorities were identified in order to reform the financial sector, including:

- financial stability;
- consumer protection and market conduct;
- expanding access of financial services through inclusion; and
- combating financial crime.

National Treasury indicated that the achievement of these objectives necessitates a change in the South African regulatory landscape from both a structural and a policy perspective which will include the introduction of a twin peaks approach to financial sector regulation. A twin peaks approach will primarily be aimed at the enhancement of systemic stability, improving market conduct regulation, sound micro- and macroprudential regulation and the strengthening of the operational independence, governance and accountability of regulators.

Financial regulatory reforms will be implemented in two phases, along with the development of necessary legislation to enable the relevant regulators to deliver on revised mandates. The draft Financial Sector Regulation Bill, 2013, the first of a series of bills to be published in order to achieve the financial regulatory objectives of the twin peaks model of financial regulation in South Africa, was published in December 2013. The design and implementation of a twin peaks model of financial regulation is a complex undertaking that requires substantial consultation and the Group will, as a key stakeholder, continue to foster close interaction and cooperation with the authorities and other stakeholders.

Below is a high-level overview of strategic, operational and functional outcomes resulting from execution of strategy, and related risk management focus areas.

Outcomes	Risk management focus areas
Capital management	
• Guidance issued by the South African Reserve Bank (SARB) covered the loss absorbency requirements for capital instruments, including Additional Tier 1 (AT1) and Tier 2 instruments. The add-on for domestic systemically important banks (D-SIB) was finalised in the current financial year but remains confidential. • Consultative papers released by BCBS on various topics are at different stages of testing, finalisation and implementation. There is increased focus on the leverage ratio framework, with additional disclosure requirements from 1 January 2015.	• Maintain strong capital levels, with particular focus on the quality of capital and optimise the Group's risk-weighted assets (RWA) and capital mix during the transitional period of Basel III implementation. • Continue to focus on optimal capital mix following guidance from the SARB on the loss absorbency requirements for capital instruments, as well as capacity for new issuance in the capital markets. • Continued participation in the SARB quantitative impact studies to assess the impact of Basel III developments on capital adequacy and leverage.
Credit risk	
• The Group's total gross advances increased 14% year-on-year with growth in corporate and commercial advances particularly robust at 17%. Retail advances growth of 11% was achieved within the Group's risk appetite framework. • With respect to FNB's retail advances, residential mortgages grew 5% in line with property prices. Card increased 13% on the back of new customer acquisition. Personal loans declined 3% year-on-year, reflecting adjustments in credit appetite in that segment, especially at the bottom end of the market. • FNB commercial advances growth of 18% was driven by new client acquisition in the business segment, resulting in 31% growth in business banking advances, with continuing growth in commercial property finance, agriculture and overdraft product sets. • RMB investment banking core advances growth (excluding repos) was driven by strong deal flow from the rest of Africa, especially in sectors such as oil and gas, telecoms and resources, and drawdowns relating to infrastructure development in South Africa, in particular renewable energy. • WesBank's advances growth reflects strong growth in new business volumes with 58% (in GBP terms) from MotoNovo, 10% from corporate and 21% from personal loans, whilst growth in new business volumes moderated to 6% in SA motor retail reflecting the more constrained economic environment and significant year-on-year slowdown in new vehicle sales. • Total NPLs continued to trend downwards and decreased 6% year-on-year. Retail NPLs declined 1% mainly as a result of the continued improvement in the residential mortgage portfolio offset by the 7% increase in the personal loans portfolio. The workout of certain non-performing accounts led to the significant improvement of 18% in corporate and commercial NPLs at June 2014.	*Retail credit portfolio* • Continued focus on limiting credit extension in the unsecured portfolios to existing retail transactional customers. • Ongoing refinement of credit scorecards and affordability risk management practices aligned to risk appetite and deteriorating macroeconomic context. • Focus on extending credit to lower-risk customers and investment in collection capabilities. *Commercial credit portfolio* • Focus on relationship banking with non-banked lending limited to where pricing is appropriate for increased risk. • Further develop commercial lending skills and product offerings, especially across the rest of Africa and India. • Strengthen risk management and legal recoveries capacity to cater for expected increase in NPLs as credit cycle emerges. *Corporate credit portfolio* • Available capacity for portfolio growth to be allocated to strategic growth areas and clients. • Continue to strengthen risk management in recognition of the challenging operating environment.

Outcomes	Risk management focus areas
Credit risk	
• The credit loss ratio of 0.84% remains below the long-run expected range of 100 to 110 bps. • 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 overall credit picture remains in line with expectations and all of the Group's portfolios are tracking as anticipated, reflecting decisions taken as early as 2011 to exit origination in high-risk segments, particularly in personal loans.	
Counterparty credit risk	
• Successful implementation of global derivative regulatory reform requirements and a new, upgraded legal agreements database. • Improvement in analytics and reporting of derivative exposures, fair value adjustments and funding.	• Extend counterparty credit risk process to business in the rest of Africa. • Improve platform and process for security collateral. • Further improve exposure modelling.
Market risk in the trading book	
• Overall diversified levels of market risk remained relatively unchanged. • More focused market risk analysis and reporting in line with the Group's new risk appetite framework and governance structure.	• Upgrading the Group's central risk engine in order to improve the current operating environment and cater for anticipated regulatory changes.
Equity investment risk	
• New investments were added to the portfolio with significant realisation during the year. • Considerable growth in the unrealised value of the portfolio as earnings in the underlying investments continued to grow and strong cash generation allowed for degearing. • Ashburton Investments developed and launched five new funds in line with its strategy to provide global investors with traditional and alternative investment products.	• Growing the debt financing portfolio in relation to the equity financing portfolio in RMB resources. This is in line with RMB's decision to reduce volatility in the business, through limiting the exposure to new equity investments. • Ashburton Investments will continue to develop and launch new products and focus on improving its distribution capability.
Interest rate risk in the banking book	
• During the year, the average repo rate increased by 19 bps, resulting in a positive endowment impact as the SARB started to increase rates.	• The endowment book (capital and non-maturing deposits) is positioned to benefit from rising interest rates. • Continue to monitor developments relating to and quantify impact of a possible BCBS proposed Pillar 1 charge for interest rate risk in the banking book, currently in discussion phase.

Outcomes	Risk management focus areas
Foreign exchange and translation risk in the banking book	
- Continued to strengthen principles regarding the management of foreign exchange positions and funding to the Group's foreign entities. - Monitored net open forward positions in foreign exchange (NOFP) limits in each of the Group's foreign entities.	- Management of foreign exchange exposures on the balance sheets of the Group's foreign entities. - Continually assess and review the Group's foreign exchange exposures and enhance the quality and frequency of reporting.
Funding and liquidity risk	
- The Liquidity coverage ratio (LCR) was fully adopted by the SARB with the inclusion of a committed liquidity facility and will be phased in from 2015 to 2019. The minimum LCR requirement will be 60% at 1 January 2015, with 10% incremental step-ups each year to 100% on 1 January 2019. - During the year under review the deposit franchise grew 18% which resulted in a reduction in the Bank's reliance on institutional funding. Capital markets issuance increased 36% and the term profile of institutional funding was further lengthened to 27 months.	- Continue to focus on the Basel III liquidity regime with emphasis on both funding and market liquidity risk management. - Further optimise a risk-adjusted diversified funding profile in line with Basel III requirements relating to the LCR and continue to focus on growing the deposit franchise through innovative products and improve the risk profile of institutional funding. - In order to include the committed liquidity facility in the Bank's available liquidity resources, work is required to appropriately structure and prepare the Bank's assets to access this facility. FirstRand is in the process of applying to the SARB for a committed liquidity facility.
Operational risk	
- Improved quality of operational risk management information across the Group. - Created a single platform with an integrated view of the Group's operational risk profile based on the risk tool outputs. - Improved understanding of risks and controls in main business processes. - Reviewed operational risk appetite at Group and franchise levels and defined operational risk appetite at segment level. - Increased use of external data in scenario analysis to increase objectivity in the process. - Updated mandatory key risk indicators (KRIs) to cover significant Group-wide risks and improve the predictive capability of KRIs. - Implemented formal tracking and reporting of progress on critical projects/initiatives to address key operational risk themes across the Group.	- Embed operational risk appetite in business decision making at segment and business unit levels. - Continued refinement of the process-based risk and control identification and assessment through comprehensive coverage of, *inter alia*, critical handover points, information governance, regulatory, legal and IT risks. - Refine the scenario analysis process by appropriate linkages to key risk drivers and risk mitigation plans. - Refine KRIs to be more predictive of risk and align with operational risk appetite settings. - Embed the tracking of Group-wide mandatory KRIs (including IT risk). - Update advanced measurement approach capital modelling methodology and software. - Implement Basel principles for risk data aggregation and risk reporting.

Outcomes	Risk management focus areas
Regulatory risk	
- During the year under review, the SARB levied fines totalling R125 million on South Africa's four largest banks in relation to FICA regulations. FirstRand received a fine of R30 million relating to customer verification and record keeping. Required governance improvements in anti-money laundering reporting processes were also identified. The nature and extent of the SARB findings did not indicate any abuse of FirstRand's banking platforms by money launderers and the identified issues of non-compliance have not directly or indirectly led to any customer being financially prejudiced. - The proposed implementation of a twin peaks model of financial regulation in South Africa. - The Banks Amendment Act 22 of 2013, effective 10 December 2013, serves to, *inter alia,* amend banking legislation in line with requirements of the BCBS. - The draft Financial Sector Regulation Bill, 2013, was published in December 2013.	- FirstRand has, over the past five years, made significant investments in systems, processes and resources to ensure the correct capturing of customer information and the appropriate identification of suspicious transactions, and remains fully committed to addressing any ongoing weaknesses. - Continued support for regulatory objectives, improvements in risk management and governance practices, and cooperation with regulatory authorities and other stakeholders. - Continue to make significant investments in people, systems and processes to manage the risks emanating from a number of new local and international regulatory requirements.

BASEL PILLAR 3 DISCLOSURE

Regulation 43 of the revised Regulations of the Banks Act, 1990 (Act No. 94 of 1990), requires that a bank shall disclose in its annual financial statements and other disclosures to the public, reliable, relevant and timely qualitative and quantitative information that enables users of that information to make an accurate assessment of the bank's financial condition, including its capital adequacy, financial performance, business activities, risk profile and risk management practice. This disclosure requirement is commonly known as Pillar 3 of the Basel Accord. This is FirstRand's Basel Pillar 3 disclosure and complies with the risk disclosure requirements of regulation 43 of the *Regulations relating to Banks, (Regulations)*. The Basel III additional capital disclosure templates (as required per SARB Directive 8 and 20B) can be found on the Group's website, www.firstrand.co.za/investorcentre/pages/capitaldisclosures.aspx.

The *deputy CEO's report* and the *CFO's report* on pages 14 to 50 provide a high-level overview of the Group's financial condition, performance and risk profile for the year ended 30 June 2014.

FirstRand Limited is the listed holding company and regulated bank-controlling company. The wholly-owned subsidiaries of FirstRand are:

- FirstRand Bank Limited (the Bank or FRB);
- FirstRand EMA Holdings Proprietary Limited (FREMA);
- FirstRand Investment Holdings Proprietary Limited (FRIHL); and
- Ashburton Investments Holdings Limited (Ashburton Investments).

FRB and FREMA include the Group's regulated banking operations. Ashburton Investments is the Group's investment management business and all other activities are included under FRIHL. A simplified group structure can be found on page 491 of this report.

Some differences exist between the practices, approaches, processes and policies of the Bank and its fellow wholly-owned subsidiaries and these are highlighted by reference to the appropriate entity, where necessary. This report has been internally verified by the Group's governance processes in line with the Group's public disclosure policy. All information in this report is unaudited unless otherwise indicated.

SARB APPROACHES TO CALCULATION OF RWA

The following approaches are adopted by the Group for the calculation of RWA.

Risk type	FRB domestic operations	SARB approval date	Remaining FirstRand subsidiaries and FRB foreign operations	FRIHL entities
Credit risk	Advanced internal ratings-based (AIRB) approach	January 2008	Standardised approach	Standardised approach
Counterparty credit risk	Standardised method	May 2012	Current exposure method	Current exposure method
Market risk	Internal model approach	July 2007	Standardised approach	Standardised approach
Equity investment risk	Market-based approach: Simple risk-weighted method	June 2011	Market-based approach: Simple risk-weighted method	Market-based approach: Simple risk-weighted method
Operational risk*	Advanced measurement approach (AMA)	January 2009	The standardised approach (TSA)	Basic indicator approach (BIA), TSA, AMA
Other assets	Standardised approach	January 2008	Standardised approach	Standardised approach

* *All entities on the AMA and TSA for operational risk were included in the approval for use of AMA and TSA from January 2009; some entities were moved to FRIHL with a subsequent legal entity restructure. All other entities in FRIHL remain on the BIA approach.*

BASIS OF CONSOLIDATION

Consolidation of all entities for accounting purposes is in accordance with IFRS and for regulatory purposes in accordance with the requirements of the Regulations. There are some differences in the manner in which entities are consolidated for accounting and regulatory purposes. The following table provides the basis on which the different types of entities are treated for regulatory purposes.

Regulatory consolidation treatment

Shareholding	Banking, security firm or financial entity	Insurance entity	Commercial entity
Between 10% and 20%	- refer to threshold rules*.	Refer to threshold rules*	Internal rating-based approach risk weight up to maximum of 1250%.
Between 20% and 50%	Legal or *de facto* support: - proportionately consolidate. No other significant shareholder: - refer to threshold rules*.	Refer to threshold rules*	Individual investment greater than 15% of CET1, AT1, Tier 2: - risk weight at 1250%. Individual investment up to 15% of CET1, AT1 and Tier 2: - risk weight at no less than 100%.
Greater than 50%	Entity conducting trading activities/other bank, security firm or financial entity: - consolidate.	Refer to threshold rules*	

* *As per regulation 38(5) of the Regulations.*

DEFINITIONS

The Group is exposed to a number of risks that are inherent in its operations. Identifying, assessing, pricing and managing these risks appropriately are core competencies of the individual business areas. Individual risk types are commonly grouped into three broad categories, namely strategic and business risks, financial risks and operational risks.

Risk category reference	Risk components	Definition
Strategic and business risks	Includes strategic risk, business risk, volume and margin risk, reputational risk, and environmental and social risks	Strategic risk is the risk to current or prospective earnings arising from inappropriate business decisions or the improper implementation of such decisions.
		Business risk is the risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress. Business risk is often associated with volume and margin risk, and relates to the Group's ability to generate sufficient levels of revenue to offset its costs.
		Reputational risk is the risk of reputational damage due to compliance failures, pending litigations, underperformance or negative media coverage.
		Environmental and social risks focus on the environmental and social issues which impact the Group's ability to successfully and sustainably implement business strategy.
Financial risks	Credit risk	The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.
	Securitisations	Securitisation is the structured process whereby loans and other receivables are packaged, underwritten and sold in the form of asset-backed securities.
	Counterparty credit risk	The risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.
	Market risk in the trading book	The risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.
	Interest rate risk in the banking book	The sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates.

Risk category reference	Risk components	Definition
Financial risks	Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or any other financial instrument, whether listed, unlisted or bespoke.
	Foreign exchange and translation risk in the banking book	Foreign exchange risk is the risk of losses occurring or a foreign investment's value changing due to movements in foreign exchange rates. A bank is exposed to currency risk in its net open foreign currency positions and foreign investments.
		Translation risk is the risk associated with banks that deal in foreign currencies or hold foreign assets. The greater the proportion of asset, liability and equity classes denominated in a foreign currency, the greater the translation risk.
	Funding and liquidity risk	Funding liquidity risk is the risk that a bank will not be able to meet current and future cash flow and collateral requirements (expected and unexpected) without negatively affecting its reputation, daily operations and/or financial position.
		Market liquidity risk is the risk that market disruptions or lack of market liquidity will cause the bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.
Operational risks	Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.
	Regulatory risk	The risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of failure to comply with any applicable laws, regulations or supervisory requirements.

RISK APPETITE

The Group's risk appetite frames all organisational decision making and is fully integrated with FirstRand's strategic objectives. The risk/reward framework, which includes the risk appetite statement below, aims to ensure that the Group maintains an appropriate balance between risk and reward. Business and strategic decisions and the setting of risk appetite are aligned to risk appetite targets to ensure they are met during a normal cyclical downturn. Therefore, at a business unit level, strategy and execution are managed through the availability and price of financial resources, earnings volatility limits and required hurdle rates.

Risk appetite statement

FirstRand's **risk appetite** is the aggregate level and type of risks the Group is willing and able to accept within its overall **risk capacity**, and is captured by a number of qualitative principles and quantitative measures.

The aim is to ensure that the Group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set 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's strategic objectives and financial targets frame its risk appetite in the context of risk and reward and contextualise the level of reward the Group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risk it assumes in the normal course of business.

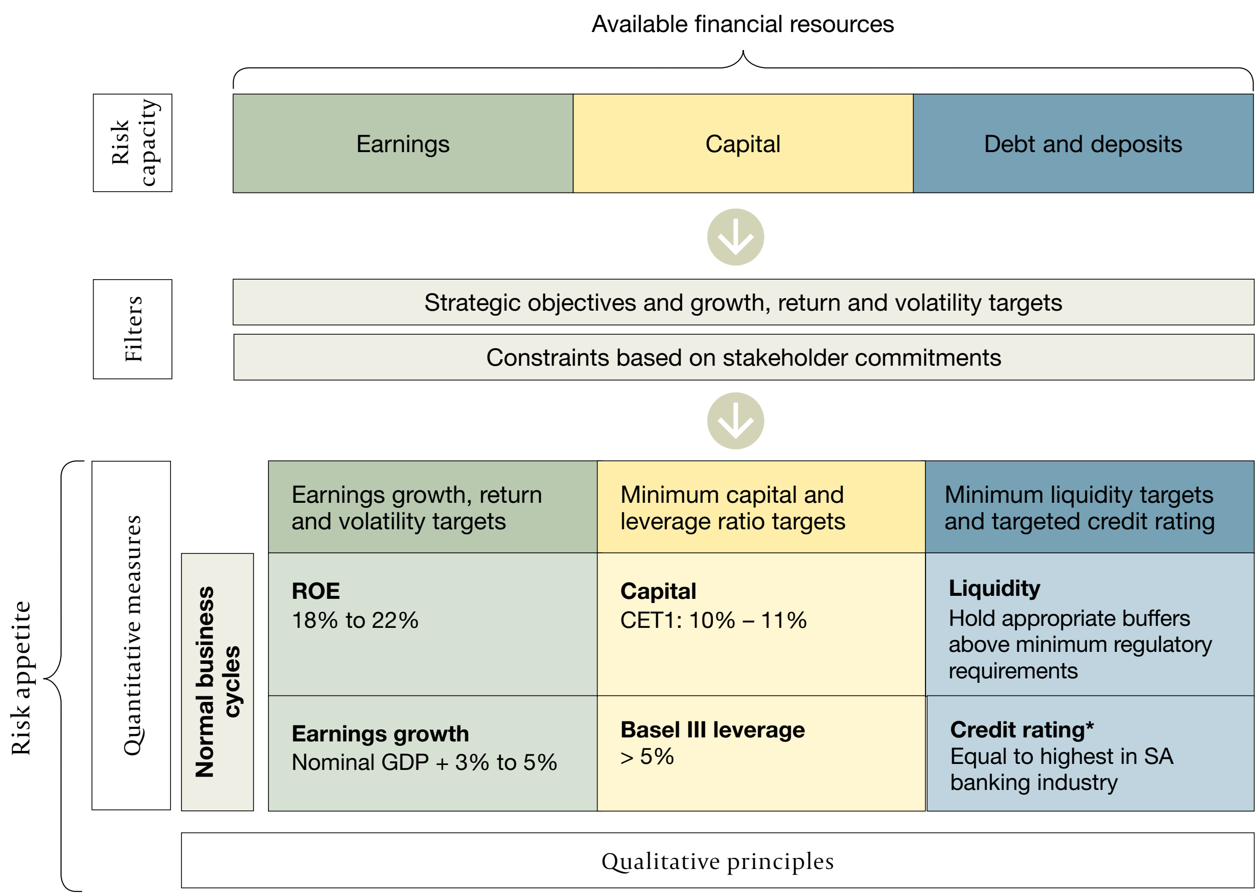
Risk capacity represents the absolute maximum level of risk the Group can technically assume given its current available financial resources, i.e. earnings, capital, debt and deposits. The Group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk appetite articulates what proportion of Group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including:

- overall strategic objectives;
- growth, volatility and return targets; and
- meeting the Group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

Risk appetite is captured through both quantitative measures and qualitative principles, which include set objectives for the level of earnings volatility and minimum levels of capital and liquidity to be maintained during defined time horizons in normal and stressed environments within a defined level of confidence.

Process for determining risk appetite



* *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. The three major rating agencies use different terminology for this concept – Standard & Poor's, standalone credit profile; Fitch Ratings, viability rating; and Moody's, baseline credit assessment.*

The qualitative principles include:

- always act with a fiduciary mindset;
- comply with prudential regulatory requirements;
- comply with the spirit and intention of accounting and regulatory requirements;
- build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines;
- no risk taking without a deep understanding thereof;
- comply with internal targets in various defined states to the required confidence interval;
- no business models with excessive gearing through either on- or off-balance sheet leverage;
- limit concentrations in risky asset classes or sectors;
- ensure the Group's sources of income remain appropriately diversified across business lines, products, markets and regions;
- manage the business on a through-the-cycle basis to ensure sustainability;
- identify, measure, understand and manage the impact of downturn and stress conditions;
- strive for operational excellence and responsible business conduct; and
- avoid reputational damage.

Application of the risk/reward framework

Risk appetite, targets and limits are used to monitor Group's risk/reward profile on an ongoing basis. The risk/reward profile should be measured point-in-time and forward looking. Risk appetite should influence the business plans of each of the businesses and inform the risk taking activities and strategies set in each business.

The Group cascades overall appetite into targets and limits at risk type and franchise and subsequent activity level, and these represent the constraints Group imposes to ensure its commitments are attainable.

Management of risk is the responsibility of everybody across all levels of the organisation, supported through the three lines of control framework of risk management.

The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The framework provides guidance on how financial resources, including risk-taking capacity, should be allocated. Although different commitments are made to various stakeholders, these are monitored collectively. Quantitative targets and limits are augmented by a number of qualitative principles that serve to provide guidelines on boundaries for risk taking activities.

Stress testing and scenario planning are used to assess whether the desired profile can be delivered and whether the business stays within the constraints it has set for itself. The scenarios are based on changing macroeconomic variables, plausible event risks and regulatory and competitive changes.

The Group employs a comprehensive, consistent and integrated approach to stress testing and scenario planning. The impact of risk scenarios on the business is evaluated and the need for adjustment to origination is considered and appropriate actions are taken. More severe scenarios are run less frequently but are critical to inform buffers, capital and liquidity planning, validate existing quantitative risk models and to understand required management action.

RISK GOVERNANCE

The Group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the Group. In line with the Group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, setting risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

RISK GOVERNANCE FRAMEWORK

The Group's business performance and risk management framework (BPRMF) describes the Group's approach to risk management. Effective risk management requires multiple points of control or safeguards that should be consistently applied at various levels throughout the organisation. There are three lines of control across the Group's operations, which are recognised in the BPRMF:

- first line – risk ownership;
- second line – risk control; and
- third line – independent assurance.

In the first line (risk ownership), risk taking is inherent in the individual businesses' activities. Management carries the primary responsibility for risks in its business, in particular, identifying and managing risk appropriately. Business owners, the board and exco are supported in these responsibilities by Group Treasury in FCC.

In the second line (risk control), business heads are supported by deployed divisional and segment risk management functions that are involved in all business decisions and are represented at an executive level across franchises. Franchise heads of risk have a direct reporting line to the Group chief risk officer and the relevant franchise CEO. Franchise and segment risk managers are responsible for risk identification, measurement and control. Divisional and segment risk management activities are overseen by the independent, central risk control functions in FCC, namely enterprise risk management (ERM) and regulatory risk management (RRM). ERM and RRM are represented on FirstRand's exco by the Group's chief risk officer and the head of regulatory risk management, respectively. These central risk control functions provide independent oversight and monitoring across the Group on behalf of the board and relevant committees.

In the third line, Group Internal Audit (GIA) in FCC and external advisors provide independent and objective assurance on the adequacy and effectiveness of governance, risk management practices and control across the Group to the board, audit committee and regulators. GIA is headed by the chief audit executive and reports to the board through the audit committee chairman. The chief audit executive has direct, unrestricted access to the Group CEO, executives, franchises and all business unit functions, records, property and personnel.

GIA conducts work in accordance with international internal audit standards and practices, and its activities are considered annually by the external auditors.

The table below lists the responsibilities of the different business areas in the operating franchises and FCC in the lines of risk control.

Responsibilities in the lines of risk control

FIRST LINE

HEADS OF BUSINESS

- act in accordance with mandates approved by the board or its delegated authority;
- identify, quantify and monitor key risks to business under normal and stress conditions;
- implement strategy within approved risk appetite parameters;
- design business processes to appropriately manage risk;
- ensure that board-approved risk policies, frameworks, standards, processes, methodologies and risk tools are implemented;
- specify and implement early warning measures, associated reporting, management and escalation processes through governance structures;
- implement risk mitigation and response strategies;
- implement timeous corrective actions and loss control measures as required; and
- ensure staff understand and implement responsibilities for risk management.

GROUP TREASURY

- provides an integrated approach to financial resource management;
- optimises the Group's portfolio to deliver sustainable returns within an acceptable level of risk;
- performs scenario analysis and stress testing;
- manages the Group's liquidity, funding, interest rate risk and market risk in the banking book and foreign exchange mismatch;
- performs capital management and planning; and
- advises senior management on potential capital actions, dividend strategy and other capital management developments.

SECOND LINE

DEPLOYED RISK MANAGEMENT

- supports management in identifying and quantifying key risks;
- ensures that board-approved risk policies, frameworks, standards, methodologies and tools are adhered to;
- approves design of business risk processes to ensure appropriate risk management;
- identifies process flaws and risk management issues and initiates and monitors corrective action;
- ensures timeous risk management and loss containment activities; and
- compiles, analyses and escalates risk reports on performance, risk exposures and corrective actions, through governance structures in appropriate format and frequency.

ENTERPRISE RISK MANAGEMENT

- maintains the BPRMF and its ancillary risk frameworks, policies, standards and risk governance structures;
- develops and communicates risk management strategy and challenges risk profiles;
- monitors adequate and effective implementation of risk management processes;
- reports risk exposures and performance to management and governance structures;
- supports management with risk aspects of business decisions;
- ensures appropriate risk management skills and culture;
- performs risk measurement validation; and
- manages regulatory relationships from a risk perspective.

REGULATORY RISK MANAGEMENT

- monitors that business practices, policies, frameworks and approaches are consistent with applicable laws and regulations.

THIRD LINE

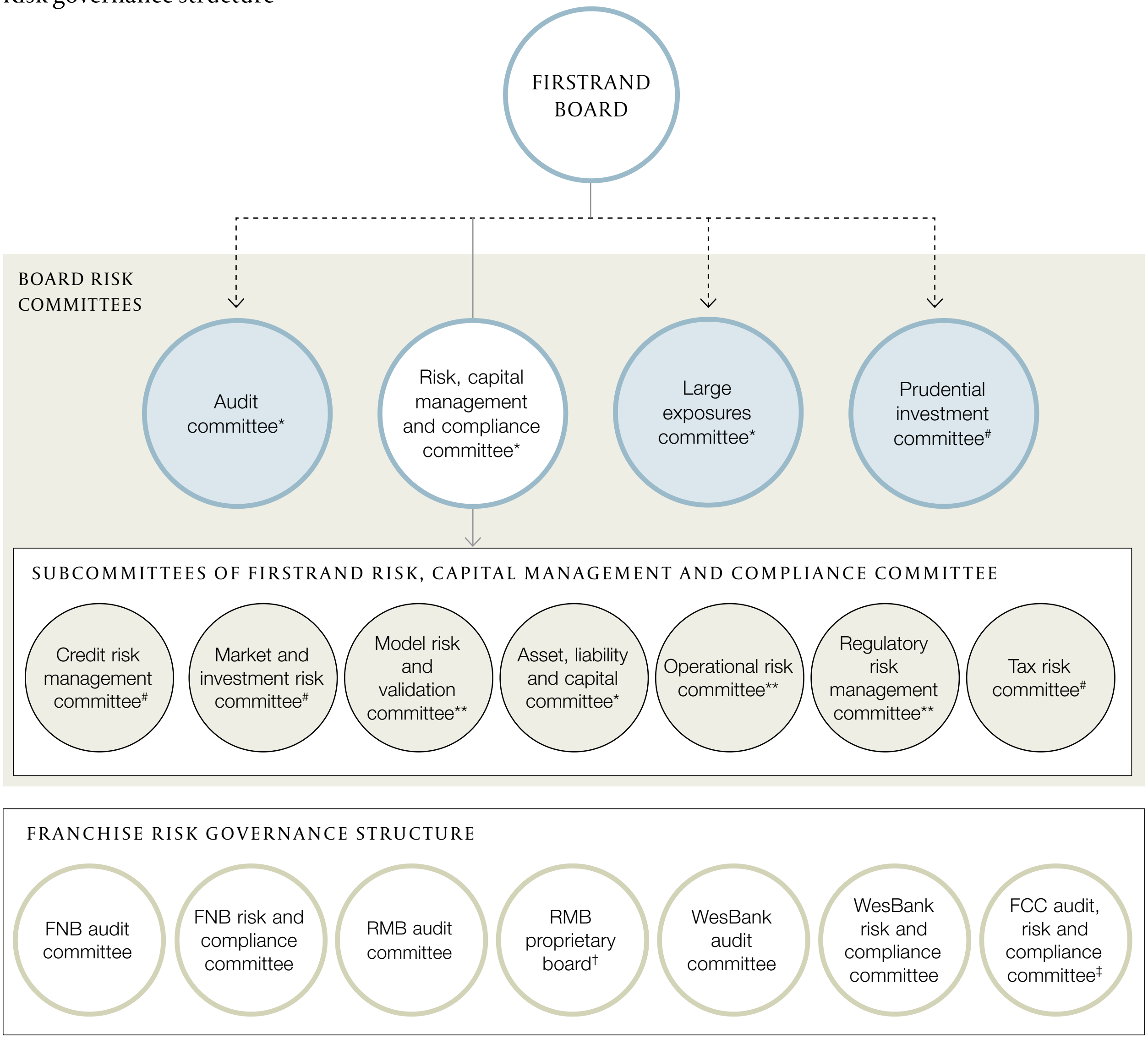
GROUP INTERNAL AUDIT

- monitors risk management infrastructure and practices;
- reviews the reliability and integrity of financial and operational information;
- reviews the significant systems established by management to ensure compliance with laws and regulations;
- reviews safeguarding and existence of assets;
- assesses whether resources are acquired economically and used efficiently and effectively;
- reviews operations or programmes for consistency with established goals and objectives;
- evaluates and assesses significant changes in functions, systems, services, processes, operations and controls; and
- provides an assessment of the adequacy and effectiveness of the system of internal controls (including financial controls) and risk management to the audit committee.

RISK GOVERNANCE STRUCTURE

The risk management structure is set out in the Group's BPRMF. As a policy of both the board and exco, it delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various franchises and the Group. The following diagram illustrates how the risk committees fit into the board committee structure. Other board committees, with clearly defined responsibilities, exist and are described in the *corporate governance* section of this report. One of these is the strategic executive committee, which ensures alignment of franchise strategies, sets risk appetite and is responsible for optimal deployment of the Group's financial and non-financial resources.

Risk governance structure



* *Chairperson is an independent non-executive board member.*

** *Chairperson is an external member.*

Chairperson is a member of senior executive management. The credit risk management committee has non-executive board representation.

† *The RMB proprietary board is the risk and regulatory committee for RMB.*

‡ *Ashburton Investments' audit, risk and compliance committee reported into FCC audit, risk and compliance committee during the year under review.*

The primary board committee overseeing risk matters across the Group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees. The RCC committee submits its reports and findings to the board and highlights control issues to the audit committee.

Additional risk, audit and compliance committees exist in each franchise; the governance structures of which align closely with that of the Group, as illustrated in the previous chart. The Group board committees comprise of members of franchise advisory boards, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the Group. The franchise audit, risk and compliance committees, as illustrated in the previous diagram, support the board risk committees and the subcommittees of the RCC committee in the third line of control across the Group.

The responsibilities of the board risk committees and the subcommittees of the RCC committee are included in the following tables. Further detail on the roles and responsibilities of the RCC committee and its subcommittees relating to each particular risk type is provided in the major risk sections of this report.

Responsibilities of the board risk committees

Committee	Responsibility
Audit committee	• assists the board with its duties relating to the safeguarding of assets, operation of adequate systems and controls, assessment of going concern status and ensuring that relevant compliance and risk management processes are in place; • ensures that a combined assurance model is applied to provide a coordinated approach to all assurance activities (by management, internal and external assurance providers); • oversees and reviews work performed by the external auditors and internal audit function; and • oversees financial risks and internal financial controls including the integrity, accuracy and completeness of the integrated report, which are provided to shareholders and other stakeholders.
Risk, capital management and compliance committee	• approves risk management policies, frameworks, strategies and processes; • monitors containment of risk exposures within the risk appetite framework; • reports assessment of the adequacy and effectiveness of risk appetite, risk management, ICAAP and compliance processes to the board; • monitors the implementation of risk management strategy, risk appetite limits and effectiveness of risk management; • initiates and monitors corrective action, where appropriate; • monitors that the Group takes appropriate action to manage its regulatory and supervisory risks and complies with applicable laws, rules, codes and standards; • approves regulatory capital models, risk and capital targets, limits and thresholds; and • monitors capital adequacy and ensures that a sound capital management process exists.
Large exposures committee (LEC)	• approves credit applications or renewals in excess of 10% of the Group's qualifying capital and reserves; and • delegates the mandate for approval of group and individual facilities to the FirstRand wholesale credit approval committee, commercial credit approval committee and the FirstRand retail credit policy, risk appetite and mandate approval committee (subcommittees of LEC), as appropriate.
Prudential investment committee (PIC)	• provides oversight to ensure that investment risk and transactions are carefully assessed prior to approval; and • ensures investment exposures comply with FirstRand's prudential investment guidelines.

Responsibilities of the subcommittees of the RCC committee

Committee	Responsibility
Credit risk management committee	• approves credit risk management and risk appetite policies as well as forward looking credit risk indicators developed by the retail, commercial and corporate portfolios; • independent analysis, evaluation and ongoing oversight of credit portfolio quality and performance relative to credit risk appetite thresholds; • monitors quality of the in-force business, business origination, and underlying assets in the securitisation process; • monitors scenario and sensitivity analysis, stress tests, credit economic capital utilisation, credit pricing and credit concentrations; • ensures uniform interpretation of credit regulatory requirements and acceptable standards of credit reporting; • monitors corrective actions in terms of non-adherence to the credit risk management framework based on reports by GIA and reports to the RCC committee; and • reviews credit economic conditions outlook as described in the Group's house view and ensures that business units align credit origination strategies accordingly.
Market and investment risk committee	• approves market and investment risk management policies, standards and processes; • monitors the effectiveness of market and investment risk management processes; • monitors the market and investment risk profile; and • approves market and investment risk-related limits.
Model risk and validation committee	• approves or recommends for approval by the RCC committee, all material aspects of model validation work including credit ratings and estimations, internal models for market risk and advanced measurement operational risk models for the regulatory capital calculations.
Asset, liability and capital committee (ALCCO)	• approves and monitors effectiveness of management policies, assumptions, limits and processes for liquidity and funding risk, capital and market risk in the banking book (interest rate risk and foreign exchange and translation risk); • monitors the management of funding of the Group's balance sheet; • provides governance and oversight of the level and composition of capital, and considers the supply and demand of capital across the Group; • approves buffers over regulatory capital and monitors capital adequacy ratios; and • approves frameworks and policies relating to internal funds transfer pricing for the Group.
Operational risk committee	• provides governance, oversight and coordination of relevant operational risk management practices and initiates corrective action, where required; • monitors the Group and franchise operational risk profiles against operational risk appetite; • mandates the FirstRand operational risk management committee to approve operational risk-related methodologies, processes, guidelines and relevant documentation; • reviews and recommends the Group's operational risk appetite for approval by RCC committee; • approves the operational risk management framework and all its subpolicies/frameworks used in the management of the different operational risk classes including fraud risk, legal risk, business resilience, information governance, information technology and physical security;

Committee	Responsibility
Operational risk committee continued	monitors the formal reports of the ORC subcommittees on the effectiveness of specific operational risk classes; ensures the maintenance of an independent and appropriately skilled operational risk management function; monitors the adequate and effective implementation of the operational risk management framework across the Group and key corrective actions; and reports on material operational risk items to the RCC committee.
Regulatory risk management committee	approves regulatory risk management principles, frameworks, plans, policies and standards; and monitors the effectiveness of regulatory risk management across the Group and initiates corrective action where required.
Tax risk committee	sets tax strategy and tax risk appetite; approves the tax management frameworks and policies; and monitors tax risk assessments and profiles, compliance tax risks, corrective actions and escalation to the RCC committee, where required.

Combined assurance

Formal enterprise-wide governance structures for enhancing the practice of combined assurance at Group and franchise levels are overseen by the audit committee. The primary objective of the Group and assurance forums is for the assurance providers to work together with management to deliver appropriate assurance cost effectively. The assurance providers in this model include GIA, senior management, ERM, RRM and external auditors. The combined outcome of independent oversight, validation and audit tasks performed by the assurance providers ensure a high standard across methodological, operational and process components of the Group's risk and capital management.

Combined assurance results in a more efficient assurance process through the elimination of duplication, more focused risk-based assurance against key control areas and heightened awareness of emerging issues resulting in the implementation of appropriate preventative and corrective action plans.

Regular risk reporting and challenge of current practices

As part of the reporting, challenge, debate and control process, ERM drives the implementation of more sophisticated risk assessment methodologies through the design of appropriate policies and processes, including the deployment of skilled risk management personnel in each of the franchises.

ERM, together with GIA, ensures that all pertinent risk information is accurately captured, evaluated and escalated appropriately and timeously. This enables the board and its designated committees to retain effective control over the Group's risk position at all times.

RISK CULTURE

The Group and its stakeholders recognise that effective risk management requires the maintenance of a proper risk culture, in addition to appropriate risk governance structures, policy frameworks and effective risk and capital methodologies.

ERM, in conjunction with the Group's ethics office, collaborate closely to identify and manage risk culture.

The Group believes its risk culture is influenced by the interaction of the following:

- competent and ethical leadership in setting strategy, risk appetite and a positive attitude towards appropriate risk practices;
- robust risk governance structures to ensure risk policy frameworks are visible and implemented, and that appropriate committee memberships and structures exist;
- best practice risk and capital methodologies for the appropriate identification, measurement, monitoring, management and reporting of risk and allocation of capital;
- accurate assessment of the broader organisational culture which determines business ethics practices, and supports or detracts from risk goals; and
- a people risk profile that provides a balance between skills and ethical values and the appropriate allocation of resources and accountability for performance.

The Group has established four parameters as the dominant drivers impacting the risk rating of its culture, outlined in the following table.

Risk culture parameters

Parameters	Activities
Leadership living good values	ensure that leaders set the appropriate tone in terms of responsible business conduct.
Setting risk goals	ensure risk management goals are set and properly communicated throughout the organisation; and ensure that ethics and accountability to risk management parameters are considered as important as efficiency, innovation and profit.
Providing resources	ensure risk management goals are attainable by adequately resourcing risk management functions; and apply fit and proper tests for key risk roles.
Aligning measurement and rewards	ensure risk metrics are incorporated into measurements and the way business rewards performance.

RISK AND CAPITAL METHODOLOGIES

Best practice risk and capital management methodologies have been developed in and for the relevant business areas. The detailed sections covering each major risk type provide in-depth descriptions of the approaches, methodologies, models and processes used in the identification and management of each major risk. Each section also describes:

- the applicable governance and policy framework;
- an analysis of the relevant portfolios;
- the risk profile with respect to the type of risk under consideration; and
- the capital requirement.

STRATEGIC AND BUSINESS RISK

INTRODUCTION AND OBJECTIVES

Any business runs the risk of choosing an inappropriate strategy or failing to execute its strategy appropriately. The Group's objective is to minimise this risk in the normal course of business.

Business risk is considered in the strategic planning process and as a part of regular and pervasive stress testing and scenario analyses carried out across the Group. The objective is to develop and maintain a portfolio that delivers sustainable earnings and minimises the chance of adverse outcomes.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The development and execution of business level strategy is the responsibility of the strategic executive committee and the individual business areas, subject to approval by the board. This includes the approval of any subsequent material changes to strategic plans, budgets, acquisitions, significant equity investments and new strategic alliances.

Business unit and Group executive management, as well as Group Treasury and ERM review the external environment, industry trends, potential emerging risk factors, competitor actions and regulatory changes as part of strategic planning. Through this review, as well as regular scenario planning and stress-testing exercises, the risk to earnings and the level of potential business risks faced are assessed. Reports on the results of these exercises are discussed at various business, risk and board committees and are ultimately taken into account in the setting of risk appetite and potential revisions to existing strategic plans.

ASSESSMENT AND MANAGEMENT

Strategic risk is not readily quantifiable and is not a risk that an organisation can or should hold a protective capital buffer against. The risk to earnings on the other hand can be assessed and this forms an explicit part of the Group's risk processes.

Volume and margin risk

Volume and margin risk is considered part of strategic planning and is regularly assessed through the Group's management and governance processes and ICAAP. Volume and margin risk could result in a situation where the operating income of the Group is insufficient to absorb the variability in income and operating costs.

Reputational risk

As a financial services provider, the Group's business is one inherently built on trust and close relationships with its clients. Reputational risk can arise from environmental, social and governance issues or as a consequence of financial or operational risk events.

The Group's reputation is built on the way in which it conducts business and it protects its reputation by managing and controlling these risks across its operations. It seeks to avoid large risk concentrations by establishing a risk profile that is balanced within and across risk types. In this respect, potential reputational risks are also taken into account as part of stress-testing exercises. The Group aims to establish a risk and earnings profile within the constraints of its risk appetite and seeks to limit potential stress losses from credit, market, liquidity or operational risks that may otherwise introduce an undesirable degree of volatility in its financial results and adversely affect its reputation.

ENVIRONMENTAL AND SOCIAL RISK MANAGEMENT

Equator Principles and environmental and social risk analysis (ESRA)

FirstRand has formally integrated environmental and social risk management processes into its credit risk governance process, which is supported by enterprise-wide social and ethics committee structures. These processes include the following key measures:

- defining requirements for environmental and social risk assessment, and monitoring approved transactions;
- developing and communicating environmental and social performance standards that clients will be expected to meet within an acceptable time frame; and
- defining environmental and social roles and responsibilities for both FirstRand and its clients.

FirstRand became an Equator Principles (EP) finance institution in July 2009. Within FirstRand, the application of EP forms part of ESRA and is a specific framework for determining, assessing and managing environmental and social risk in affected transactions.

During 2012/2013, the EP Association and its member financial institutions conducted a strategic review and increased the scope of transactions to which EP applies. This new revised standard (EP III) has been implemented at FirstRand effective December 2013 for all products in the new scope of EP, which includes the types of transactions set out in the following table.

ESRA transaction type

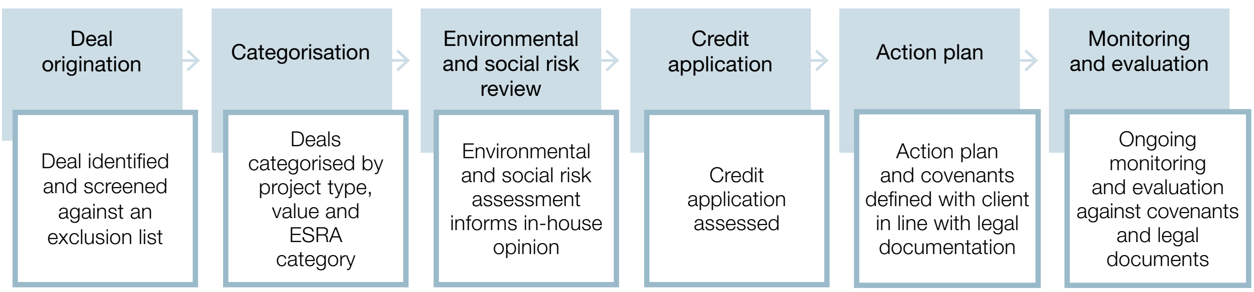
Transaction type	Threshold amount after which an ESRA review is triggered
Project finance transactions	Total project capital costs at or above US$10 million: EP review. All category A (high risk) and B (medium risk) transactions with a total project capital cost of less than US$10 million: in-house ESRA review.
Project finance advisory	Total project capital costs at or above US$10 million: EP review.
Corporate loans	No threshold applied, all corporate loans: in-house ESRA review.
Corporate loans – project related	Total aggregate loan amount is at least US$100 million of which the member banks' individual commitment (before syndication or sell down) is at least US$50 million and loan tenor is at least two years: EP review.
Bridge loans (subject to EP)	Bridge loans with a tenor of less than two years that are intended to be refinanced by project finance (at or above US$10 million): EP review.
Equity investment deals	No threshold applied, all equity investment deals: in-house ESRA review.
Affected commercial loans (inclusive of property finance)	No threshold applied, all property finance or property securitised loans: in-house ESRA review. Commercial loans (non-property related) – total facility amount above R7.5 million: in-house ESRA review.

ESRA review process

Specialist resources in the franchises serve as technical advisors to franchise senior management and employees involved with credit transactions and provide assessment, review, consultation and specialist advice on lending transactions.

Each of the Group's operating franchises have formalised credit and compliance processes for the implementation of ESRA, with oversight provided by franchise social and ethics committees, risk and compliance officers, and credit committees throughout the Group. The ESRA process is incorporated in the FirstRand credit risk management framework as an aspect of transaction risk management, and in the FirstRand environmental sustainability risk framework (a subframework of the regulatory risk management framework) as an aspect of environmental and social risk management. At a Group level, oversight is also provided by RRM and franchise social and ethics committees. The ESRA review process is illustrated in the following chart.

ESRA review process



In the event that a transaction is identified as being a high environmental or social risk, or an exception to the defined process, the transactor, franchise chief risk officers and franchise heads of credit are informed through a formalised escalation process. Transaction approval is provided by franchise chief risk officers and heads of credit and reported to the relevant quarterly franchise social and ethics committees by the chief risk officer for discussion and noting.

FirstRand has formal governance processes for managing environmental and social risks affecting the Group's ability to successfully implement business strategy. These processes involve the integration of environmental and social information into the relevant sections of risk reports at Group and franchise level. Tolerances and mitigating actions are defined at Group and franchise level, and progress in respect of these is tracked through existing risk reporting structures. Provision is made for the escalation of significant environmental and social issues to the board via the executive, RCC and audit committees.

2014 EP performance

The Group measures EP performance in line with the International Finance Corporation (IFC) performance standards as either Category A (high risk), Category B (medium risk) or Category C (low to no risk), per the definitions set out in the table.

Definition of EP performance categories

IFC/equator category	Risks/impacts
Category A (high risk)	Projects with potential significant adverse social or environmental impacts that are diverse, irreversible or unprecedented. Issues relating to these risks may lead to work stoppages, legal authorisations being withdrawn and reputational damage. Examples could include projects involving the physical displacement of the natural environment or communities.
Category B (medium risk)	Projects with potential limited adverse social or environmental impacts that are few in number, generally site specific, largely reversible and readily addressed through mitigation measures. Issues relating to these risks may lead to fines, penalties or legal non-compliance and reputational damage. Examples could include increased use of energy or increased atmospheric emissions.
Category C (low risk)	Projects with minimal or no social or environmental impacts.

During the financial year the new automated categorisation tool was implemented in the franchises, which will improve the accuracy of future reporting of ESRA transactions. Additional disclosure to comply with the EP III reporting requirements are included in this report.

EP transactions

The projects reported are the structured EP-defined deals, which were reviewed by in-house environmental and social risk specialists. These specialists provide technical advice to divisional senior management and employees involved with credit transactions and provide assessment, review, consultation and specialist advice on lending transactions.

All category A and B transactions were subjected to independent EP review to establish environmental and social risks of the project and have reached financial close during the reporting period. Financial close is assumed when all conditions precedent to initial drawing of the debt have been satisfied or waived. EP reporting is externally assured for public disclosure by an independent third party as per the requirements set out by the EP Association.

Analysis of EP transactions

The number of EP transactions screened per industry categories and regions is provided in the following tables.

EP project finance loans

	2014				2013*			
Transactions per category**	**Total**	**A high risk**	**B medium risk**	**C low risk**	**Total**	**A high risk**	**B medium risk**	**C low risk**
By sector								
Mining		**2**	**–**	**–**		3	–	–
Infrastructure		**–**	**–**	**1**		–	–	2
Power		**–**	**1**	**–**		–	–	–
Renewable energy		**–**	**2**	**–**		–	4	–
Retail		**–**	**–**	**8**		–	–	12
By region								
Americas		**–**	**–**	**–**		2	–	–
Middle East and Africa		**2**	**3**	**9**		1	4	14
By country designation								
Designated#		**–**	**–**	**–**		2	–	–
Non-designated		**2**	**3**	**9**		1	4	14
Independent review†								
Yes		**2**	**3**	**–**		3	4	–
No		**–**	**–**	**9**		–	–	14
By EP category								
Total number of EP transactions	**14**	**2**	**3**	**9**	21	3	4	14

* *The 2013 financial year data were restated in order to reflect transactions that reached financial close during the 2013 period in line with changes in the reporting requirements of EP III.*

** *No transactions in the oil and gas category or Europe, Asia and Oceania regions reached financial close during 2013 and 2014.*

\# *A designated country is a high income country as per the Organisation for Economic Cooperation and Development (OECD) country list.*

† *An independent review is not required for category C projects. EP provides details on what is required for each category and product type.*

Project-related corporate loans

The Group is required to disclose project-related corporate loans that reached financial close from year ending 30 June 2014, with comparative information from 30 June 2015. The information will include the detailed breakdown of project-related corporate loans per category split by sector, region, country designation, independent review and total transactions. Whilst there are project-related corporate loans that were initiated during the 2014 financial year, none of these reached financial close. Performance data of project-related corporate loans, that have reached financial close, will be disclosed from 2015 onwards.

EP project finance advisory transactions

	2014				2013*			
Transactions per category**	**Total**	**A high risk**	**B medium risk**	**C low risk**	**Total**	**A high risk**	**B medium risk**	**C low risk**
By sector								
Mining		**1**	**–**	**–**		2	–	–
Infrastructure		**–**	**1**	**–**		–	–	–
Power		**–**	**–**	**–**		–	1	–
Renewable energy		**–**	**1**	**–**		–	4	–
By region								
Middle East and Africa		**1**	**2**	**–**		2	5	–
Total by EP category	**3**	**1**	**2**	**–**	7	2	5	–

* *The 2013 financial year data were restated in order to reflect transactions that reached financial close during the 2013 period in line with changes in the reporting requirements of EP III.*

** *No project finance advisory transactions reached financial close in the oil, gas and retail sectors, and Americas, Europe, Asia and Oceania regions during 2013 and 2014.*

ESRA process going forward

The Group is currently in the sixth year of implementation of ESRA processes. Continued focus will be given to awareness training, effective application and continued improvement of the ESRA process. In the new financial year, areas of focus will include the expansion of the ESRA process into the Group's subsidiaries in the rest of Africa. Rollout of this process is expected to take place over a three-year period.

CAPITAL MANAGEMENT

INTRODUCTION AND OBJECTIVES

The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the solvency and quality of capital in the Group during calm and turbulent periods in the economy and financial markets. Capitalisation ratios within the Group's risk appetite and appropriate to safeguarding operations and interests of stakeholders are, therefore, maintained.

The optimal level and composition of capital is determined after taking into account business units' organic growth plans – provided financial targets are met. In addition, other factors taken into consideration are:

- targeted capital ratios;
- future business plans;
- issuance of capital instruments;
- stress testing scenarios;
- appropriate buffers in excess of minimum requirements;
- rating agencies' considerations;
- investor expectations (including debt holders);
- economic capital requirements;
- proposed regulatory changes; and
- the board's risk appetite.

Allocating resources effectively, including capital and risk capacity, in terms of the risk appetite targets and in a manner that maximises value for shareholders is a core competence and key focus area. Sound capital management practices, therefore, form an important component of overall business strategy.

Effectiveness of capital allocation decisions and efficiency of the capital structure are important determinants of the ability to generate returns for shareholders. The Group seeks to hold limited excesses above the capital required to support its medium-term growth plans (including appropriate buffers for stresses and volatility) and future regulatory changes.

The total capital plan includes a dividend policy, which is set to ensure sustainable dividend cover based on sustainable normalised earnings. The plan also takes into account volatile earnings brought on by fair value accounting, anticipated earnings yield on capital employed, organic growth requirements and a safety margin for unexpected fluctuations in business plans.

CAPITAL ADEQUACY AND PLANNING

Year under review

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within approved ranges or above target levels across economic and business cycles. The Group is appropriately capitalised under a range of normal and severe scenarios (including stress events) and taking into account ongoing regulatory developments and expansion initiatives in the rest of Africa.

The Group operated above its targeted capitalisation range throughout the year under review, reporting a total capital adequacy ratio of 16.7% and a CET1 ratio of 13.9% at 30 June 2014. The add-on for domestic systemically important banks (D-SIB) was finalised during the current financial year, however, remains confidential. The Group's internal target levels have been revised in order to take into account end-state regulatory minimum requirements, including the capital conservation buffer, and also after considering various stakeholder constraints.

The board-approved adjusted targets and actual capital ratios at 30 June 2014 are summarised in the table below.

Capital adequacy position

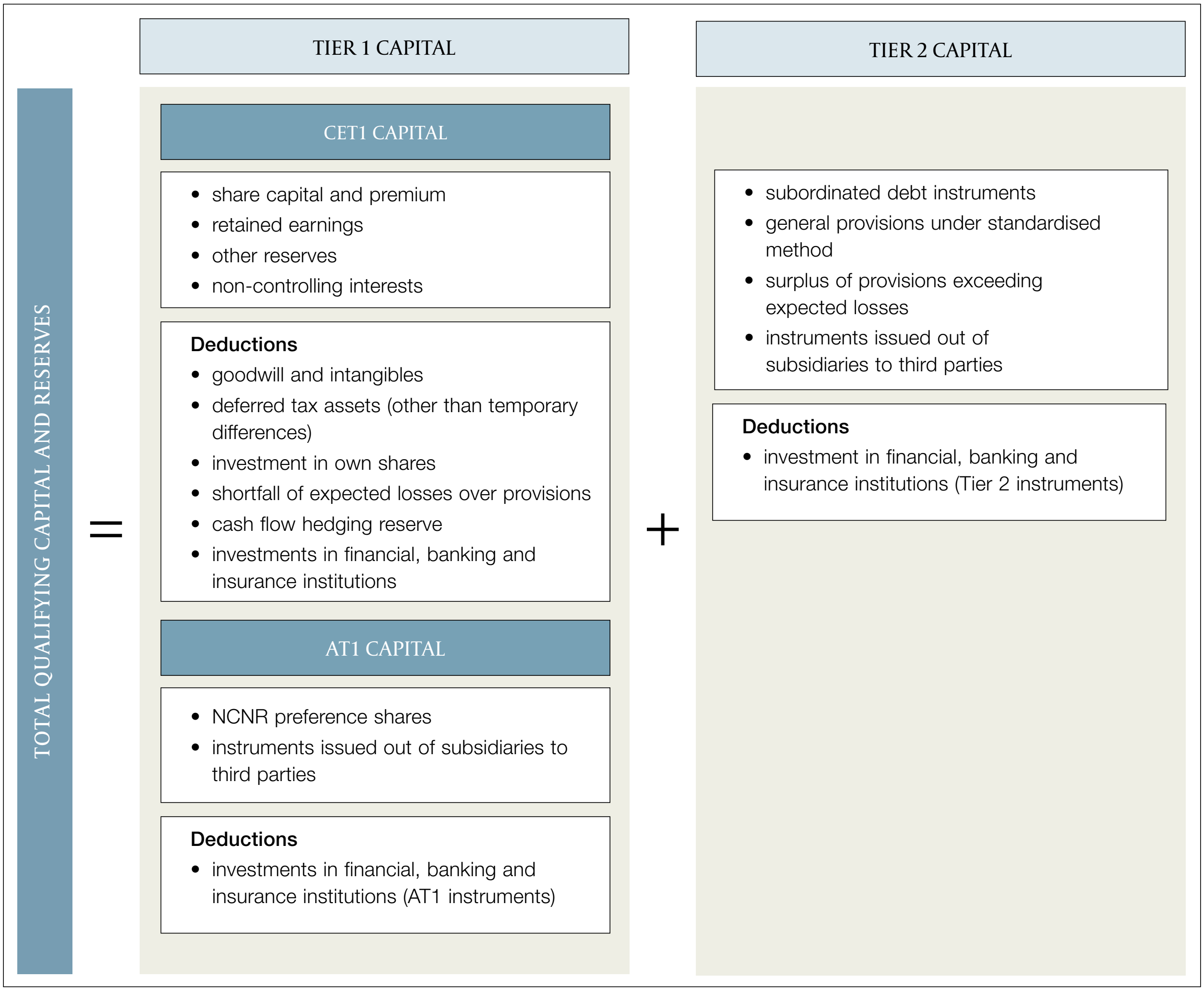
%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Target	10.0 – 11.0	>12.0	>14.0
Actual	**13.9**	**14.8**	**16.7**

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

Basel III

Regulatory capital supply includes CET1, Tier 1 and Tier 2 qualifying capital and reserves. The following diagram illustrates the main elements:

Qualifying capital components



The BCBS has issued a number of consultative documents over the past year. These papers cover various topics and are at different stages of testing, finalisation and implementation.

The Group continues to participate in the BCBS's quantitative impact studies to assess the effect of Basel III and monitor the impact of leverage for the industry. The BCBS issued the final leverage framework in January 2014, with final calibrations and adjustments expected by 2017. The ratio is expected to transition to a Pillar 1 requirement by 2018. The leverage ratio is calculated by dividing Tier 1 capital by total exposures (on- and off-balance sheet) as defined. The Group's current leverage ratio comfortably exceeds the existing SARB minimum requirement of 4%.

Internal capital adequacy assessment process

ICAAP is key to the Group's risk and capital management processes as it is an integral tool in meeting the capital management objectives of the Group. ICAAP allows and facilitates:

- the link between business strategy, risk introduced and capital required to support the strategy;
- the establishment of frameworks, policies and procedures for the effective management of material risks;
- the embedding of a responsible risk culture at all levels in the organisation;
- the effective allocation and management of capital in the organisation;
- the development of recognised stress tests to provide useful information which serve as early warnings/triggers, so that contingency plans can be implemented;
- the determination of the capital management strategy and how the Group will manage its capital during business as usual and periods of stress; and
- the capital plan.

The board-approved capital plan is reviewed annually as part of the Group's ICAAP, with the stress-testing framework an extension of the process. ICAAP assists in the allocation of capital in proportion to risks inherent in the respective businesses with reference to normal economic circumstances and times of potential stress, which may lead to the realisation of risks not previously considered. These processes are under continuous review and refinement, and continue to inform the targeted buffer over the minimum capital requirement.

The Group aims to back all economic risk with CET1 capital adjusted for volatile reserves (foreign currency translation and availale-for-sale reserves) and remains well capitalised in the current environment.

Capital adequacy

Supply of capital

The following table summarises the qualifying capital for the Group.

Composition of qualifying capital

	FirstRand	
R million	**2014**	**2013***
CET1 capital	**79 344**	71 869
Tier 1 capital	**84 647**	77 212
Total qualifying capital and reserves**	**95 368**	84 690

* *Comparatives have not been restated for IFRS changes.*

** *Share capital, share premium and retained earnings included in total qualifying capital and reserves have been audited.*

CET1 capital benefited from strong internal capital generation through earnings. All profits were appropriated at 30 June 2014.

Existing non-compliant Basel III NCNR preference shares and Tier 2 instruments were grandfathered by an additional 10% in January 2014. Given SARB guidance on the loss absorbency requirements for capital instruments, the Group continues to focus on the most optimal capital mix and pricing. During the year under review, the Group issued R3.8 billion Basel III-compliant Tier 2 instruments. For more detail on these instruments refer to the main features template discussed below.

Demand for capital

The table below shows the breakdown of the RWA per risk type as per current SARB regulations.

RWA and capital requirements

	FirstRand				
	2014				2013
	RWA				
R million	Advanced approach	Standardised approach	Total	Capital requirement*	RWA
Credit risk	**319 368**	**78 792**	**398 160**	**39 816**	358 133
– Corporate, banks and sovereigns	**140 257**	**22 433**	**162 690**	**16 269**	138 931
– Small and medium enterprises (SMEs)	**41 835**	**20 011**	**61 846**	**6 185**	54 242
– Residential mortgages	**48 203**	**5 534**	**53 737**	**5 374**	53 226
– Qualifying revolving retail	**20 030**	**220**	**20 250**	**2 025**	18 581
– Other retail	**67 130**	**14 790**	**81 920**	**8 192**	69 767
– Securitisation exposure	**1 913**	**–**	**1 913**	**191**	4 642
– Other	**–**	**15 804**	**15 804**	**1 580**	18 744
Counterparty credit risk**	**1 127**	**190**	**1 317**	**132**	2 548
Total credit risk	**320 495**	**78 982**	**399 477**	**39 948**	360 681
Operational risk#	**73 398**	**20 215**	**93 613**	**9 361**	83 219
Market risk	**11 577**	**1 541**	**13 118**	**1 312**	9 785
Equity investment risk	**34 128**	**–**	**34 128**	**3 413**	38 190
Other assets†	**–**	**32 110**	**32 110**	**3 211**	28 085
Total RWA	**439 598**	**132 848**	**572 446**	**57 245**	519 960

* *Capital requirement calculated at 10.0% of RWA.*
** *Excludes default risk.*
# *Exposures subject to the basic indicator approach are included under the standardised approach.*
† *Includes the investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

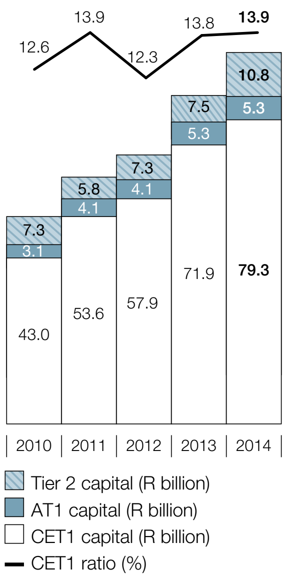
Overall movement in RWA can be attributed to the following:

- credit risk increased due to volume growth, partly offset by model recalibrations;
- operational risk increased due to:
  - recalibration of risk scenarios;
  - increase in gross income for entities on the standardised approach; and
  - the SARB add-on for the difference between the capital calculated on the AMA approach and the standardised approach;
- market risk increased due to the implementation of a higher capital multiplier resulting in an increase in general market risk; and
- equity investment risk decreased mainly due to the change in IFRS reporting for post-employment assets and realisations of equity investments.

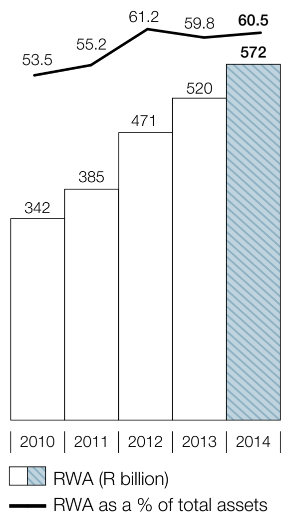
Historical overview of capital adequacy

The graphs below show the historical overview of RWA and capital adequacy of FirstRand.

Capital adequacy



RWA history



Refer to www.firstrand.co.za/investorcentre/pages/capitaldisclosures.aspx for further detail on the following:

- composition of capital;
- main features of capital instruments; and
- reconciliation of audited financial statements to regulatory capital and reserves.

The abovementioned disclosure templates comply with the requirements of SARB Directive 8 of 2013, which forms part of the annual Pillar 3 disclosure for the year ended 30 June 2014.

Scan with your smart device's QR code reader to access additional capital disclosures on the Group's website.

Capital adequacy position for FirstRand, its subsidiaries and foreign branches

The registered banking subsidiaries of FirstRand must comply with SARB regulations and those of the respective in-country regulators, with primary focus placed on Tier 1 capital and total capital adequacy ratios. Based on the outcome of detailed stress testing, each entity targets a capital level in excess of the regulatory minimum. Adequate controls and processes are in place to ensure that each entity is adequately capitalised to meet local regulatory requirements. Capital generated by subsidiaries/branches in excess of targeted levels is returned to FirstRand, usually in the form of dividends/return of profits. During the year under review, no restrictions were experienced on the repayment of such dividends or profits to the Group.

The capital adequacy positions of FirstRand, its subsidiaries and foreign branches are set out below.

RWA and capital adequacy positions of FirstRand, its subsidiaries and foreign branches

	For the year ended 30 June			
	2014			2013
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III				
FirstRand	**572 446**	**14.8**	**16.7**	16.3
FirstRand Bank South Africa	**423 257**	**14.2**	**16.1**	14.9
FirstRand Bank London	**22 413**	**10.2**	**19.0**	11.3
FirstRand Bank India	**1 803**	**31.0**	**31.8**	36.0
RMB Australia	**9 199**	**14.1**	**14.1**	11.5
Basel I/II*				
FNB Namibia**	**18 034**	**13.8**	**17.1**	16.2
FNB Botswana	**14 286**	**15.9**	**18.3**	17.4
FNB Swaziland	**2 333**	**21.2**	**22.3**	28.1
FNB Lesotho	**647**	**14.0**	**17.7**	18.1
FNB Mozambique**,#	**3 058**	**7.8**	**8.2**	12.7
FNB Zambia	**3 023**	**26.5**	**31.9**	26.6
FNB Tanzania	**324**	**>100**	**>100**	26.7
RMB Nigeria	**417**	**>100**	**>100**	>100

* *Based on local rules.*
** *Currently operating under Basel II regulations.*
\# *Capital ratios do not reflect recapitalisation due to outstanding notarisation. Total capital adequacy including recapitalisation is 15.8%.*

CREDIT RISK

INTRODUCTION AND OBJECTIVES

The goal of credit risk management is to maximise the Group's risk-adjusted return, i.e. NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk is one of the core risks assumed as part of achieving the Group's business objectives. It is the most significant risk type in terms of regulatory and economic capital requirements. Credit risk management objectives are two-fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps are taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management:** Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the Group credit risk management function in ERM and relevant board committees, fulfil this role.

Credit risk management across the Group is split into three distinct portfolios: retail, commercial and corporate. These portfolios are aligned to customer profiles. As advances are split across operating franchises, default risk is allocated to the income-receiving portfolio.

Based on the Group's risk appetite for credit risk, as measured on a ROE, NIACC and volatility of earnings basis, credit risk management principles include appropriate capital holdings and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the Group, therefore, spans the credit value chain, including credit origination strategy, risk appetite, risk quantification and measurement and collection and recovery of delinquent accounts.

Credit risk is managed through comprehensive policies and processes that ensure adequate identification, measurement, monitoring, control and reporting of credit risk exposure. The objective is to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement and monitoring through the implementation of adequate risk management controls.

Retail credit

FNB's secured retail products include mortgage finance with property as security for the loan and pension-backed loans, where lending is secured by a portion of the client's pension fund to purchase or improve a property. WesBank's secured retail credit exposure arises mainly from instalment sale agreements for motor vehicle financing.

Unsecured products in both FNB and WesBank include:

- personal loans ranging from small short-term loans to larger loans;
- revolving loans, overdrafts, temporary loans and device loans linked mainly to transactional accounts of FNB-banked clients; and
- credit cards with revolving credit limits and either straight or budget period repayment facilities.

Commercial credit

The commercial credit portfolio strategy is focused on tailoring credit products for commercial customers. FNB (primary relationship owner) and WesBank both provide products, which include:

- revolving overdraft facilities linked to transactional demand deposit accounts;
- traditional VAF and fleet petrol cards;
- dealer funding solutions to selected vehicle dealerships secured by trade stock;
- guarantees and letters of credit to assist in the facilitation of transactions;
- forward exchange contracts and interest rate swaps;
- secured term loans;
- property finance includes owner-occupied and multi-tenanted properties as well as finance for residential developments secured by the properties;
- leveraged finance provides specialised business financing to fund, amongst others, business acquisitions, management buy-outs, management buy-ins, BEE transactions and balance sheet restructuring; and
- working capital facilities secured against debtors books and selective invoice discounting.

Corporate credit

Corporate credit products include the following offered by RMB to large corporate multi-banked customers:

- all-inclusive financing packages for investment banking clients;
- funding of corporate businesses, government and parastatals through debt capital market instruments;
- structured asset finance for client funding requirements in local and cross-border strategic jurisdictions in the rest of Africa;
- structuring, raising and underwriting of equity capital and structured equity solutions;
- infrastructure and project finance;
- leveraged finance;
- real estate investment banking;

- guarantees and letters of credit to assist in the facilitation of transactions;
- working capital and general banking facilities; and
- resource finance.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The Group has a comprehensive credit governance committee structure with the responsibility to approve, monitor and oversee credit risk management and exposures of the Group. Additional management committees within the business assist in strengthening credit risk management.

The RCC committee and franchise excos regularly receive and review reports on the adequacy and robustness of credit risk identification, management and control processes, as well as on the current and projected credit risk profile across the Group. The credit risk management governance structures, related roles and responsibilities as well as lines of accountability are set out in the credit risk management framework. Approved by the RCC committee and FirstRand credit risk management committee (a subcommittee of the RCC committee), the credit risk management framework is board-approved policy and a subframework of the BPRMF, as discussed in the *risk governance* section.

The large exposure committee (a board committee) and the FirstRand credit risk management committee support the RCC committee in its tasks. The model risk and validation committee, also a subcommittee of the RCC committee, supports the RCC committee specifically on risk capital models. For a description of the role and responsibilities of these committees refer to the *risk governance* section.

The Group credit risk management function

The Group credit risk management function in ERM provides independent oversight of the credit risk management practices of the Group's operating franchises to ensure effective and holistic credit risk management process. It is responsible for the credit risk management framework and related policies and monitors the implementation of credit risk-related frameworks. In addition, its responsibilities include:

- reporting an independent view of the Group's credit risk profile and potential areas of concern via the risk committees to the board;
- challenging the risk profile, providing advice or guidance on credit risk management matters as requested, setting standards for credit risk reporting and providing additional reporting where required;
- maintaining and overseeing the Group's credit governance structures and credit measurement process;
- performing independent validations of regulatory capital credit rating systems;
- acting as key contact to the SARB on credit risk matters, including credit BA returns;
- ensuring completeness of credit risk identification;
- implementing credit risk methodologies and capabilities across the Group; and
- facilitating and managing credit risk appetite processes across the Group.

The Group credit risk management function is supported by credit risk functions within the franchises, which are managed by portfolio heads (retail, commercial and corporate).

Specific credit responsibilities lie with each credit portfolio head, including:

- accountability to the Group's governance forums and liaison with regulators;
- maintaining high competency levels/skills in each credit function;
- alignment of credit origination strategy and appetite;
- implementation and assessment of credit governance frameworks and policy compliance;
- streamlining and consolidation of functions, systems and mandates; and
- calculating volatility profile for aggregate portfolios.

ASSESSMENT AND MANAGEMENT

Calculation of internal ratings and rating process

The assessment of credit risk across the Group relies on internally-developed quantitative models for regulatory purposes under the Regulations, as well as addressing business needs.

Credit risk models are widely employed in the assessment of capital requirements, pricing, impairment calculations and stress testing of the credit portfolio. All of these models are built on a number of client and facility rating models, in line with SARB AIRB approach requirements and the Group's model building frameworks. The credit risk approaches across the Group are shown in the following table.

Basel approach	FirstRand Bank SA	Remaining FirstRand subsidiaries
AIRB	✓	
Standardised approach		✓

Even though the remaining subsidiaries do not have regulatory approval to use the AIRB approach, the same or similar models are applied for the internal assessment of credit risk on the standardised approach. The models are used for internal assessment of the following three primary credit risk components discussed in the following sections:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and Group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

Probability of default

PD is defined as the probability of a counterparty defaulting on any of its obligations over the next 12 months and is a measure of the counterparty's ability and willingness to repay facilities granted. A default, in this context, is defined along two dimensions:

- time-driven: the counterparty is in arrears for more than 90 days or three instalments; and
- event-driven: there is reason to believe that the exposure will not be recovered in full and has been classified as such.

This definition of default is consistently applied across all credit portfolios as well as in the recognition of NPLs for accounting purposes.

The Group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table.

Mapping of FirstRand (FR) grades to rating agency scales

FR rating	Midpoint PD	International scale mapping*
FR 1 – 14	0.06%	AAA, AA, A
FR 15 – 25	0.29%	BBB
FR 26 – 32	0.77%	BB+, BB
FR 33 – 39	1.44%	BB-
FR 40 – 53	2.52%	B+
FR 54 – 83	6.18%	B
FR 84 – 90	13.68%	B-
FR 91 – 99	59.11%	Below B-
FR 100	100%	D (defaulted)

* *Indicative mapping to the international rating scales of Standard & Poor's. These mappings are reviewed and updated on a regular basis.*

FR 1 is the lowest PD and FR 100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. In line with international best practice, the Group distinguishes between the two measures of PD, both used for the management of exposure to credit risk:

- Through-the-cycle (TTC) PD measures reflect long-term, average default expectations over the course of the economic cycle. TTC PDs are inputs in economic and regulatory capital calculations.
- Point-in-time (PIT) PD measures reflect default expectations in the current economic environment and thus tend to be more volatile than TTC PDs. PIT PDs are used in credit portfolio management, including risk appetite and portfolio monitoring.

Exposure at default

The EAD of a particular facility is defined as the expected exposure to a counterparty through a facility should the counterparty default over the next 12 months. It reflects commitments made and facilities granted that have not been paid out and that may be drawn over the period under consideration (i.e. off-balance sheet exposures). It is also a measure of potential future exposure on derivative positions.

Tailored to the respective portfolios and products employed, a number of EAD models are in use across the Group. These have been developed internally and are calibrated to historical default experience.

Loss given default

LGD is the third major credit risk component estimated on the basis of internal models. It is defined as the economic loss on a particular facility upon default of the counterparty. It is expressed as a percentage of exposure outstanding at the time of default. In most portfolios, LGD is dependent on:

- type, quality and level of subordination;
- value of collateral held compared to the size of overall exposure; and
- effectiveness of the recovery process and timing of cash flows received during the workout or restructuring process.

A number of models are used to assess LGDs across various portfolios. These models were developed internally and the outputs are calibrated to reflect both the internal loss experience, where available, and external benchmarks, where appropriate.

Typically, a distinction is made between the long-run expected LGDs (long-run LGDs) and LGDs reflective of downturn conditions. The latter is a more conservative assessment of risk, which incorporates a degree of interdependence between PD and LGD that can be found in a number of portfolios i.e. instances where deteriorating collateral values are also indicative of higher default risk. The more conservative measure of LGD is used in the calculation of regulatory capital estimates.

Expected loss (EL)

EL, the product of the primary risk measures PD, EAD and LGD, is a forward-looking measure of portfolio or transaction risk. It is used for a variety of purposes along with other risk measures. EL is not directly comparable to impairment levels, as EL calculations are based on the regulatory parameters TTC PD and downturn LGD, and impairment calculations are driven by IFRS requirements.

Slotting approach

Specialised lending relates mainly to project and commodity finance. In terms of the slotting approach, the exposure is rated after assessing the risks and mitigations applied to reduce/eliminate risk and mapped to one of four supervisory categories. This will apply where the Group finances an entity created to finance and/or operate physical assets where the primary source of repayment of the obligation is the income generated by the assets, i.e. specialised lending specifically in project and commodity finance.

Rating process

The Group employs a consistent rating process differentiated by the type of counterparty and the type of model employed for rating purposes. For example, retail portfolios are segmented into homogeneous pools in an automated process. Based on the internal product level data, PDs are then estimated (and continuously updated) for each pool. The following table summarises the processes and approaches employed and provides an overview of the types of exposures within each of the portfolios.

Credit portfolio rating process

Portfolio and type of exposures	Description of rating system
Large corporate portfolios (Wholesale: RMB, WesBank corporate and FCC) Exposures to private sector counterparties including corporates and securities firms and public sector counterparties. A wide range of products give rise to credit exposure, including loan facilities, structured finance facilities, contingent products and derivative instruments.	The default definitions applied in the rating systems are aligned to the Regulations. **Rating process:** - rating assignment to corporate credit counterparties is based on a detailed individual assessment of the counterparty's creditworthiness; - this assessment is performed through a qualitative analysis of the business and financial risks of the counterparty and is supplemented by internally developed statistical rating models; - rating models were developed using internal and external data covering more than ten years. Qualitative analysis is based on the methodology followed by international rating agencies; - the rating assessment is reviewed by the wholesale credit committee or delegated subcommittee and the rating (and associated PD) is approved by these committees; - no overrides of the ratings or the PDs are possible after approval by these committees; and - LGD and EAD estimates are based on modelling of a combination of internal and suitably adjusted international data with the same committee process responsible for reviewing and approving these measures.
Low default portfolios: sovereign and bank exposures (Corporate: RMB and FCC) Exposures to sovereign and bank counterparties.	The default definitions applied in the rating systems are aligned to the Regulations. **Rating process:** - expert judgement models are used in combination with external rating agency ratings as well as structured peer group analyses which form a key input in the ratings process. The analysis is supplemented by internally developed statistical models; - the calibration of PD and LGD ratings is based on a mapping to external default data as well as credit spread market data; - the rating assessment is reviewed by the wholesale credit committee or delegated subcommittee and the rating (as well as the associated PD) is approved by these committees; and - no overrides of the ratings or the PDs are possible after approval by these committees.

Portfolio and type of exposures	Description of rating system
Specialised lending portfolios (Corporate: RMB, FNB commercial and wealth (RMB private bank and FNB private clients)) Exposures to private-sector counterparties for the financing of income-producing real estate.	The default definitions applied in the rating systems are aligned to the Regulations. **Rating process:** • rating system is based on hybrid models using a combination of statistical cash flow simulation models and qualitative scorecards calibrated to a combination of internal data and external benchmarks; • the rating assessment is reviewed by the wholesale credit committee, commercial credit committee or delegated subcommittee and the rating (as well as the associated PD) is approved by these committees; and • no overrides of the ratings or the PDs are possible after approval by these committees.
Commercial portfolio (SME corporate and SME retail counterparties in FNB commercial and WesBank) Exposures to SME clients. A wide range of products give rise to credit exposure, including loan facilities, contingent products and term lending products.	The default definitions applied in the rating systems are aligned to the Regulations. **SME retail rating process:** • the SME retail portfolio is segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status; • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools; and • LGD and EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience. **SME corporate rating process:** • PD: Counterparties are scored using Moody's RiskCalc™ in addition to other internal risk drivers, the output of which is calibrated to internal historical default data; • LGD: Recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data (Fitch Ratings) and Basel guidelines; and • EAD: Portfolio level credit conversion factors are estimated on the basis of the Group's internal historical experience and benchmarked against international studies.
Residential mortgages (Retail portfolios in FNB HomeLoans, FNB housing finance, wealth (RMB private bank and FNB private clients) and mortgage exposures in the FNB smart segment) Exposures to individuals for the financing of residential properties. **Qualifying revolving retail exposures** (Retail portfolios in FNB card, FNB core banking solutions and wealth) Exposures to individuals providing a revolving limit through a credit card or overdraft facility. **Other retail exposures** (Retail portfolios in FNB loans, FNB smart segment, WesBank VAF and WesBank loans)	The default definition applied in the rating systems is aligned to the Regulations. **Rating process and approach:** • retail portfolios are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status; • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools; • no overrides of the PDs are possible. The only potential override is not that of the PD, but rather of the automated decision to lend or not. Such overrides may be done on the basis of the credit manager's judgement in a structured process supported by valid business reasons; and • LGD and EAD estimates are based on subsegmentation with reference to the collateral or product type as well as associated analyses and modelling of historical internal loss data. **Additional notes on qualifying revolving retail exposures:** • these exposures are unsecured and, therefore, only the efficiency of recovery processes impacts on the level of LGD; and • EAD measurement plays a significant role in the assessment of risk due to the typically high level of undrawn facilities characteristic of these product types. EAD estimates are based on actual historic EAD, segmented appropriately (e.g. straight versus budget in the case of credit cards).

Model validation

Rating models are recalibrated and independently validated on an annual basis to ensure validity, efficacy and accuracy. Rating models across portfolios incorporate an appropriate degree of conservatism, achieved through prudent choice of model parameters and inclusion in the calibration of downturn periods such as 2001 and 2007 to 2009.

Independent validation of rating systems is carried out by the Group credit risk management function in ERM. It is responsible for reviewing all rating systems and an annual comprehensive revalidation of all material rating systems. The model risk audit team in GIA carries out sample revalidations of the rating systems. The results of these reviews are reported to and approved by the model risk and validation committee and the RCC committee, depending on materiality. As part of this process, extensive documentation covering all steps of the model development lifecycle from inception through to validation is maintained, including:

- developmental evidence, detailing processes followed and data used to set parameters for the model. These documents are updated at least annually by the model development teams;
- independent validation reports, documenting the process followed during the annual validation exercise and results obtained from these analyses; and
- model build and development frameworks, which are reviewed and, where required, updated annually. These frameworks provide guidance, principles and minimum standards which the model development teams are required to adhere to.

Credit risk mitigation

Since taking and managing of credit risk is core to its business, the Group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this process, beginning with the structuring and approval of facilities for only those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the Group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type:

- mortgage and instalment sale finance portfolios in FNB HomeLoans, FNB wealth and WesBank are secured by the underlying assets financed;
- personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and sureties;
- FNB commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows;
- working capital facilities in RMB corporate banking are unsecured;
- structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets; and
- credit risk in RMB is mitigated through the use of netting agreements and financial collateral.

The Group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at the inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained over collateral. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection is performed in the event of default at the beginning of the recovery process.

The concentrations within credit risk mitigation types, such as property, are monitored and managed in the three credit portfolios. FNB HomeLoans, housing finance and wealth monitor exposure to a number of geographical areas, as well as within loan-to-value bands.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

Monitoring of weak exposures

Credit exposures are actively monitored throughout the life of transactions. Portfolios are formally reviewed by portfolio committees either monthly or quarterly to assess levels of individual counterparty risk, portfolio risks and to act on any early warning indicators. The performance and financial condition of borrowers is monitored based on information from internal performances, credit bureaux, borrowers and publicly-available information. The frequency of monitoring and contact with the borrower is determined from the borrower's risk profile. Reports on the overall quality of the portfolio are monitored at a business unit level, portfolio level and in aggregate for the Group.

Use of credit risk measures

The credit risk measures are used extensively in the Group's credit risk processes including the following:

- credit approval;
- pricing;
- limit setting/risk appetite;
- reporting;
- provisioning;
- capital calculations and allocation;
- profitability analysis;
- stress testing;
- risk management and credit monitoring; and
- performance measurement.

The following table describes the use of credit risk concepts and measures across a number of key areas and business processes related to the management of the credit portfolio.

Use of credit measures in the credit lifecycle

	Corporate	Retail
Determination of portfolio and client acquisition strategy	• assessment of overall portfolio credit risk determined by PD, EAD and LGD; and • acquisition and overall strategy set in terms of appropriate limits and Group risk appetite.	• same measures as for corporate; and • credit models determine loss thresholds used in setting of credit risk appetite.
Determination of individual and portfolio limits	• industry and geographical concentrations; • ratings; • risk-related limits on the composition of portfolio; and • Group credit risk appetite.	• same measures as for corporate; and • modeled versus actual experience is evaluated in setting of risk appetite.
Profitability analysis and pricing decisions	• PD, EAD and LGD used to determine pricing; and • economic profit used for profitability.	• same measures as for corporate.
Credit approval	• consideration of application's ratings; • credit risk appetite limits; and • projected risk-adjusted return on economic capital (PD, EAD and LGD are key inputs in these measures).	• automated based on application scorecards (scorecards are reflective of PD, EAD and LGD); and • assessment of client's affordability.
Credit monitoring and risk management	• risk assessment based on PD, EAD and LGD; • counterparty FR grades updated based on risk assessment; and • portfolio model apportions and additional capital to large transactions that will increase concentration risk.	• same measures as for corporate; and • monthly analysis of portfolio and risk movements used in portfolio management and credit strategy decisions.
Impairments	• PD and LGD used in assessment of impairments and provisioning; and • judgmental assessment to determine adequacy of provisions.	• loss identification period PD, LGD and roll rates used for specific, portfolio and incurred but not reported provisions.
Regulatory and economic capital calculation	• primary credit risk measures, PD, EAD and LGD, are the most important inputs.	• primary credit risk measures, PD, EAD and LGD, are the most important inputs.
Reporting to senior management and board	• portfolio reports discussed at franchise and business unit risk committee meetings; and • quarterly portfolio reports submitted to credit risk management and RCC committees.	• portfolio reports discussed at franchise and business unit risk committee meetings; and • quarterly portfolio reports submitted to credit risk management and RCC committees.

CREDIT RISK PORTFOLIO

Credit strategy is managed as part of the broader financial resource management process and is aligned with the Group's macroeconomic outlook.

The Group's total gross advances increased 14% year-on-year with growth in corporate and commercial advances particularly robust at 18%. Retail advances growth of 11% was achieved within the Group's risk appetite framework.

Total NPLs continued to trend downwards and decreased 6% year-on-year. Retail NPLs declined 1% mainly as a result of the continued improvement in the residential mortgage portfolio offset by the 7% increase in the unsecured lending portfolio. The workout of certain non-performing accounts led to the significant improvement of 18% in corporate and commercial NPLs at June 2014. Total NPLs as a percentage of advances improved to 2.34% from 2.82% at June 2013.

NPL coverage is 34%. The decline in retail coverage to 33% from 35% is expected and attributable to the positive performance of the underlying portfolios in recent years due to proactive risk mitigating measures implemented by the Group since 2011. The increasing proportion of debt review accounts (on which a lower coverage ratio applies) continues to drive the VAF coverage ratio down. Corporate coverage increased significantly to 37% from 29% at June 2013 as a result of the enhancement of collateral information and ongoing actions to resolve certain non-performing accounts.

The credit loss ratio of 0.80% is an improvement on the prior year as specific impairment losses continued to reduce. The portfolio impairment loss ratio of 0.16% is in line with that of the prior year and incorporates increased portfolio overlays both in the franchises and at the centre.

Credit assets

The following table provides a breakdown of credit exposure (including off-balance sheet exposures) by type, segment and SARB approach. The figures are based on IFRS and differ from exposure figures used for regulatory capital calculation, which reflect the recognition of permissible adjustments such as netting of certain exposures.

Credit exposure by type, segment and SARB approach (audited)

		AIRB	Standardised approach subsidiaries		
R million	**2014**	**FirstRand Bank (SA)**	**Regulated bank entities within Africa**	**Other subsidiaries**	**2013***
On-balance sheet exposures					
Cash and short-term funds	**54 647**	**46 295**	**6 243**	**2 109**	42 639
– Money at call and short notice	**35 385**	**30 255**	**3 116**	**2 014**	26 005
– Balances with central banks	**19 262**	**16 040**	**3 127**	**95**	16 634
Gross advances	**696 311**	**607 946**	**43 081**	**45 284**	610 498
FNB	**299 267**	**258 823**	**40 202**	**242**	271 395
– FNB retail	**208 423**	**208 423**	**–**	**–**	195 841
– FNB commercial**	**50 642**	**50 400**	**–**	**242**	42 834
– FNB Africa	**40 202**	**–**	**40 202**	**-**	32 720
WesBank	**167 037**	**143 671**	**-**	**23 366**	142 158
RMB investment banking	**218 279**	**196 829**	**2 879**	**18 571**	186 314
RMB corporate banking	**6 441**	**6 301**	**-**	**140**	5 101
FCC	**5 287**	**2 322**	**-**	**2 965**	5 530
Derivatives	**39 038**	**38 548**	**99**	**391**	52 277
Debt investment securities (excluding non-recourse investments)	**83 014**	**75 087**	**7 535**	**392**	96 099
Accounts receivable	**8 159**	**4 015**	**1 191**	**2 953**	7 804
Reinsurance assets	**408**	**–**	**–**	**408**	394
Off-balance sheet exposures	**125 274**	**114 038**	**8 636**	**2 600**	122 748
– Guarantees	**33 114**	**30 287**	**2 923**	**(96)**	30 137
– Letters of credit#	**7 588**	**6 945**	**547**	**96**	9 195
– Irrevocable commitments	**78 785**	**70 892**	**4 918**	**2 975**	78 783
– Credit derivatives	**5 787**	**5 914**	**248**	**(375)**	4 633
Total	**1 006 851**	**885 929**	**66 785**	**54 137**	932 459

* *June 2013 balances have been restated to reflect IFRS changes.*
** *Includes public sector.*
\# *Includes acceptances.*

Reconciliation of gross advances to net advances (audited)

R million	2014	2013
Gross advances after interest in suspense	**696 311**	610 498
Less: total impairment loss (refer to note 12 of the consolidated annual financial statements)	**(10 385)**	(9 433)
Net advances (refer consolidated statement of financial position)	**685 926**	601 065

Credit quality (audited)

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans and VAF) and consumer loans repayable by regular instalments (e.g. mortgage loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date; or
- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment was served on the borrower, but repayment has not been made in accordance with the stipulated requirements.

In these instances, the full outstanding amount is considered overdue even if part is not yet due.

A past due analysis is performed for advances with specific expiry or instalment repayment dates. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed and reported with reference to the counterparty ratings of the exposures. The following tables provide the age analysis of loans and advances for the Group.

Age analysis of advances (audited)

	2014					
	Neither past due nor impaired		Past due but not impaired			
R million/%	Current	Re-negotiated but current	One full instalment past due	Two full instalments past due	Impaired	Total
– FNB retail	**196 483**	**769**	**2 548**	**1 367**	**7 256**	**208 423**
– FNB commercial*	**49 148**	**88**	**54**	**31**	**1 321**	**50 642**
– FNB Africa	**37 598**	**16**	**1 367**	**412**	**809**	**40 202**
FNB	**283 229**	**873**	**3 969**	**1 810**	**9 386**	**299 267**
WesBank	**155 983**	**–**	**4 348**	**1 922**	**4 784**	**167 037**
RMB investment banking**	**216 569**	**–**	**100**	**571**	**1 039**	**218 279**
RMB corporate banking	**6 435**	**–**	**–**	**–**	**6**	**6 441**
FCC	**5 287**	**–**	**–**	**–**	**–**	**5 287**
Total	**667 503**	**873**	**8 417**	**4 303**	**15 215**	**696 311**
Percentage of total book	**95.9%**	**0.1%**	**1.2%**	**0.6%**	**2.2%**	**100.0%**

* *Includes public sector.*
** *Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.*

Age analysis of advances (audited) (continued)

	2013*					
	Neither past due nor impaired		**Past due but not impaired**			
R million/%	**Current**	**Re-negotiated but current**	**One full instalment past due**	**Two full instalments past due**	**Impaired**	**Total**
– FNB retail	182 868	507	2 457	1 394	8 615	195 841
– FNB commercial**	41 260	101	29	15	1 429	42 834
– FNB Africa	30 922	82	688	351	677	32 720
FNB	255 050	690	3 174	1 760	10 721	271 395
WesBank	134 271	–	2 830	1 127	3 930	142 158
RMB investment banking#	184 025	–	112	800	1 377	186 314
RMB corporate banking	5 091	–	1	–	9	5 101
FCC	5 530	–	–	–	–	5 530
Total	583 967	690	6 117	3 687	16 037	610 498
Percentage of total book	95.7%	0.1%	1.0%	0.6%	2.6%	100.0%

* *Balances have been restated to reflect IFRS changes.*
** *Includes public sector.*
# *Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.*

Renegotiated advances

Renegotiated but current financial assets would be past due or impaired were it not for renegotiation and are separately classified as neither past due nor impaired assets. Renegotiated but current advances include advances where, due to a deterioration in the counterparty's financial condition, the Group grants a concession whereby the original terms and conditions of the facility are amended and the counterparty is within the new terms of the advance. Renegotiated but current advances are advances which have not been classified as defaulted.

Advances are only classified as renegotiated but current if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Adherence to the new terms and conditions for each product segment is closely monitored. Renegotiated but current advances exclude advances which are extended or renewed as part of the ordinary course of business on similar terms and conditions as the original advances.

Non-performing loans cannot be reclassified as renegotiated but current unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

As part of the risk management and recoveries approach, the Group enters into arrangements with clients where concessions are made on payment terms (e.g. a reduction in payments for a specified period, changes in the payment profile or debt counselling payment plans). There are formally defined eligibility criteria appropriate for individual products to determine when clients are eligible for such arrangements.

Retail accounts which have been renegotiated and classified as NPLs cannot be reclassified to performing until all arrears have been paid up as per the Group's policy. All credit agreements which are subject to debt review orders in terms of the National Credit Act of 2007 are classified as NPLs in accordance with the Group's impairment policy. These agreements remain classified as such until arrears measured in terms of the initial contract have been repaid. Specific impairment is calculated on this group of assets.

Past due but not impaired

Advances neither past due but not impaired in the tables above include accounts in arrears by one or two full repayments. For the year ended 30 June 2014 exposures to technical and partial arrears of R6.4 billion (June 2013: R5.4 billion) were classified as neither past due nor impaired in accordance with FirstRand impairment methodology, primarily driven by retail exposures.

The following tables provide the credit quality of advances in the in-force portfolio. Detailed information on the movements on an asset class level is provided in the *PD, EAD and LGD profiles* section.

Credit quality of performing advances (audited)

	2014							
		FNB						
R million	**Total neither past due nor impaired***	**Retail**	**Commercial****	**FNB Africa**	**WesBank**	**RMB investment banking**	**RMB corporate banking**	**FCC**
FR 1 – 25	**177 066**	**42 763**	**3 314**	**5 563**	**2 983**	**118 613**	**1 697**	**2 133**
FR 26 – 91#	**481 675**	**147 285**	**45 419**	**31 769**	**151 958**	**97 374**	**4 737**	**3 133**
Above FR 92#	**9 635**	**7 204**	**503**	**282**	**1 042**	**582**	**1**	**21**
Total	**668 376**	**197 252**	**49 236**	**37 614**	**155 983**	**216 569**	**6 435**	**5 287**

* *Includes renegotiated but current advances.*
** *Includes public sector.*
# *The mapping of the FR rating scale to the international rating scale was realigned during the 2014 financial year. The impact is a misalignment in the top range affecting advances which fall into FR 91 and is considered to be insignificant. The rating buckets for financial reporting will be aligned in the next financial year.*

	2013							
		FNB						
R million	**Total neither past due nor impaired***	**Retail**	**Commercial****	**FNB Africa**	**WesBank**	**RMB investment banking**	**RMB corporate banking**	**FCC**
FR 1 – 25	151 332	42 919	2 037	5 631	3 609	92 675	3 388	1 073
FR 26 – 91	422 075	132 552	38 620	25 027	130 008	89 804	1 703	4 361
Above FR 92	11 250	7 904	704	346	654	1 546	–	96
Total	584 657	183 375	41 361	31 004	134 271	184 025	5 091	5 530

* *Includes renegotiated but current advances.*
** *Includes public sector.*

The following tables provide an overview of the credit quality of other financial assets that are neither past due nor impaired.

Credit quality of other financial assets (excluding advances) neither past due nor impaired (audited)

	2014				
R million	**Debt investment securities***	**Derivatives**	**Cash and short-term funds**	**Reinsurance assets**	**Total**
AAA to BBB	**74 229**	**31 054**	**52 300**	**408**	**157 991**
BB+ to B-	**7 958**	**7 929**	**1 940**	**–**	**17 827**
CCC	**459**	**45**	**209**	**–**	**713**
Unrated	**368**	**10**	**198**	**–**	**576**
Total	**83 014**	**39 038**	**54 647**	**408**	**177 107**

* *Excludes non-recourse investments.*

	2013				
R million	**Debt investment securities***	**Derivatives**	**Cash and short-term funds**	**Reinsurance assets**	**Total**
AAA to BBB	89 062	34 154	40 945	394	164 555
BB+ to B-	6 443	18 078	1 417	–	25 938
CCC	517	36	207	–	760
Unrated	77	9	70	–	156
Total	96 099	52 277	42 639	394	191 409

* *Excludes non-recourse investments.*

Impairment of financial assets and NPLs

Adequacy of impairments is assessed through the ongoing review of the quality of credit exposures. Although credit management and workout processes are similar for amortised cost advances and fair value advances, impairments for these differ.

Refer to the policy for impairment of financial assets in the accounting policies and advances note in the consolidated annual financial statements for the analysis of the movement in the impairment of advances and NPLs.

For amortised cost advances, impairments are recognised through the creation of an impairment reserve and an impairment charge in the income statement. For fair value advances, the credit valuation adjustment is charged to the income statement through trading income and recognised as a change to the carrying value of the asset.

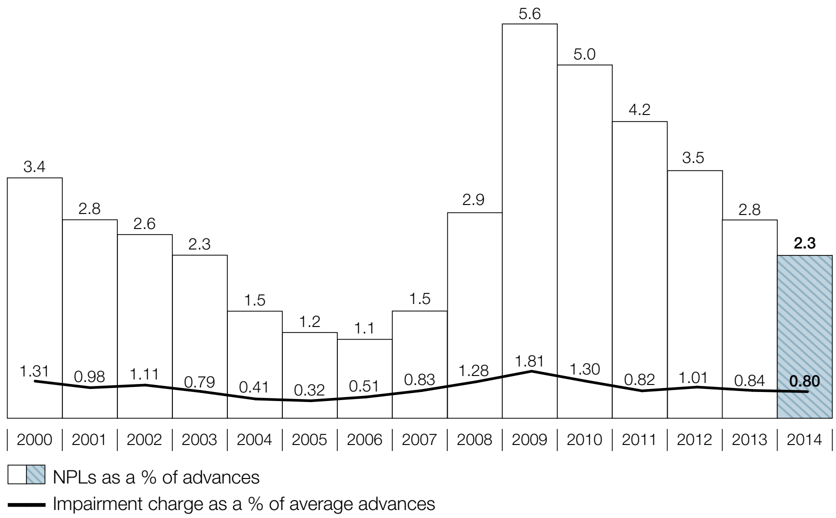
Specific impairments are created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the asset. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.

All assets not individually impaired, as described, are included in portfolios with similar credit characteristics (homogeneous pools) and collectively assessed. Portfolio impairments are created with reference to these performing advances based on historical patterns of losses in each part of the performing book. Points of consideration for this analysis are the level of arrears, arrears roll rates, PIT PDs, LGDs and the economic environment. Loans considered uncollectable are written off against the reserve for loan impairments. Subsequent recoveries against these facilities decrease the credit impairment charge in the income statement in the year of recovery.

The following chart shows a history of NPLs and impairments.

Total NPLs and impairments

%



* *Impairment charges are reflected before insurance proceeds where applicable. The impairment charge is calculated on an IFRS basis.*

Fair value sensitivity of corporate advances due to credit risk

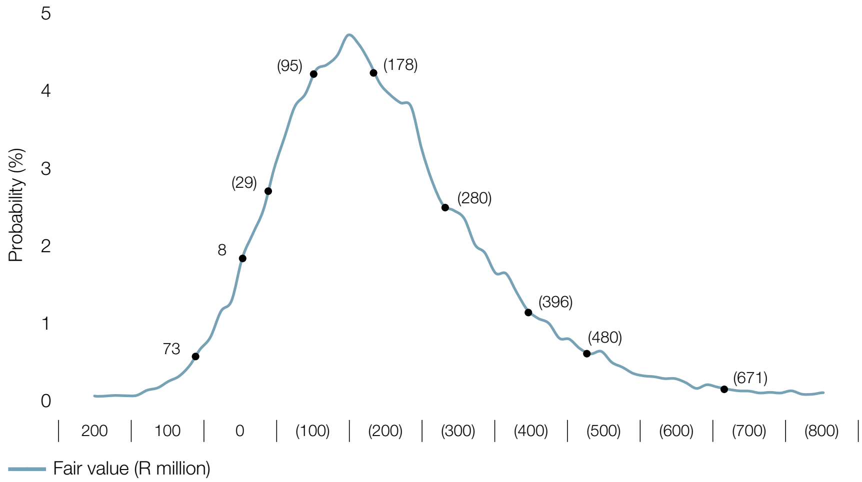
The investment banking division in RMB recognises a significant portion of corporate advances at fair value through profit or loss. The fair value adjustments directly impact the income statement and the value of advances. For risk management purposes, a migration matrix is used to estimate the fair value impact of changes in credit risk. The matrix contains probabilities of downgrading or upgrading to another rating bucket.

The main benefits of using the migration matrix to estimate the fair value impact of credit risk are:

- more realistic downgrades as better rating grades are less likely to be downgraded compared to riskier rating grades;
- migration matrices which take into account higher volatility of riskier rating grades;
- rating migration can be positive or negative;
- rating migration is not restricted by one notch only and, in extreme cases, includes default risk; and
- migration matrices can be based on different economic conditions (for example, long term, or downturn).

The following graph sets out the fair value impact based on actual observed rating migrations from Standard & Poor's over the long term. Based on this scenario the average fair value impact is a loss of approximately R178 million. The fair value at the 75th percentile (i.e. there is a probability of 25% of exceeding this value) of the distribution is a loss of approximately R280 million.

Distribution: Fair value impact – long- term scenario



Management of concentration risk

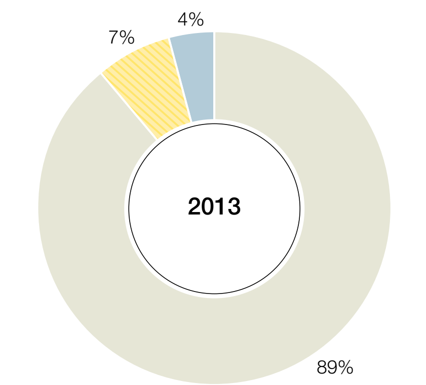
Credit concentration risk is the risk of loss to the Group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

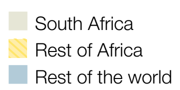
Concentration risk is managed based on the nature of the credit concentration within each portfolio. The Group's overall credit portfolio is well diversified. Diversification is achieved through setting maximum exposure guidelines to individual counterparties. The Group constantly reviews its concentration levels and sets maximum exposure guidelines to these. Excesses are reported to the RCC committee.

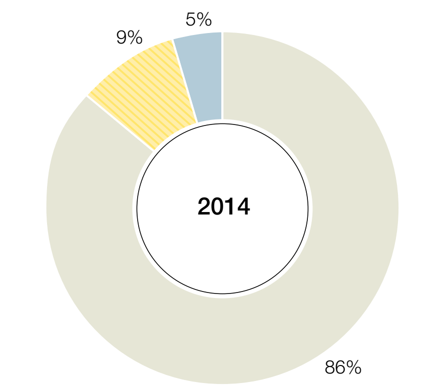
Geographic and industry concentration risk

Geographically, most of the Group's exposures are in South Africa. The following charts provide the geographical and industry split of gross advances after deduction of interest in suspense.

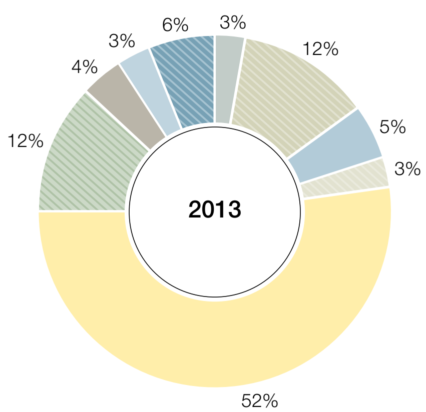
Geographical split by exposure (audited)

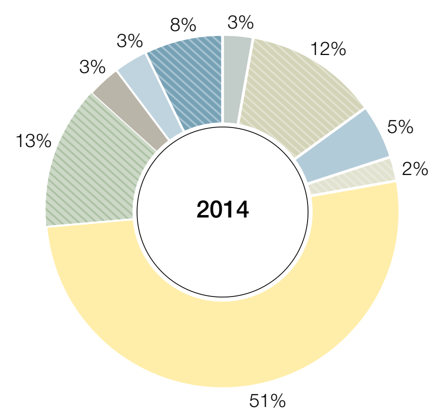






Industry split by exposure (audited)





The Group seeks to establish a balanced portfolio profile and closely monitors credit concentrations. The following tables provide a breakdown of credit exposure across geographical areas.

Concentration of significant exposure (audited)

	2014								
R million	**South Africa**	**Other Africa**	**United Kingdom**	**Other Europe**	**North America**	**South America**	**Austra-lasia**	**Asia**	**Total**
Advances	**597 147**	**62 273**	**28 314**	**4 316**	**1 223**	**161**	**1 165**	**1 712**	**696 311**
Derivatives	**21 721**	**287**	**14 263**	**1 961**	**707**	**–**	**1**	**98**	**39 038**
Debt investment securities*	**67 372**	**7 591**	**656**	**68**	**2 126**	**–**	**–**	**5 201**	**83 014**
Guarantees, acceptances and letters of credit**	**31 307**	**7 017**	**77**	**337**	**630**	**–**	**40**	**1 294**	**40 702**
Irrevocable commitments**	**67 489**	**9 252**	**805**	**584**	**61**	**–**	**–**	**594**	**78 785**

** Excludes non-recourse investments.*
*** Significant off-balance sheet exposures. Refer to the note on contingencies and commitments in the notes to the annual financial statements.*

	2013*								
R million	**South Africa**	**Other Africa**	**United Kingdom**	**Other Europe**	**North America**	**South America**	**Austra-lasia**	**Asia**	**Total**
Advances	541 337	45 644	15 949	3 374	1 024	372	1 357	1 441	610 498
Derivatives	29 865	298	18 673	2 194	833	7	–	407	52 277
Debt investment securities**	73 583	6 491	624	–	10 002	–	–	5 399	96 099
Guarantees, acceptances and letters of credit#	27 981	7 666	82	150	7	–	14	3 432	39 332
Irrevocable commitments#	68 411	7 312	1 485	517	530	124	–	404	78 783

* *Balances have been restated to reflect IFRS changes.*
** *Excludes non-recourse investments.*
\# *Significant off-balance sheet exposures. Refer to the note on contingencies and commitments in the notes to the financial statements.*

Average advances per major risk portfolios

R million	2014	2013*
Retail	**357 973**	321 541
FNB Africa	**36 605**	29 276
Wholesale	**206 821**	175 091
Commercial	**46 168**	39 780

* *June 2013 balances have been restated to reflect IFRS changes.*

The average amount of gross credit exposure during the reporting period is calculated on a monthly average basis.

Segmental analysis of advances

The following table provides a breakdown of credit exposures by the Group segments (audited).

	2014				
R million/%	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
FNB	**299 267**	**9 386**	**3.14**	**2 413**	**0.85**
– FNB retail	**208 423**	**7 256**	**3.48**	**1 818**	**0.90**
– Residential mortgages	**170 677**	**5 625**	**3.30**	**158**	**0.09**
– Card	**14 634**	**341**	**2.33**	**88**	**0.64**
– Personal loans	**12 516**	**729**	**5.82**	**980**	**7.72**
– Other retail	**10 596**	**561**	**5.29**	**592**	**6.76**
– FNB commercial*	**50 642**	**1 321**	**2.61**	**333**	**0.71**
– FNB Africa	**40 202**	**809**	**2.01**	**262**	**0.72**
WesBank	**167 037**	**4 784**	**2.86**	**2 081**	**1.35**
– WesBank asset-backed finance	**157 883**	**4 125**	**2.61**	**1 479**	**1.01**
– WesBank retail	**96 445**	**3 409**	**3.53**	**1 209**	**1.32**
– WesBank corporate	**38 763**	**633**	**1.63**	**135**	**0.37**
– WesBank international	**22 675**	**83**	**0.37**	**135**	**0.75**
– WesBank loans	**9 154**	**659**	**7.20**	**602**	**7.32**
RMB investment banking	**218 279**	**2 105**	**0.96**	**177**	**0.09**
RMB corporate banking	**6 441**	**6**	**0.09**	**32**	**0.55**
FCC	**5 287**	**–**	**–**	**549**	**0.08**
Subtotal	**696 311**	**16 281**	**2.34**	**5 252**	**0.80**
Special impairments**	**–**	**–**	**–**	**–**	**–**
Total	**696 311**	**16 281**	**2.34**	**5 252**	**0.80**

* *Includes public sector.*

** *Special impairment in 2013 related to FNB commercial R215 million and RMB corporate banking R15 million.*

2013				
Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances
271 395	10 721	3.95	2 838	1.10
195 841	8 615	4.40	2 330	1.22
163 046	6 911	4.24	507	0.32
13 001	302	2.32	23	0.19
12 885	943	7.32	1 402	11.39
6 909	459	6.64	398	7.47
42 834	1 429	3.34	318	0.81
32 720	677	2.07	190	0.65
142 158	3 930	2.76	1 649	1.26
134 858	3 486	2.58	1 219	0.98
87 309	2 461	2.82	945	1.18
34 293	975	2.84	177	0.53
13 256	50	0.38	97	0.86
7 300	444	6.08	430	6.48
186 314	2 571	1.38	61	0.03
5 101	9	0.18	29	0.75
5 530	–	–	–	–
610 498	17 231	2.82	4 577	0.80
–	–	–	230	0.04
610 498	17 231	2.82	4 807	0.84

REGULATORY DISCLOSURE

Credit rating systems and processes used for SARB approaches

The Group uses the AIRB approach for exposures of the Bank SA and the standardised approach for all other legal entities and offshore branches in the Group for regulatory capital purposes. Due to the relatively smaller size of the subsidiaries and the scarcity of relevant data, the Group plans to continue using the standardised approach for the foreseeable future for the majority of these portfolios.

For portfolios using the standardised approach, ratings from Standard & Poor's are used. External ratings are not available for all jurisdictions and for certain parts of the portfolio. The Group uses its internally-developed mapping between FR grade and S&P grades (refer to the table mapping of FirstRand (FR) grades to rating agency scales on page 181).

The following table provides the breakdown of exposures rated through the standardised approach by risk bucket. The risk-weights used are those prescribed in the Regulations and will differ primarily with asset class and credit rating. From June 2014 all exposures rated through the standardised approach are reported in this table and not only the African subsidiaries exposures as was previously the case.

Credit risk exposure rated through the standardised approach by risk bucket*

Risk bucket	Exposure (R million)
0%	3 597
10%	21
20%	8 508
35%	13 893
50%	5 397
75%	24 656
100%	45 384
Specific impairments	940
Total	**102 396**

* *No exposure amount is deducted from the Group's capital or reserve funds.*

Protected exposures

The table below includes the exposures for the standardised approach portfolios in the African subsidiaries, namely Botswana, Lesotho, Namibia, Swaziland, Tanzania and Zambia. The exposures are split according to retail, commercial and wholesale portfolios, as appropriate. The table also includes the amount of protection obtained through eligible financial collateral. Eligible financial collateral used is as specified in the Regulations for both standardised and AIRB approaches including guarantees or credit-derivative instruments after the effect of haircuts.

Standardised approach protected exposures per asset class

	2014*		
R million	Exposure before credit risk mitigation	Eligible collateral**	Exposure after credit risk mitigation
Retail	27 170	362	26 808
Commercial and wholesale	29 750	265	29 485
Total	**56 920**	**627**	**56 293**

* *Protected exposures for standardised approach portfolios are new disclosure included from June 2014. Comparative information will be provided from June 2015 onwards.*

** *Eligible collateral includes cash, certificates of deposit, gold, debt securities, equities, undertakings for collective investments in transferable securities, mutual funds, financial receivables, guarantees and credit-derivative instruments.*

PD, EAD and LGD profiles

A summary of credit risk parameters as reported for regulatory capital purposes is shown in the following tables for each significant AIRB asset class. The parameters reflect through-the-cycle PDs and downturn LGDs. The Group uses EAD-weighted PDs based on the FirstRand master rating scale which are then mapped to Basel rating buckets (1 – 25) for regulatory reporting purposes.

The tables provide a summary of the risk-weight and EAD distribution by prescribed counterparty risk bands (Basel risk buckets). The EAD-weighted downturn LGD, EAD-weighted PD and average risk weight for the performing and total book are also shown as well as comparatives for the prior year.

Year-on-year trends are impacted by risk migration in the existing book (reflecting changes in the economic environment), quality of new business originated and any model recalibrations implemented during the course of the year. The risk profile reflects the Group's credit origination strategy, which focuses on targeting segments that provide an appropriate risk/return profile.

The risk weight per Basel risk bucket table must be read together with the EAD% distribution per Basel risk bucket table as the significant overall movements year-on-year are explained by the change in low volumes within individual rating buckets. The sovereign asset class includes public sector entities, local government and municipalities and sovereign exposures (including central government and central bank exposures) and specialised lending includes high volatility commercial real estate, income-producing real estate, object finance, commodity finance and project finance. The increase in EAD% and nominal EAD for the 1-5 bucket of banks and securities firms reflects funding provided to the London branch from the South African balance sheet. This is due to a change in the regulatory returns in which London branch exposures are now reflected as part of FRB SA.

Bank's risk profile per asset class: risk-weight per Basel risk bucket

	Risk weight									
%	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**3.0**	3.1	**0.1**	10.0	**3.8**	3.1	**5.2**	–	**0.7**	3.6
6 – 10	**22.7**	21.0	**27.2**	27.6	**26.5**	23.4	**16.8**	18.2	**16.1**	14.2
11 – 15	**37.5**	36.5	**60.0**	59.5	**53.1**	56.6	**41.0**	43.1	**51.5**	46.3
16 – 20	**52.3**	51.3	**101.7**	98.3	**74.6**	52.1	**94.6**	98.3	**100.7**	113.0
21 – 25	**110.1**	126.0	**157.1**	277.5	**354.3**	355.4	**235.9**	175.5	**142.1**	139.6
NPLs	**69.0**	59.4	**0.9**	6.2	**5.8**	–	**–**	–	**–**	–

	Risk weight									
%	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**4.1**	2.3	**5.8**	–	**1.2**	–	**1.7**	–	**1.5**	11.2
6 – 10	**1.9**	25.4	**13.1**	15.8	**5.1**	4.9	**5.7**	14.6	**22.1**	45.1
11 – 15	**48.0**	44.2	**34.5**	31.5	**15.3**	14.9	**23.1**	31.4	**29.7**	28.2
16 – 20	**63.9**	63.2	**40.3**	43.6	**36.6**	36.2	**61.7**	70.0	**47.0**	45.1
21 – 25	**116.9**	103.3	**73.7**	67.2	**77.6**	80.8	**157.4**	147.6	**107.1**	117.1
NPLs	**13.6**	173.0	**244.5**	134.7	**14.8**	23.2	**12.1**	76.4	**133.4**	105.8

Bank's risk profile per asset class: EAD% distribution per Basel risk bucket

%	EAD									
	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**9.3**	9.3	**–**	0.4	**80.3**	83.1	**0.3**	0.1	**28.8**	3.9
6 – 10	**16.3**	16.0	**38.2**	33.8	**16.5**	13.5	**17.1**	14.8	**51.1**	67.7
11 – 15	**38.4**	36.9	**49.8**	53.3	**2.2**	2.3	**64.1**	54.7	**15.3**	22.6
16 – 20	**30.0**	31.2	**11.0**	10.3	**0.8**	0.6	**13.5**	23.0	**3.7**	4.9
21 – 25	**4.1**	4.5	**0.9**	2.0	**0.2**	0.2	**1.0**	2.2	**1.0**	0.9
NPLs	**1.8**	2.1	**0.2**	0.1	**–**	0.4	**4.0**	5.2	**–**	–

%	EAD									
	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**0.2**	2.0	**2.5**	–	**0.6**	–	**2.1**	–	**–**	–
6 – 10	**–**	0.8	**6.3**	13.7	**0.6**	2.2	**8.8**	20.8	**–**	–
11 – 15	**55.7**	56.0	**34.6**	24.8	**53.8**	53.6	**36.0**	32.5	**13.9**	7.3
16 – 20	**39.3**	37.7	**48.7**	54.3	**38.6**	36.5	**43.6**	34.9	**69.0**	76.6
21 – 25	**3.3**	3.5	**5.4**	4.3	**3.8**	4.5	**7.8**	9.8	**13.0**	12.4
NPLs	**1.4**	2.0	**2.6**	2.8	**2.6**	3.2	**1.7**	2.1	**4.1**	3.7

Bank's risk profile per asset class: Nominal EAD per Basel risk bucket

R million	Nominal EAD									
	Total FRB		Corporate		Sovereign		Specialised lending		Banks and securities firms	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**74 409**	67 222	**14**	621	**52 907**	64 718	**142**	41	**18 165**	1 833
6 – 10	**130 132**	111 135	**71 707**	51 741	**10 836**	10 489	**8 108**	5 709	**32 205**	31 518
11 – 15	**305 533**	267 689	**93 524**	81 772	**1 427**	1 782	**30 305**	21 087	**9 640**	10 500
16 – 20	**239 110**	226 451	**20 656**	15 818	**538**	448	**6 362**	8 848	**2 343**	2 280
21 – 25	**32 487**	32 860	**1 620**	3 124	**153**	157	**494**	848	**630**	406
NPLs	**14 275**	15 073	**405**	199	**–**	317	**1 873**	1 994	**–**	–
Total	**795 946**	720 430	**187 926**	153 275	**65 861**	77 911	**47 284**	38 527	**62 983**	46 537

R million	Nominal EAD									
	SME corporate		SME retail		Retail mortgages		Retail revolving		Other retail	
Basel PD risk buckets	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
1 – 5	**111**	9	**980**	–	**1 211**	–	**853**	–	**26**	–
6 – 10	**1**	314	**2 463**	–	**1 174**	4 226	**3 637**	7 108	**1**	30
11 – 15	**24 936**	23 392	**13 523**	8 797	**100 707**	101 273	**14 933**	11 121	**16 538**	7 965
16 – 20	**17 622**	15 753	**19 055**	19 297	**72 206**	68 918	**18 091**	11 952	**82 237**	83 137
21 – 25	**1 496**	1 469	**2 106**	1 544	**7 210**	8 543	**3 246**	3 341	**15 532**	13 428
NPLs	**624**	821	**1 013**	1 011	**4 784**	6 036	**720**	721	**4 856**	3 974
Total	**44 790**	41 758	**39 140**	30 649	**187 292**	188 996	**41 480**	34 243	**119 190**	108 534

Bank's PD%, LGD%, EL/EAD and RWA/EAD ratio per asset class

%	Total FRB 2014	Total FRB 2013	Corporate 2014	Corporate 2013	Sovereign 2014	Sovereign 2013	Specialised lending 2014	Specialised lending 2013	Banks and securities firms 2014	Banks and securities firms 2013
Average performing PD	**2.4**	2.5	**0.9**	1.2	**0.2**	0.1	**1.2**	1.8	**0.4**	0.5
Average performing LGD	**28.9**	28.3	**34.6**	34.5	**29.4**	28.4	**22.9**	23.2	**28.2**	30.2
Performing EL/EAD	**0.8**	0.8	**0.3**	0.5	**0.1**	0.1	**0.4**	0.7	**0.1**	0.2
Performing RWA/EAD	**39.3**	39.9	**52.9**	57.5	**10.0**	8.0	**46.2**	55.1	**21.5**	26.9
Average total book PD	**4.1**	4.5	**1.1**	1.3	**0.2**	0.5	**5.1**	6.9	**0.4**	0.5
Average total book LGD	**29.1**	28.7	**34.6**	34.5	**29.4**	28.4	**23.7**	25.0	**28.2**	30.2
Total book EL/EAD	**1.5**	1.6	**0.4**	0.6	**0.1**	0.1	**2.3**	3.1	**0.1**	0.2
Total book RWA/EAD	**39.8**	41.2	**52.8**	57.4	**10.0**	8.0	**44.4**	52.4	**21.5**	26.9

%	SME corporate 2014	SME corporate 2013	SME retail 2014	SME retail 2013	Retail mortgages 2014	Retail mortgages 2013	Retail revolving 2014	Retail revolving 2013	Other retail 2014	Other retail 2013
Average performing PD	**2.3**	2.5	**3.0**	2.9	**2.8**	2.9	**3.8**	4.1	**6.1**	6.0
Average performing LGD	**27.0**	26.5	**32.0**	30.7	**13.8**	13.9	**65.5**	65.2	**33.3**	32.8
Performing EL/EAD	**0.6**	0.6	**1.0**	0.8	**0.4**	0.4	**2.5**	2.7	**2.5**	2.5
Performing RWA/EAD	**56.6**	53.9	**37.5**	37.7	**26.0**	26.2	**48.9**	53.2	**52.6**	53.1
Average total book PD	**3.6**	4.4	**5.5**	5.7	**5.3**	6.0	**5.5**	6.2	**9.9**	9.4
Average total book LGD	**27.2**	27.4	**32.6**	31.0	**13.9**	14.2	**65.5**	65.3	**33.9**	33.6
Total book EL/EAD	**1.6**	1.7	**1.9**	2.0	**1.0**	1.2	**3.7**	4.1	**4.1**	4.2
Total book RWA/EAD	**56.0**	56.3	**42.8**	40.4	**25.7**	26.0	**48.3**	54.6	**55.9**	54.4

Bank's nominal credit extended, drawn exposure and EAD per asset class

R million	Total FRB 2014	Total FRB 2013	Corporate 2014	Corporate 2013	Sovereign 2014	Sovereign 2013	Specialised lending 2014	Specialised lending 2013	Banks and securities firms 2014	Banks and securities firms 2013
Total book credit extended	**1 016 183**	919 707	**236 559**	205 107	**72 449**	83 334	**47 704**	39 252	**180 870**	155 387
Total book drawn exposure	**691 762**	601 736	**151 431**	118 854	**62 698**	72 680	**46 397**	37 524	**55 274**	29 123
Total book nominal EAD	**795 946**	720 430	**187 926**	153 275	**65 861**	77 911	**47 284**	38 527	**62 983**	46 537

R million	SME corporate 2014	SME corporate 2013	SME retail 2014	SME retail 2013	Retail mortgages 2014	Retail mortgages 2013	Retail revolving 2014	Retail revolving 2013	Other retail 2014	Other retail 2013
Total book credit extended	**52 456**	49 445	**42 594**	36 735	**200 502**	195 405	**56 850**	46 262	**119 689**	108 780
Total book drawn exposure	**37 333**	35 338	**32 611**	28 174	**162 651**	153 618	**24 491**	19 278	**118 086**	107 147
Total book nominal EAD	**44 790**	41 758	**39 140**	30 649	**187 292**	188 996	**41 480**	34 243	**119 190**	108 534

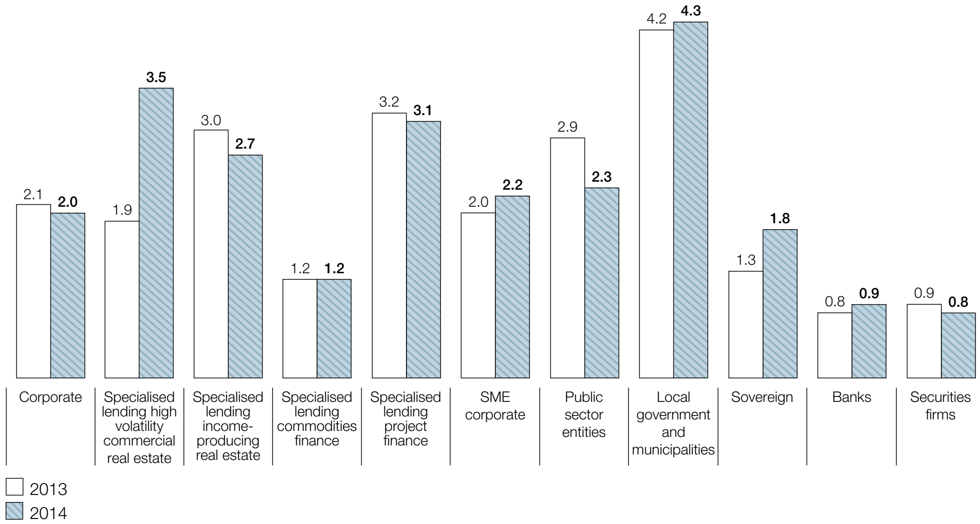
Maturity breakdown

Maturity is defined as the average time at which a bank will receive its contractual payments (cash flows), calculated for each account or exposure weighted by the size of each of the cash flows.

Maturity is used as an input in the AIRB regulatory capital calculation for wholesale portfolios. These are aggregated on an asset class basis for review and reporting purposes. The longer the maturity of a deal, the greater the uncertainty, and all else being equal, the larger the regulatory capital requirement will be. The following chart provides a maturity breakdown of AIRB asset classes within the wholesale credit portfolio.

Maturity breakdown per wholesale AIRB asset class

Maturity in years



Actual versus expected loss analysis

To provide a meaningful assessment of the effectiveness of internal ratings-based models, expected loss is compared against actual losses during the calendar year. This is performed for all significant AIRB asset classes.

Expected loss here refers to regulatory expected loss. This provides a one-year forward looking view, based on information available at the beginning of the year, i.e. 1 July 2013. Risk parameters include:

- PDs, which are calibrated to long-run default experience to avoid regulatory models being skewed to a specific part of the credit cycle;
- LGDs, which are calibrated to select downturn periods to reflect depressed asset prices during economic downturns; and
- EADs.

Actual losses during the period consist of the level of specific impairments at the start of the financial year (1 July 2013) and the net specific impairment charge recorded through the income statement for the year as determined by IFRS. It excludes the effect of post write-off recoveries, which would reduce the actual loss number. The calculation is based on the assumption that specific provisions raised are a fair estimate of what final losses on defaulted exposures would be, although the length of the workout period creates uncertainty in this assumption.

The measure of actual losses includes specific impairments raised for exposures which defaulted during the year, but which did not exist at 1 July 2013. These exposures are not reflected in the expected loss value described. As a result, significant volumes of new business can distort the analysis by inflating the actual loss figure.

The following table provides a comparison of actual loss to regulatory expected loss for each significant AIRB asset class. PDs used for regulatory capital purposes are based on long-run experience and are expected to underestimate actual defaults at the top of the credit cycle and overestimate actual defaults at the bottom of the credit cycle, under normal circumstances.

It should also be noted that the regulatory expected loss shown is based on the expected loss derived from the regulatory capital models that were applied at 30 June 2013. This comparison is supplemented with more detailed analyses on the following page, comparing actual and expected outcomes for each risk parameter (PD, LGD and EAD) over the year under review.

Actual versus expected loss per portfolio segment

	2014		2013		2012	
R million*	**Expected loss**	**Actual loss**	**Expected loss**	**Actual loss**	**Expected loss**	**Actual loss**
Corporate (corporate, banks and sovereign)**	**1 977**	**59**	1 621	70	1 499	313
SMEs (SME corporate and SME retail)#	**1 125**	**998**	1 146	989	1 507	1 094
Residential mortgages#	**2 422**	**1 913**	2 674	2 470	2 793	2 961
Qualifying revolving retail#	**1 434**	**1 512**	1 126	973	1 179	808
Other retail†	**1 981**	**2 336**	1 718	2 413	904	1 990
WesBank†	**3 076**	**3 825**	2 780	3 236	3 160	3 371
Total	**12 015**	**10 643**	11 065	10 151	11 042	10 537

* *The composition used above differs slightly from that used in the remainder of this section, due to impairment charges being on a business unit level as opposed to AIRB asset class level.*

** *Expected losses for the corporate portfolio are much higher than the actual losses due to it being a low default portfolio. As a result, the models use conservative data inputs.*

Actual losses are below expected losses which is expected given the current point in the economic cycle and that expected loss parameters are based on long run and downturn conditions.

† *Actual losses exceed expected losses for the Other retail and WesBank portfolios. Other retail and WesBank experienced high levels of new business written during the year. The related impairment is not reflected in the expected losses which are based on accounts that are in-force at the start of the year. However, these new accounts contribute to the actual losses as a result of additional provisions raised.*

For the analysis below, estimated values are based on regulatory capital models applied at 30 June 2013. For PDs, this is applied to the total performing book at 30 June 2013. For LGDs and EADs, it is applied to all facilities that defaulted over the subsequent 12 months.

Actual values are based on actual outcomes over the 12-month period July 2013 to June 2014. Due to the length of the workout period, there is uncertainty in the measure provided for actual LGDs as facilities that default during the year would only have had between one and twelve months to recover to date – depending on when the default event occurred.

The estimated EAD to actual EAD ratio is derived as the ratio of expected nominal exposure at default (for all accounts that defaulted during the 12-month period July 2013 to June 2014) to the actual nominal exposure at default for the same accounts.

Risk parameters used to determine regulatory expected loss

	2014				
	PD		**LGD**		**Estimated EAD to actual EAD ratio**
Asset class	**Estimated %**	**Actual %**	**Estimated %**	**Actual %**	**%**
Corporate, banks and sovereign*	**0.8**	**0.2**	**18.7**	**28.2**	**101.9**
Specialised lending – property finance	**2.3**	**0.5**	**16.9**	**2.0**	**133.7**
SME corporate	**2.4**	**1.2**	**26.6**	**20.9**	**111.3**
SME retail	**2.8**	**2.3**	**32.4**	**34.2**	**109.3**
Residential mortgages	**2.9**	**2.0**	**15.4**	**8.8**	**103.2**
Qualifying revolving retail	**4.4**	**2.8**	**65.2**	**71.8**	**106.8**
Other retail	**6.0**	**6.1**	**42.6**	**43.6**	**106.9**
Total	**2.6**	**1.9**	**24.9**	**26.0**	**106.3**

* *Corporate, banks and sovereign are shown as one asset class to align with the respective asset class in the actual versus expected loss table.*

	2013				
	PD		**LGD**		**Estimated EAD to actual EAD ratio**
Asset class	**Estimated %**	**Actual %**	**Estimated %**	**Actual %**	**%**
Corporate, banks and sovereign*	0.9	0.3	15.8	34.6	107.9
Specialised lending – property finance	2.1	1.2	31.0	3.3	102.7
SME corporate	2.3	1.3	29.3	28.4	109.9
SME retail	2.9	2.8	32.1	26.3	111.6
Residential mortgages	3.4	2.6	15.6	12.6	104.7
Qualifying revolving retail	3.6	2.6	67.6	63.3	91.9
Other retail	6.3	5.6	33.4	33.3	104.1
Total	2.7	2.0	22.2	28.5	106.0

* *Corporate, banks and sovereign are shown as one asset class to align with the respective asset class in the actual versus expected loss table.*

	2012				
	PD		**LGD**		**Estimated EAD to actual EAD ratio**
Asset class	**Estimated %**	**Actual %**	**Estimated %**	**Actual %**	**%**
Corporate, banks and sovereign*	0.7	0.1	37.3	10.9	194.5
Specialised lending – property finance	2.7	2.3	21.8	28.8	116.0
SME corporate	4.9	2.3	27.0	29.0	144.3
SME retail	3.2	3.0	28.8	20.9	113.3
Residential mortgages	3.6	2.9	15.3	11.5	104.4
Qualifying revolving retail	3.0	2.5	72.4	68.5	98.9
Other retail	6.0	5.1	46.0	43.7	102.9
Total	2.7	2.0	30.6	27.5	108.0

* *Corporate, banks and sovereign are shown as one asset class to align with the actual versus expected loss table.*

The corporate, banks and sovereign regulatory capital models remain conservative as these are low default portfolios with actual default rates remaining lower than expected default rates.

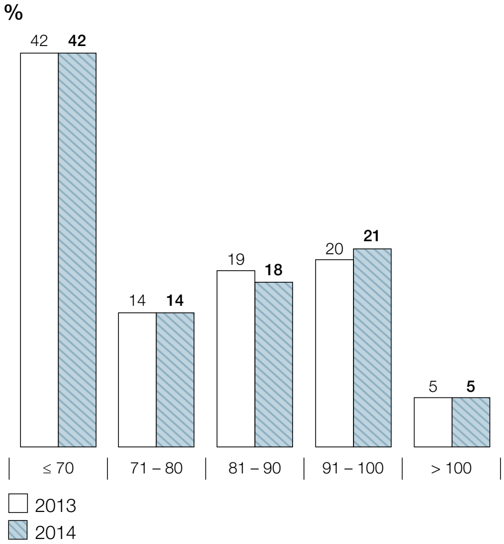
Differences between the actual and expected LGDs for corporates, banks and sovereigns as well as specialised lending (property finance) are due to low default volumes where the loss experience on individual defaults can dominate the result. The difference in the outputs as compared to prior years are primarily as a result of the actual and expected LGD being based only on counterparties which have defaulted during the respective years. Differences in the loss characteristics of accounts which default over time can be significant, particularly in the wholesale and commercial portfolios where defaults are sparse.

The qualifying revolving retail asset class LGD models applied for regulatory capital at June 2013 underestimated LGDs and reflect the model in use at the time. FNB's strategy to grow core transactional accounts and improve cross-sell resulted in strong new business growth in consumer overdrafts which resulted higher actual losses and LGDs than had previously been experienced. An updated model is being developed and should predict LGDs for this asset class at a more appropriate level.

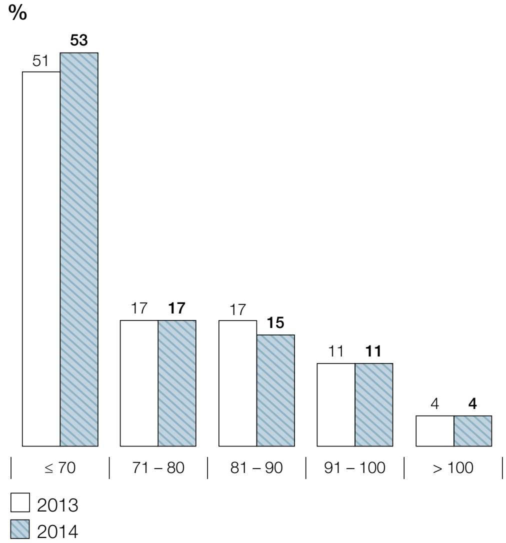
RISK ANALYSES

The graphs below provide the balance-to-value and age distributions of residential mortgage portfolios and show that the focus on loan-to-value ratios for new business resulted in an improvement in the balance-to-original value although the Group places more emphasis on counterparty creditworthiness as opposed to only on the underlying security. Pressures on property market values have negatively impacted the balance-to-market value distribution.

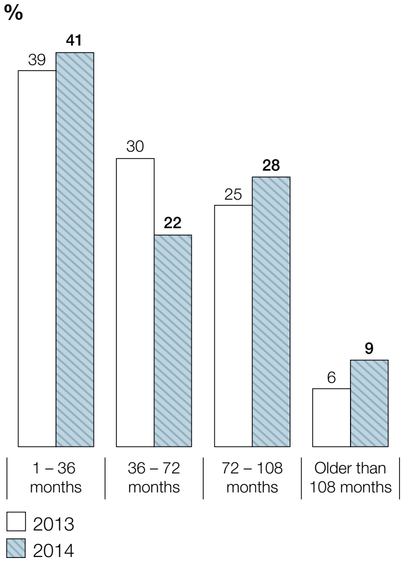
Residential mortgages balance-to-original value



Residential mortgages balance-to-market value

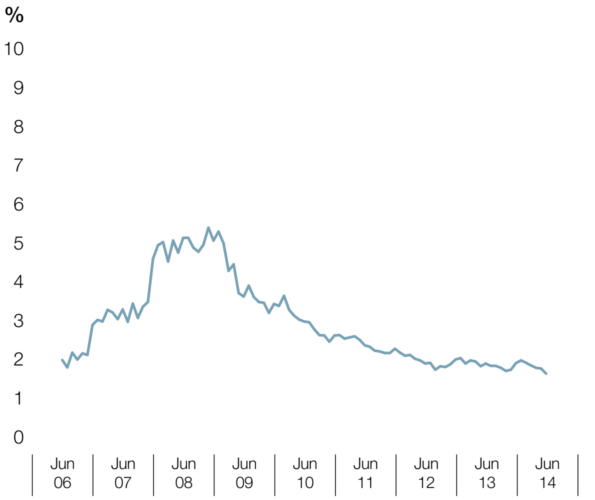


Residential mortgages age distribution



The graph below shows the arrears in the FNB HomeLoans portfolio. It includes loans where more than one full payment is in arrears expressed as a percentage of the total advances balance.

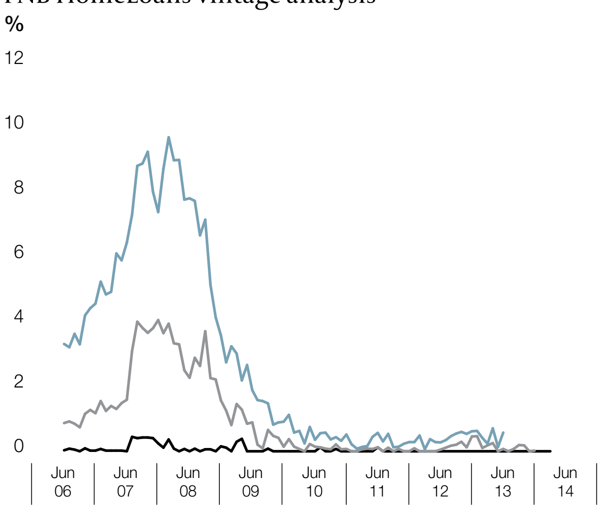
FNB HomeLoans arrears



The following graphs provide vintage analyses for certain retail portfolios. Vintage graphs show default experience three, six and twelve months after origination date and reflect the impact of origination strategies and the macroeconomic environment.

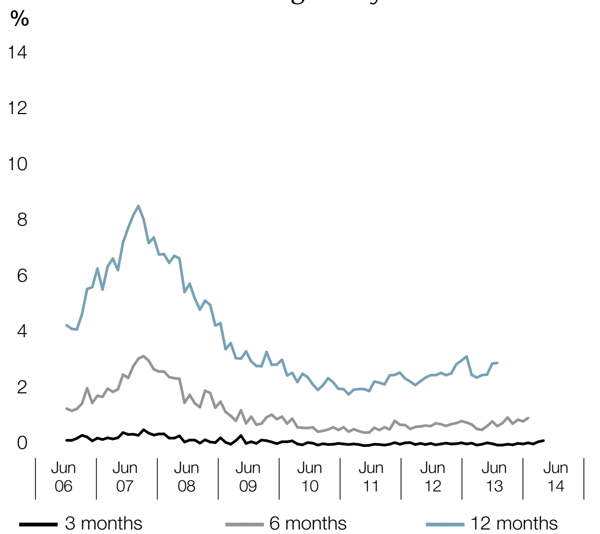
FNB HomeLoan vintages continue to perform at record lows even when considering the pre-2008 period. This can be attributed to risk mitigation actions taken across all residential mortgage portfolios.

FNB HomeLoans vintage analysis



The WesBank retail six and twelve month cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

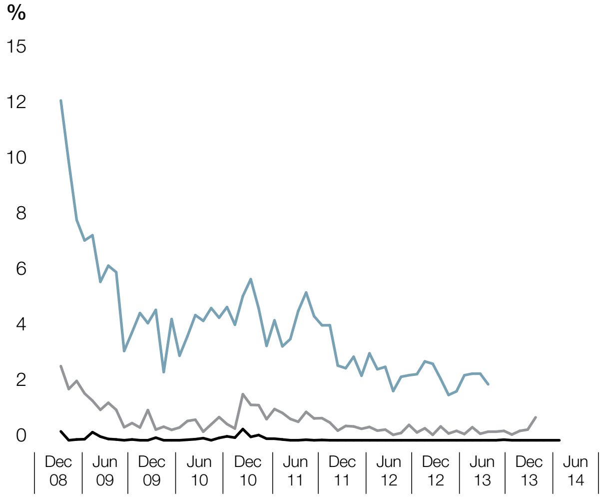
WesBank retail VAF vintage analysis



The uptick in VAF vintages is due, in part, to strong new business volumes in recent years. The emerging strain is driven by pressure on consumer disposable income as a result of rising inflation, higher debt costs and administered price increases on motor vehicles. The Group actively adjusts risk appetite and credit parameters to ensure that vintages continue to perform in line with expectations given where it is in the credit cycle.

The following chart shows that FNB card has experienced a marginal increase in NPLs, in line with expectations. Default rates remain at very low levels, even on a through-the-cycle basis. The expectation is that default rates have bottomed and moderate increases are expected off this level.

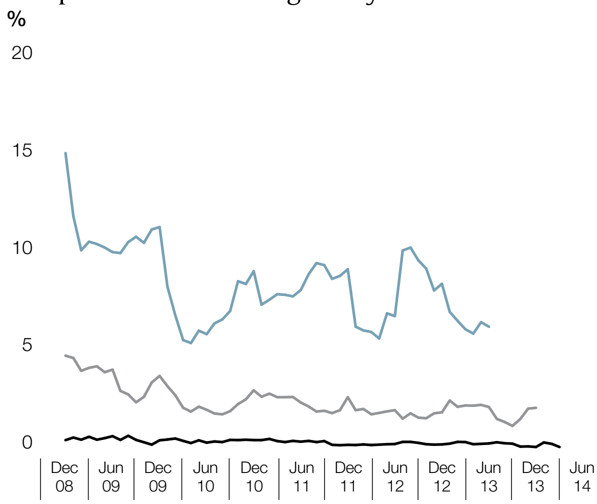
FNB card vintage analysis



The default experience of the FNB and WesBank personal loans portfolios is within risk appetite.

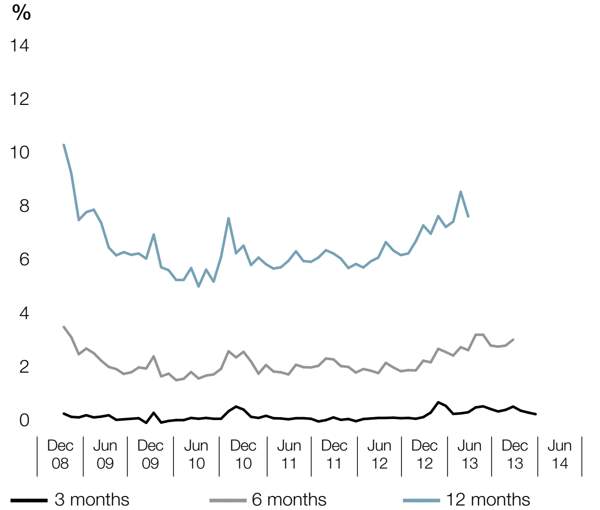
Vintages for personal loans are within thresholds and risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite. FNB loans vintages are performing at the lowest levels since December 2008. The positive risk outcome is the result of active management of credit risk appetite and parameters even as the risk levels within the unsecured lending market have heightened.

FNB personal loans vintage analysis



WesBank personal loans vintages have continued to show a marginal deterioration from 2010 levels. This is due to new joint ventures entered into where performance is expected to be somewhat worse in the initial stages. The introduction of a more conservative risk appetite in early 2014 is expected to improve performance back to 2012 levels and early signs are encouraging.

WesBank personal loans vintage analysis



RETAIL PROPERTIES IN POSSESSION

The Group took a decision to write off the carrying value of its South African properties in possession. At June 2014, 156 properties were part of the Group's portfolio (June 2013: 300). Eight properties relate to the FNB Africa portfolio and have been valued at R5.6 million.

SECURITISATIONS AND CONDUITS

INTRODUCTION AND OBJECTIVES

Securitisation is the process whereby interests in loans and other receivables are packaged, underwritten and sold in the form of asset-backed securities to capital market investors.

Asset securitisations enable the Group to access funding markets at debt ratings higher than its own corporate rating, which generally provides access to broader funding sources at more favourable rates. By removing the assets and supporting funding from the balance sheet, the Group is able to reduce some of the costs of on-balance sheet financing and manage potential asset-liability mismatches and credit concentrations.

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

- improve the Group's liquidity position through the diversification of funding sources;
- match the cash flow profile of assets and liabilities;
- reduce balance sheet credit risk exposure;
- reduce capital requirements; and
- manage credit concentration risk.

The table below provides an overview of the Group's role in securitisation and conduit structures.

Transaction	Originator	Sponsor	Servicer	Investor	Liquidity provider	Credit enhancement provider	Swap counter-party
Own securitisations							
Fresco 2	✓	✓	✓	✓		✓	
Nitro 4	✓	✓	✓	✓			✓
Turbo Finance 2	✓	✓	✓	✓			
Turbo Finance 3	✓	✓	✓	✓			
Turbo Finance 4	✓	✓	✓	✓			
Conduit structures							
iNdwa*		✓	✓		✓		✓
iVuzi*		✓	✓		✓	✓	✓
iNkotha**			✓				
iNguza**			✓				
Third party							
– Homes Obligor Mortgage Enhanced Securities					✓		
– Private Residential Mortgages 2					✓		
– Superdrive Investments				✓			
– Torque Securitisation					✓		

* *Conduits incorporated under regulations relating to securitisation scheme.*
** *Conduits incorporated under regulations relating to commercial paper.*

OVERSIGHT AND RISK MITIGATION

The Group's role in securitisation transactions, both Group originated and sponsored transactions, as well as third party securitisations, results in various financial and operational risks, including:

- liquidity and funding risk;
- interest rate risk;
- credit risk;
- currency risk;
- operational risk;
- reputational risk; and
- compliance risk.

For securitisations originated by the Group, exposures are managed from a credit perspective by the originating business units as if the securitisation had never occurred. Resultant risks from retained exposure and the overall origination and maintenance of the securitisation structures are managed as part of the day-to-day management of the various risk types. This includes risk mitigation and management actions depending on the risk limits and appetite per risk area. The performance of securitisations is monitored on an ongoing basis and reported to management and governance forums.

Some of the governance and management processes in place to monitor risks as a result of securitisation transactions are outlined below:

- proposed securitisations follow a rigorous internal approval process and are reviewed for approval by ALCCO, the RCC committee and the board;
- the performance of Group and third-party off-balance sheet transactions are discussed and monitored at a bimonthly meeting of Group Treasury's off-balance sheet forum, which includes representation from investor relations;
- changes to retained exposures (as result of ratings, reviews, note redemptions and credit losses) are reflected in the monthly BA 500 regulatory return; and
- transaction investor reports, alignment with special purpose vehicle financial reporting and the impact of underlying asset performance are reviewed on the quarterly BA501 regulatory return.

The Group does not employ credit risk mitigation techniques to hedge credit risk on retained securitisation tranches.

SECURITISATION ACCOUNTING POLICIES

From an accounting perspective, traditional securitisations are treated as sales transactions. At inception, the assets are sold to a special purpose vehicle (SPV) at carrying value and no gains or losses are recognised. For synthetic securitisations, the credit derivatives used in the transaction are recognised at fair value, with any fair value adjustments reported in profit or loss.

Securitisation entities are consolidated into FRIHL for financial reporting purposes. Any retained notes are accounted for as available-for-sale investment securities within the banking book. Liabilities as a result of securitisation vehicles are accounted for in line with Group accounting policies for liabilities, provisions and contingent liabilities.

The Group does not currently employ any form of warehousing prior to structuring a new securitisation transaction.

YEAR UNDER REVIEW

Issuance of Turbo Finance 4

In November 2013, the Group closed its fourth UK traditional auto loan securitisation, Turbo Finance 4 plc (Turbo Finance 4). Turbo Finance 4 is a revolving cash securitisation of fixed rate auto loans extended to obligors by MotoNovo Finance. The note issuance of GBP378.7 million is rated by both Fitch and Moody's.

The incorporation of a 12-month revolving period has enabled the Bank to extend the term of funding by an additional year. Despite the increase in the weighted average life of the transaction, the Class A note was issued 2 bps below the Turbo 3 Class A note. The performance of past and existing Turbo Finance transactions has helped to further improve rating assumptions used by the rating agencies, allowing for an additional reduction in the level of subordination required for the Aaa/AAA Class A notes (13% compared to 18% for Turbo 3 and 28% for Turbo 1).

The following table provides further detail regarding the notes.

Turbo Finance 4 notes issued

Tranche	Rating (Moody's/ Fitch)	Amount (GBP million)	Credit enhance-ment* (%)	Coupon
A	Aaa(sf)/AAA(sf)	328.9	13.14	1m Libor + 58
B	A1(sf)/A+(sf)	33.6	4.27	1m Libor + 115
C	Ba1(sf)/BBB(sf)	11.3	1.28	6%
D	NR/NR	4.9	0.00	20%
Total		378.7		

* *Calculated including the class D notes/cash component.*

The Bank was, however, required to retain GBP18 million of the Class B tranche. FirstRand, acting through its London branch, continues to act as servicer for the transaction. The transaction is compliant with Article 122a of the EU Capital Requirement Directive where the Bank chose to use the on-balance sheet retention method to meet the 5% retained interest requirements of Article 122a.

Maturity of Fresco 2

Launched in August 2007, Fresco 2 represented the Group's second synthetic securitisation of wholesale corporate credit exposures. Scheduled amortisation of Fresco 2 commenced in November 2012 and in August 2013, the transaction matured with final redemption of all outstanding notes.

During its lifetime, the Fresco 2 securitisation provided both funding and credit risk mitigation against the Group's wholesale credit exposures. The transaction performed in line with expectations.

Nitro Securitisation 4 Issuer Trust (Nitro 4) ratings affirmed

In July 2013, Moody's Investor Services affirmed the Baa2(sf)/A1.za(sf) and Ba2(sf)/Baa1.za(sf) ratings of the Class B and Class C notes, respectively. At the same time, the rating agency affirmed the A1(sf)/Aaa.za(sf) ratings on the outstanding Class A8 to A14 notes. The rating actions reflect the adequate level of credit enhancement, which protects against sovereign and counterparty risk.

Exposures intended to be securitised or resecuritised in the future

FirstRand uses securitisation primarily as a funding tool. The ability to securitise assets is dependent on the availability of assets to securitise, investor appetite for securitisation paper and comparison with alternative sources of funding. All assets on the Group's balance sheet are considered as exposures that could possibly be securitised within the market constraints mentioned above. The Group obtains SARB approval for the structure and limits imposed by the board on the size of assets that may be securitised.

Resecuritisation results from portfolio management actions and the size of the exposure is dependent on future market factors. This exposure is reported as part of the investor reporting process.

TRADITIONAL AND SYNTHETIC SECURITISATIONS

The following tables show the traditional and synthetic securitisations currently in issue and the rating distribution of any exposures retained. Whilst national scale ratings have been used in this table, global scale equivalent ratings are used for internal risk management purposes and regulatory capital reporting.

Securitisation transactions

R million	Asset type	Year initiated	Expected close	Rating agency
Traditional securitisations**				
Nitro 4	Retail: Auto loans	2007	2016	Moody's
Turbo Finance 2	Retail: Auto loans	2012	2015	Moody's and Fitch
Turbo Finance 3	Retail: Auto loans	2012	2015	Moody's and Fitch
Turbo Finance 4	Retail: Auto loans	2013	2021	Moody's and Fitch
Synthetic securitisations**				
Fresco 2	Corporate receivables	2007	2013	Fitch
Total				

* *Does not include cash reserves.*
** *Includes transactions structured by the Group and excludes third-party transactions.*

Rating distribution of retained and purchased securitisation exposures

R million	AAA (zaf)	AA (zaf)	AA- (zaf)	A+ (zaf)	A (zaf)	BBB+ (zaf)	BBB (zaf)	BB (zaf)	B+ (zaf)	Not rated	Total
Traditional											
At 30 June 2014	**1 463**	**–**	**–**	**247**	**–**	**–**	**235**	**–**	**–**	**1 380**	**3 325**
At 30 June 2013	98	–	–	81	–	–	–	–	–	1 300	1 479
Synthetic											
At 30 June 2014	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
At 30 June 2013	–	–	–	–	–	3 020	–	52	–	123	3 195
Third party											
At 30 June 2014	**504**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**504**
At 30 June 2013	503	–	–	–	–	–	–	–	–	–	503

	Assets outstanding*		Notes outstanding		Retained exposure	
Assets securitised	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
19 167	**10 066**	7 019	**10 895**	7 823	**3 325**	1 479
3 982	**576**	1 453	**717**	1 747	**268**	589
4 037	**1 067**	2 200	**1 189**	2 402	**488**	409
4 570	**1 907**	3 366	**2 108**	3 674	**574**	481
6 578	**6 516**	–	**6 881**	–	**1 995**	–
20 000	**–**	5 000	**–**	5 000	**–**	3 195
20 000		5 000	**–**	5 000	**–**	3 195
39 167	**10 066**	12 019	**10 895**	12 823	**3 325**	4 674

RESECURITISATIONS

A resecuritisation exposure is where the risk associated with an underlying pool of exposures is tranched and at least one of the underlying exposures is a securitisation exposure. Securitisation paper is, on occasion, acquired by the Group's asset-backed commercial paper conduits and managed as part of the underlying portfolio. This makes up a minimal portion of the total portfolio and is accounted for as a resecuritisation exposure for regulatory capital purposes.

Resecuritisation exposure

	2014		2013	
Programme*	**Resecuritisation exposure (R million)**	**% of total programme**	**Resecuritisation exposure (R million)**	**% of total programme**
iVuzi	**11.0**	**0.3**	47.5	1.1

* *Excludes distributions relating to iNguza underlying exposure as this is driven by note holders and does not impact third parties.*

CONDUIT PROGRAMMES

The Group has conduit programmes incorporated under both securitisation scheme and commercial paper regulations. The iNdwa and iVusi conduit programmes are incorporated under securitisation scheme regulations. These are debt capital market vehicles, which provide investment-grade corporate South African counterparties with an alternative source of funding to traditional bank funding or capital markets issuance under their own domestic medium-term debt programmes. It also provides institutional investors with highly-rated short-term alternative investments. The fixed income fund, iNkotha, is a call-loan bond fund, which offers overnight borrowers and lenders an alternative to traditional overnight bank borrowings or deposits.

The commercial paper programme, iNguza, issues bespoke notes to investors. These notes use the credit risk of separate and distinct transactions of a different underlying borrower or obligors. Note holders will have recourse only to the assets in relation to the underlying transaction and will not have recourse to any other assets. Risk relating to the underlying transactions is transferred directly to note holders and managed by them according to their risk appetite levels. Notes are listed on the JSE and may be traded through members of the JSE.

Both the fixed income fund and the commercial paper programme have been incorporated under commercial paper regulations.

All assets originated for the conduit programmes are rigorously evaluated as part of the Group's credit approval processes applicable to any other corporate exposure held by the Group.

The conduit programmes have proved resilient during difficult financial market conditions and experienced a tightening of credit spreads in line with the corporate debt market. Supply of assets and demand for notes issued by the conduits remains healthy, albeit within the constraints of newly introduced collective investment scheme regulations.

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

Conduit programmes*

R million	Underlying assets	Year initiated	Rating agency	Programme size	Non-recourse investments 2014	Non-recourse investments 2013	Credit enhancement provided 2014	Credit enhancement provided 2013
Securitisations**								
iNdwa	Corporate and structured finance term loans	2003	Fitch	15 000	4 420	5 160	–	–
iVuzi	Corporate and structured finance term loans	2007	Fitch	15 000	3 871	4 123	1 044	1 070
Total				30 000	8 291	9 283	1 044	1 070
Fixed income fund#								
iNkotha	Overnight corporate loans	2006	GCR†	10 000	2 937	2 957	–	–
Total				10 000	2 937	2 957	–	–
Commercial paper programme#								
iNguza	Corporate and structured finance term loans	2008	GCR†	15 000	9 482	10 964	–	–
Total				15 000	9 482	10 964	–	–

* *Conduit programmes are consolidated into FRIHL for financial reporting purposes.*
** *Conduits incorporated under regulations relating to securitisation scheme.*
# *Conduits incorporated under regulations relating to commercial paper.*
† *Global credit rating.*

Rating distribution of conduits*

R million	F1+(zaf)	AAA(zaf)	AA+(zaf)	AA(zaf)	AA-(zaf)	A+(zaf)	A(zaf)	A-(zaf)	Total
Securitisations									
At 30 June 2014	**–**	**674**	**1 054**	**2 744**	**250**	**1 247**	**1 533**	**789**	**8 291**
At 30 June 2013	–	–	820	2 841	1 777	1 945	1 284	616	9 283
Fixed income funds									
At 30 June 2014	**–**	**–**	**270**	**367**	**422**	**798**	**610**	**470**	**2 937**
At 30 June 2013	–	–	–	648	827	601	321	560	2 957

* *Excludes distributions relating to iNguza underlying exposure as this is driven by note holders and does not impact third parties.*

LIQUIDITY FACILITIES

The following table provides a summary of the liquidity facilities provided by the Group.

Liquidity facilities

R million	Transaction type	2014	2013
Own transactions		**4 463**	5 751
iNdwa	Conduit	**3 204**	3 866
iVuzi	Conduit	**1 159**	1 885
Third party transactions	Securitisations	**214**	1 522
Total		**4 577**	7 273

All liquidity facilities granted to the transactions in the table above rank senior in terms of payment priority in the event of a drawdown. Economic capital is allocated to the liquidity facility extended to iNdwa and iVuzi as if the underlying assets were held by the Group. The conduit programmes are consolidated into FRIHL for financial reporting purposes.

ADDITIONAL INFORMATION

Capital against securitisation exposures has been calculated on consideration of a hierarchy of approaches based on the Regulations. The supervisory formula is used for conduits and the ratings-based approach has been selected for remaining exposures. Capital calculated under both of these approaches is limited to the capital that would have been held had the assets remained on-balance sheet. The following table provides the securitisation exposures retained or purchased as well as associated capital requirements per risk band.

Retained or purchased securitisation exposure and the associated regulatory capital charges

	Exposure		RWA		Capital*	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Risk weighted bands						
≤10%	**3 464**	3 989	**671**	348	**67**	33
>10% ≤20%	**2 167**	750	**423**	93	**42**	9
>50% ≤100%	**30**	1 331	**23**	859	**2**	82
>100% ≤650%	**206**	–	**720**	–	**72**	–
1250%/deduction	**1 380**	1 423	**13 798**	14 968	**1 380**	1 422
Look through	**2 303**	6 027	**1 087**	2 962	**109**	281
Total	**9 550**	13 520	**16 722**	19 230	**1 672**	1 827

* *Capital is calculated at the SARB transitional minimum requirement of 10% for 2014 (9.5%: 2013) (excluding the bank-specific individual capital requirement) and includes a 6% capital scalar.*

The Group did not securitise any exposures that were impaired or past due at the time of securitisation.

COUNTERPARTY CREDIT RISK

INTRODUCTION AND OBJECTIVES

Counterparty credit risk measures a counterparty's ability to satisfy its obligations under a contract that has positive economic value to the bank at any point during the life of the contract. It differs from normal credit risk in that the economic value of the transaction is uncertain and dependent on market factors that are typically not under the control of the bank or the client.

Counterparty credit risk is taken mainly in the Group's trading and securities financing businesses. The objective of counterparty credit risk management is to ensure that this risk is appropriately measured, analysed and reported on, and is only taken within specified limits in line with the Group's risk appetite framework as mandated by the board.

During the year under review, the Group focused on improving the risk management of the portfolio while growing client market access responsibly. FirstRand is, and will continue to be, an active participant in processes to implement legislative and structural reforms in the local derivatives market. Changes to international regulations relating to derivative market reforms are regularly monitored.

The risk to bilateral over-the-counter (OTC) counterparties is reduced by restricting transactions to higher-rated counterparties and collateralising all mark-to-market movements in the majority of cases. The risk to clients in securities financing is reduced by improved margining and restricting exposure to higher quality underlying assets.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

RMB's credit department is responsible for the overall management of counterparty credit risk. It is supported by RMB's derivative counterparty risk department which is responsible for ensuring that market and credit risk methodologies are consistently applied in the quantification of risk.

Counterparty credit risk is managed on the basis of the principles, approaches, policies and processes set out in the credit risk management framework for wholesale credit exposures.

In this respect, counterparty credit risk governance aligns closely with the Group's credit risk governance framework, with mandates and responsibilities cascading from the board through the RCC committee to the respective credit committees and subcommittees as well as deployed and central risk management functions. Refer to the *risk governance* section, and organisational structure and governance in the *credit risk* section for more details.

The derivative counterparty risk committee supports the credit risk management committee and its subcommittees with analysis and quantification of counterparty credit risk for traded product exposures.

ASSESSMENT AND MANAGEMENT

Quantification of risk exposure

The measurement of counterparty credit risk aligns closely with credit risk measurement practices and is focused on establishing appropriate limits at a counterparty level and on ongoing portfolio risk management.

To this end, appropriate quantification methodologies of potential future exposure over the life of a product, even under distressed market conditions, are developed and approved at the relevant technical committees.

Individual counterparty risk limit applications are prepared using the approved risk quantification methodologies, and assessed and approved by the dedicated counterparty credit committee, which has appropriate executive and non-executive representation.

All counterparty credit risk limits are subject to annual review, while counterparty exposures are monitored by the respective risk functions on a daily basis. Overall counterparty risk limits are allocated across a number of products. Desk-level reports are used to ensure sufficient limit availability prior to executing additional trades with counterparties.

Business and risk management functions share the following responsibilities in this process:

- quantification of exposure and risk, as well as management of facility utilisation within approved credit limits;
- ongoing monitoring of counterparty creditworthiness to ensure early identification of high-risk exposures and predetermined facility reviews at certain intervals;
- collateral management;
- management of high-risk (watch list) exposures;
- collections and workout process management for defaulted assets; and
- counterparty credit risk reporting.

Limit breaches are dealt with in accordance with the approved excess mandate. Significant limit breaches necessitate reporting to the head of the business unit, head of risk for the affected business unit and derivative counterparty risk management function. Any remedial actions are agreed amongst these parties and failure to remedy such a breach is reported to the RMB proprietary board, ERM and RCC committee.

As part of the ongoing process of understanding the drivers of counterparty credit risk, regular analysis is carried out on OTC derivative and securities financing portfolios on a look-through basis. This portfolio review process seeks to identify concentrations, assess the impact of stress scenarios and to better understand the interaction of underlying market risk factors and credit exposure. The benefits gained include clearer insight into potential collateral, earnings and capital volatility, and potentially risky trading behaviour by counterparties.

Advanced monitoring of the creditworthiness of developed market counterparty banks is conducted through the real-time analysis of the spreads on listed securities that have been issued or referenced by these banks.

Counterparty credit risk mitigation

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives.

The Group uses International Swaps and Derivatives Association (ISDA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied on a daily basis, including daily margin calls based on approved CSA thresholds.

For regulatory purposes, net exposure figures are used in capital calculations, whilst for accounting purposes netting is only applied where a legal right to set off and the intention to settle on a netted basis exist.

Collateral to be provided in the event of a credit rating downgrade

In rare instances, FirstRand has signed ISDA agreements where both parties would be required to post additional collateral in the event of a rating downgrade. The additional collateral to be provided by the Group in the event of a credit rating downgrade is not material and would not adversely impact its financial position. ISDA agreements with these provisions are, however, being actively phased out.

When assessing the portfolio in aggregate, the collateral that would need to be provided in the event of a rating downgrade is subject to many factors, including market moves in the underlying traded instruments and netting of existing positions.

While these variables are not quantifiable, the following table, in addition to showing the effect of counterparty credit risk mitigation, provides a guide to the order of magnitude of the netted portfolio size and collateral placed with the Group. In aggregate, all of the positive mark-to-market values shown would need to reverse before the Group would be a net provider of collateral.

COUNTERPARTY CREDIT RISK PROFILE

The following table provides an overview of the counterparty credit risk arising from the Group's derivative and structured finance transactions.

Composition of counterparty credit exposure

R million	2014*	2013
Gross positive fair value	**97 902**	107 161
Netting benefits	**(11 661)**	(12 105)
Netted current credit exposures before mitigation	**86 241**	95 056
Collateral value	**(76 413)**	(82 268)
Netted potential future exposure	**11 764**	3 661
Exposure at default**	**24 571**	21 097

* *The increase in netted potential exposure in June 2014 was due to the inclusion of central counterparties for futures clearing operations not included in June 2013.*

** *Includes exposures calculated under both the standardised and current exposure method. The Bank implemented the standardised method in June 2012. EAD under the standardised method is quantified by scaling either the current credit exposure less collateral or the net potential future exposure by a factor of 1.4. The latter explains why the summation of the netted current exposure, collateral value and netted potential future exposure in the table above differs from the EAD computed.*

The Group employs credit derivatives primarily for the purposes of protecting its own positions and for hedging its credit portfolio, as indicated in the following tables.

Credit derivatives exposure

	2014			
R million	**Credit default swaps**	**Total return swaps**	**Other**	**Total**
Own credit portfolio				
– protection bought	**–**	**–**	**–**	**–**
– protection sold	**127**	**–**	**–**	**127**
Intermediation activities				
– protection bought	**3 555**	**–**	**–**	**3 555**
– protection sold	**5 787**	**–**	**–**	**5 787**

	2013			
R million	**Credit default swaps**	**Total return swaps**	**Other**	**Total**
Own credit portfolio				
– protection bought	–	–	–	–
– protection sold	2 145	–	–	2 145
Intermediation activities				
– protection bought	3 511	–	–	3 511
– protection sold	4 633	–	–	4 633

MARKET RISK IN THE TRADING BOOK

INTRODUCTION AND OBJECTIVES

The Group's market risk emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products. Market risk in the trading book is taken and managed by RMB. The relevant businesses within RMB function as the centres of expertise with respect to all market risk-related activities and market risk is managed and contained within the Group's appetite.

Compared to the previous year, overall diversified levels of market risk have remained relatively unchanged. The performance of market risk-taking activities is measured as the higher of the Group's internal expected tail loss (ETL) measure (as a proxy for economic capital) and regulatory capital based on Value-at-Risk (VaR) plus stressed VaR.

Interest rate risk in the banking book is managed by Group Treasury and is disclosed as part of the *interest rate in the banking book* section of this report.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

In terms of the market risk framework, a subframework of the BPRMF, responsibility for determining market risk appetite vests with the board, which also retains independent oversight of market risk-related activities through the RCC committee and its market and investment risk subcommittee.

Separate governance forums, such as RMB's proprietary board, take responsibility for allocating these mandates further, whilst deployed and central risk management functions provide independent control and oversight of the overall market risk process.

ASSESSMENT AND MANAGEMENT

Quantification of risk exposures

Market risk exposures are primarily measured and managed using an ETL measure and ETL limits. The ETL measure used by RMB is a historical simulation measure assessing the average loss beyond a selected percentile. RMB's ETL is based on a confidence interval of 99% and applicable holding periods. Since ETL is adjusted for the trading liquidity of the portfolio, it is referred to as liquidity-adjusted ETL. Holding periods, ranging between 10 and 90 days, are used in the calculation and are based on an assessment of distressed liquidity of portfolios. Historical data sets are chosen to incorporate periods of market stress such as data from the 2008/2009 global financial crisis.

VaR calculations over holding periods of 1 day and 10 days are used as an additional tool in the assessment of market risk. Loss escalation procedures are used to highlight positions to be reviewed by management.

The Group's VaR number should be interpreted in light of the limitations of the methodology used, as follows:

- due to its nature, historical simulation VaR may not provide an accurate estimate of future market moves;
- the use of a 99% confidence level does not reflect the extent of potential losses beyond that percentile. The ETL is a better measure to quantify losses beyond that percentile (but still subject to similar limitations as stated for VaR);
- use of a 1-day time horizon is not a fair reflection of profit or loss for positions with low trading liquidity, which cannot be closed out or hedged within one day;
- as exposures and risk factors can change during daily trading, exposures and risk factors are not necessarily captured in the VaR calibration which uses end-of-day trading data; and
- where historical data is not available, time series data is approximated or backfilled using appropriate quantitative methodologies. Use of proxies is, however, limited.

These limitations mean that the Group cannot guarantee that losses will not exceed VaR.

Risk concentrations in the market risk environment are controlled by means of appropriate ETL sublimits for individual asset classes and the maximum allowable exposure for each business unit. In addition to the general market risk limits described above, limits covering obligor specific risk and event risk have been introduced and utilisation against these limits is monitored continuously, based on the regulatory building block approach.

Stress testing

Stress testing provides an indication of potential losses that could occur under extreme market conditions. The ETL assessment provides a view of risk exposures under stress conditions.

Additional stress testing, to supplement the ETL assessment, is conducted using historical market downturn scenarios and includes the use of what-if hypothetical and forward-looking simulations. The stress test calibrations are reviewed regularly to ensure that the results are indicative of the possible impact of severely distressed and event-driven market conditions. Stress and scenario analyses are regularly reported to and considered by the relevant governance bodies.

Earnings volatility

A key element of the Group's risk appetite framework is an assessment of potential earnings volatility that may arise from underlying activities. Earnings volatility for market risk is quantified by subjecting key market risk exposures to predetermined stress conditions, ranging from business-as-usual stress through severe stress and event risks.

In addition to assessing the maximum acceptable level of earnings volatility, stress testing is used to understand sources of earnings volatility and highlight unused capacity within the Group's risk appetite. Market risk earnings volatility is calculated and assessed on a quarterly basis.

Back testing

Back testing is performed in order to verify the predictive ability of the VaR model and ensure ongoing appropriateness. The regulatory standard for back testing is to measure daily profits and losses against daily VaR at the 99th percentile. The number of breaches over a period of 250 trading days is calculated, and, should the number exceed that which is considered appropriate, the model is recalibrated.

Regulatory and economic capital for market risk

The internal VaR model for general market risk was approved by the SARB for local trading units and is consistent with the methodologies stipulated in the Basel III framework. For all international legal entities, the standardised approach is used for regulatory market risk capital purposes.

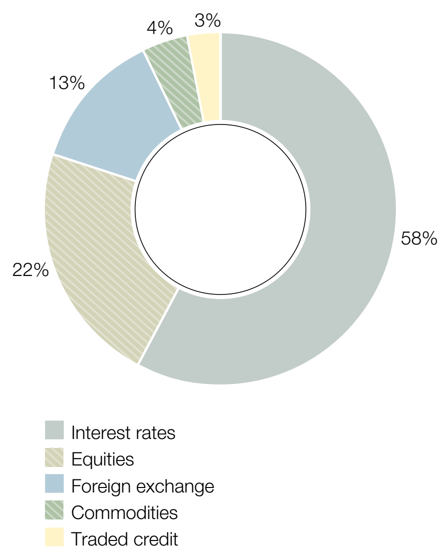
Economic capital for market risk is calculated using liquidity-adjusted ETL plus an assessment of specific risk.

MARKET RISK IN THE TRADING BOOK PROFILE

The following chart shows the distribution of exposures per asset class across the Group's trading activities at 30 June 2014 based on the VaR methodology. VaR equity exposure shown relates mainly to listed equity exposures in RMB Australia Holdings. These exposures are predominantly in the junior resources sector and are reflected on the RMB Australia Holdings balance sheet. The interest rate asset class represented the most significant exposure at year end. The main difference in asset class mix from the previous year relates to commodities, which at year end constituted a much smaller percentage of the total.

VaR exposure per asset class (audited)

%



VaR analysis by risk type

The following table reflects VaR over a 1-day holding period at a 99% confidence level. Results indicate that overall levels of market risk remained fairly unchanged between June 2013 and 2014. The most notable differences in risk when compared to the prior year relate to the interest rate and commodity components. Commodity exposures were significantly reduced during December 2013 and remained low for the remainder of the year. Overall interest rate risk increased as a result of interest rate derivative exposures on book, as well as the formation of a new trading desk created as part of the Group's derivative transformation initiative. Overall levels of diversification have remained relatively unchanged compared to the previous year.

1-day 99% VaR analysis by instrument (audited)

	2014				2013
R million	**Min***	**Max***	**Average**	**Period end**	**Period end**
Risk type					
Equities	**13.1**	**49.0**	**20.1**	**18.2**	13.9
Interest rates**	**17.0**	**57.9**	**34.6**	**49.6**	33.7
Foreign exchange	**5.9**	**45.6**	**12.1**	**11.2**	7.9
Commodities	**3.0**	**18.4**	**8.6**	**3.3**	19.6
Traded credit	**0.6**	**5.8**	**2.7**	**2.6**	2.9
Diversification effect	**–**	**–**	**–**	**(26.2)**	(22.8)
Diversified total	**36.6**	**98.3**	**57.2**	**58.7**	55.2

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

** *Banking book exposures are managed by Group Treasury and are reported under the banking book interest rate risk section.*

The following table reflects 10-day VaR and stress VaR (sVaR) at the 99% confidence level at year end. The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period (2008/2009).

The overall results are commensurate with the 1-day VaR results above. When considering sVaR only, the abovementioned increase in interest rate risk and decrease in commodity risk is evident. Similarly, the same trends are noted with regards to VaR, except for the interest rate component, where the 10-day VaR has declined slightly from the prior year end. The apparent anomaly reflects the changing interest rate environment experienced during the past year, where 1-day scenarios reflect volatility to a greater extent than 10-day scenarios.

10-day 99% VaR and sVaR analysis by instrument

	2014		2013	
	Period end		**Period end**	
R million	**VaR**	**sVaR**	**VaR**	**sVaR**
Risk type				
Equities	**41.5**	**29.3**	40.4	14.9
Interest rates	**78.6**	**137.0**	98.0	84.5
Foreign exchange	**32.2**	**24.3**	37.5	35.5
Commodities	**6.9**	**12.9**	37.3	50.8
Traded credit	**4.6**	**5.5**	4.9	9.4
Diversification effect	**(39.0)**	**(57.5)**	(69.7)	(91.5)
Diversified total	**124.9**	**151.5**	148.4	103.6

Other risk measures

Other risk factors are considered in the assessment and management of market risk. These include interest rate and equity specific risk. Specific risk accurately measures idiosyncratic risk not captured by ETL and VaR measures for interest rate and equity risk, such as default risk, credit migration risk and event risk, and identifies concentrations in a portfolio. The following table includes specific risk capital for the year.

Specific risk capital*

R million	**2014**	**2013****
Interest rate specific risk	**99**	96
Equity specific risk	**85**	69
Total	**184**	165

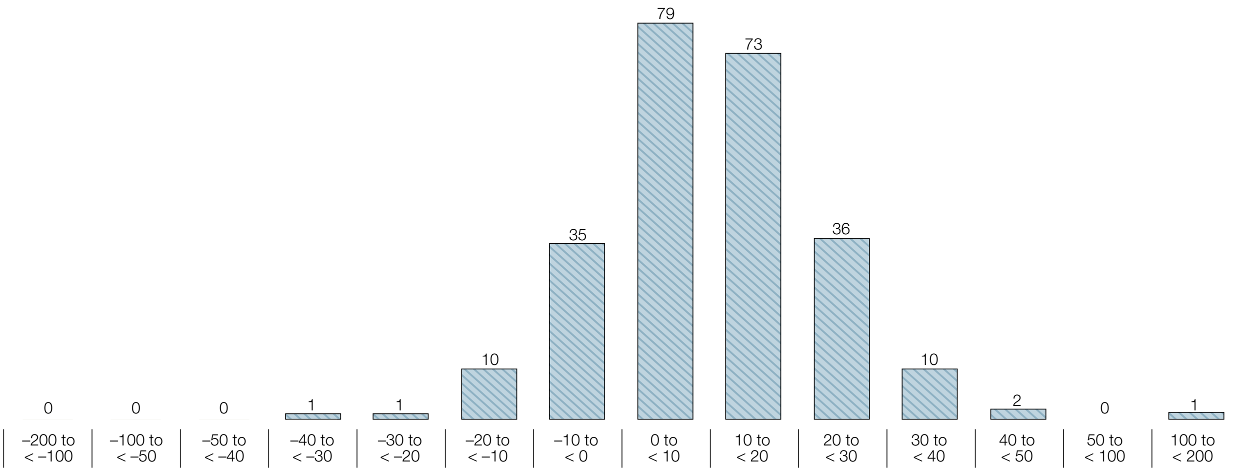
* *Capital calculated at the SARB transitional minimum requirement of 10% (excluding the bank-specific individual capital requirement).*
** *June 2013 numbers were restated to reflect the required regulatory capital charge for FirstRand.*

Distribution of daily trading earnings from trading units

The following histogram shows the daily revenue for the Group's local trading units for the year. The results are skewed towards profitability.

2014 distribution of daily earnings – frequency

Days in a period

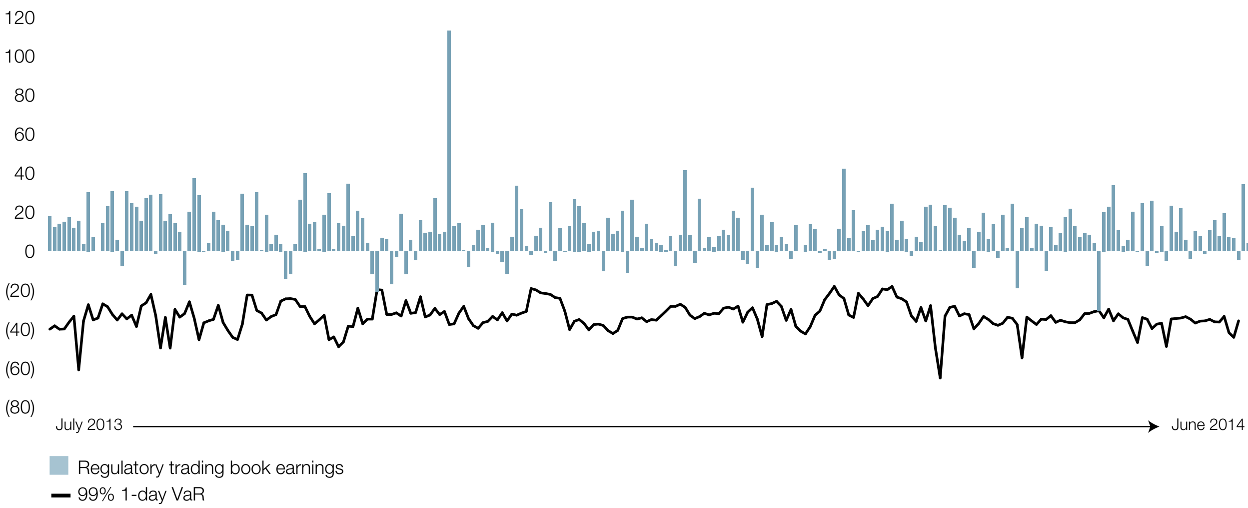


Back testing: daily regulatory trading book earnings and VaR

The Group tracks its daily local earnings profile as illustrated in the following chart. The earnings and 1-day VaR relate to the Group's internal VaR model. Exposures were contained within risk limits during the trading period.

Back testing: daily regulatory trading book earnings versus 1-day 99% VaR*

R million



* *Certain 1-day VaR numbers for the six-month period between July and December 2013 have been restated due to a data error. There was no impact on the back test and the error has since been rectified.*

Trading book earnings exceeded 1-day VaR on two occasions during the year under review. This indicates a reasonably accurate quantification of market risk provided by the Group's internal model.

International

RMB Australia Holdings and the Bank's India branch hold the highest exposure to market risk amongst the international operations. The same approach is employed for the measurement and management of market risk as in the domestic portfolio.

FRIHL – VaR analysis by risk type

The table reflects VaR over a 1-day holding period at a 99% confidence level for FRIHL. Market risk in FRIHL relates to the trading activities in RMB Australia Holdings Ltd and RMB Securities Trading (Pty) Ltd (RST), and represents a subset of the VaR analysis by asset class reflected above for the Group. Overall levels of risk remained largely unchanged on the prior year.

1-day 99% VaR analysis for FRIHL (audited)

	2014				2013
R million	**Min***	**Max***	**Average**	**Period end**	**Period end**
Diversified total	**10.6**	**28.8**	**14.7**	**13.3**	10.8

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

Regulatory market risk for FRIHL is measured using the standardised approach. Commensurate with the slight increase in VaR observed above, market risk calibrated using the regulatory standardised approach has increased slightly since the previous year.

Market risk standardised approach for FRIHL*

R million	**2014**	**2013**
Specific risk	**42**	39
General risk	**51**	42

* *The above FRIHL regulatory market risk numbers comprise RST and RMB Resources.*

FNB Africa subsidiaries – standardised approach

Market risk for the African subsidiaries is measured using the standardised approach. In addition, the same ETL and VaR methodologies described above are used as supplementary measures.

Trading activities in the rest of Africa continued to grow over the past year and are expected to grow further as RMB expands its footprint and operations. During the year under review, market risk was contained within acceptable stress loss limits and was effectively managed in the African subsidiaries.

Market risk standardised approach for the African subsidiaries

	2014				2013
R million	**Min***	**Max***	**Average**	**Period end**	**Period end**
Risk type					
Interest rates	**3.4**	**14.8**	**8.9**	**7.4**	13.2
Foreign exchange	**5.0**	**45.5**	**33.0**	**16.0**	24.4
Total	**8.3**	**60.3**	**41.9**	**23.3**	37.6

* *The previous year end numbers were restated in line with regulatory capital reported for the June 2014 year end.*

INTEREST RATE RISK IN THE BANKING BOOK

INTRODUCTION AND OBJECTIVES

Interest rate risk in the banking book (IRRBB) originates from the differing repricing characteristics of balance sheet transactions, yield curve risk, basis risk and client optionality embedded in banking book products.

The endowment effect, which results from a large proportion of non- and low-rate liabilities that fund variable-rate assets, remains the primary driver of IRRBB and results in Group earnings being vulnerable to interest rate cuts, and would result in increased margins in a hiking cycle. The increase in the repo rate in the current financial year had a positive impact on the margin from the endowment book.

IRRBB is an inevitable risk associated with banking and can be an important source of profitability and shareholder value. Within FirstRand, IRRBB continues to be managed from an earnings approach, with the aim to protect and enhance the Bank's earnings and economic value within approved risk limit and appetite levels. The strategic hedge positions which were in place in the previous financial year have been allowed to roll off in the current financial year and the book is positioned to benefit from a hiking cycle. The endowment hedge portfolio is managed dynamically taking into account the continuously changing macroeconomic environment.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The control and management of IRRBB is governed by the framework for the management of IRRBB, a subframework of the BPRMF. Ultimate responsibility for determining risk limits and appetite for the Group vests with the board. Independent oversight for monitoring is done through the RCC committee, who, in turn, has delegated the responsibility for IRRBB to Group ALCCO. ALCCO also maintains responsibility on behalf of the board for the allocation of sublimits and remedial action to be taken in the event of any limit breaches.

Individual ALCCOs exist in each of the African subsidiaries and international branches which monitor and manage in-country IRRBB. Material issues from individual ALCCOs are reported through to FirstRand ALCCO.

ASSESSMENT AND MANAGEMENT

FirstRand Bank South Africa

Interest rate risk originates from trading and non-trading/banking book activities. In the trading book, interest rate risk is primarily quantified and managed using ETL measures and limits. This is covered in *market risk in the trading book* section of this report.

Management and monitoring of the FirstRand domestic banking book is split between the RMB book and the remaining domestic banking book. RMB manages its banking book under the market risk framework; as such, risk is measured and monitored in conjunction with the trading book with management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R35.2 million on a 10-day ETL basis at 30 June 2014 (June 2013: R31.5 million). Refer to *market risk in the trading book* section. Any further reference relating to the banking book excludes the RMB book.

The remaining banking book consists predominantly of retail balances from FNB and WesBank, and the FCC balance sheet. This is managed centrally by Group Treasury with oversight from FCC risk management.

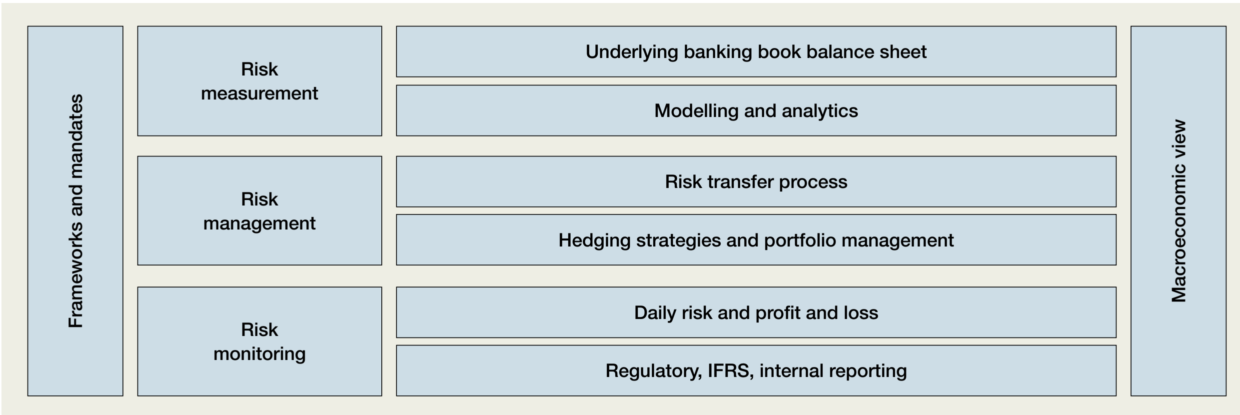
The internal funds transfer pricing (FTP) process is used to transfer interest rate risk from the franchises to Group Treasury. This process allows risk to be managed centrally and holistically in line with the Group's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which there is a liquid market. Where possible, hedge accounting is used to minimise accounting mismatches, thus ensuring that amounts deferred in equity are released to the income statement at the same time as movements attributable to the underlying hedged asset/liability. The interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk.

A number of measurement techniques are used to monitor IRRBB. These focus on the NII sensitivity/earnings risk and the overall impact on economic value of equity (EVE). A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on their repricing characteristics.

Foreign operations

Management of foreign branches and subsidiaries is performed by in-country management teams with oversight provided by Group Treasury and FCC risk management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the Group's appetite. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Interest rate risk management and assessment



SENSITIVITY ANALYSIS

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as the economic/net asset value of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect long-term economic value. To achieve this, both earnings sensitivity and EVE sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which could cause a change in rates.

Earnings sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis, assuming a constant balance sheet size and mix. No adjustments are made for prepayments in the underlying book, however, prepayment assumptions are factored into the calculation of hedges for fixed rate lending. Rollover assumptions are not applied to off-balance sheet positions.

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. The increased sensitivity in June 2014 compared to June 2013 is attributable to endowment hedges that have rolled off. Given uncertainty in the rate environment in the previous financial year, the endowment book was positioned to provide protection against potential rate cuts. These hedges have been allowed to roll off given changes in the macroeconomic environment and the Group's net interest margin is positioned to benefit from rate hikes as a result of the endowment impact.

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel decrease in interest rates of 200 bps would result in a reduction in projected 12-month NII of R2 679 million. A similar increase in interest rates would result in an increase in projected 12-month NII of R2 578 million. The NII sensitivity analysis below excludes the banking books which are managed separately. The bulk of the sensitivity relates to the endowment book mismatch. The Group's average endowment book was R122 billion for the year. Total sensitivity to ZAR rate moves is measured in the Bank whilst African subsidiaries are measured in their home currency.

Projected NII sensitivity to interest rate movements (audited*)

	2014		
	Change in projected 12-month NII		
R million	**FirstRand Bank**	**FNB Africa**	**FirstRand**
Downward 200 bps	**(2 258)**	**(421)**	**(2 679)**
Upward 200 bps	**2 218**	**363**	**2 581**

	2013		
	Change in projected 12-month NII		
R million	**FirstRand Bank**	**FNB Africa**	**FirstRand**
Downward 200 bps	(789)	(260)	(1 049)
Upward 200 bps	676	258	934

* *The earnings modelling process and roll-over assumptions applied are not subject to the scope of reasonable assurance.*

Economic value of equity (EVE)

An EVE sensitivity measure is used to assess the impact on the total net asset value of the Group as a result of a shock to underlying rates. Unlike in the trading book where a change in rates will impact the fair value income and the reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves of the entity to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying transactions. As a result, a purely forward looking EVE measure applied to the banking book, be it a 1 bps shock or a full stress shock, is monitored relative to total risk limit and appetite levels.

The table below highlights the sensitivity of the net asset value as a percentage of total capital. The EVE shock applied is based on regulatory guidelines and is a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios managed by Group Treasury which, as a result of the risk transfer through the FTP process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded in the entity as a result of the banking book products which are not recognised at fair value. The change in the current period is attributable to the endowment hedge position in place in the previous financial year which was allowed to roll off in anticipation of a hiking cycle.

The table below reflects a point-in-time view which is dynamically managed and can change significantly in a short space of time. This disclosure differs from previous EVE sensitivity disclosure as it looks at the economic sensitivity of the banking book as a whole as opposed to only the sensitivity of products impacting the cash flow and available-for-sale reserves. The economic sensitivity analysis below excludes the banking books of RMB and the foreign operations, which are managed separately. The bulk of the sensitivity originates from the endowment hedges which decreased from the previous financial year.

Net asset value sensitivity to interest rate movements as a percentage of total Group capital (audited)

%	2014	2013
Downward 200 bps	**0.25**	1.45
Upward 200 bps	**(0.28)**	(1.42)

EQUITY INVESTMENT RISK

INTRODUCTION AND OBJECTIVES

Equity investment risk arises primarily from equity exposures from investment banking activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending. In addition, equity investment risk arises from strategic investments held by WesBank, FNB and FCC.

Ashburton Investments was launched in 2013, which has required the seeding of new traditional and alternative funds both locally and offshore, which exposes the Group to equity investment risk.

In addition, equity investment risk arises from strategic investments held by WesBank, FNB and FCC.

The Group actively monitors regulatory developments, including amendments to current regulations as a result of Basel III. This has resulted in changes to the risk weighting of certain classes of investments.

The overall quality of the investment portfolio remains acceptable and is within risk appetite. During the year under review, there were few equity realisations with several new equity investments undertaken as part of a portfolio rebuilding strategy.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The responsibility for determining equity investment risk appetite vests with the board. The following structures have been established in order to assess and manage equity investment risk:

- the prudential investment committee (investment committee) chaired by the RMB chief investment officer and its delegated subcommittees are responsible for oversight of the approval of portfolio investment transactions in equity, quasi-equity or quasi-debt instruments;
- where the structure of the investments also incorporate significant components of senior debt, approval authority will rest with the respective credit committees and the large exposures committee, as appropriate;
- the biannual investment risk oversight committee assesses the quality, size and performance of the investment portfolio across RMB and reviews movements in light of risk appetite;
- the RMB CRO, in consultation with the Group CRO and with support from the deployed and central risk management functions, provides independent oversight and reporting of all investment activities in RMB to the RMB proprietary board, as well as the market and investment risk committee. FNB and WesBank executive management monitor and manage investments through the financial reporting process; and
- RCC and MIRC committees are responsible for the oversight of investment risk measurement and management across the Group.

In Ashburton Investments, new fund investments are approved by the investment forum before review and approval by its investment product development, investment distribution and executive committees. Also prior to seeding, capital and investment limits are provided by the capital management committee and the market and investment risk committee, respectively. Ashburton Investments is in the process of establishing its own capital management committee to monitor and report on these positions to the appropriate Group governance committees. Ashburton Investments' audit, risk and compliance committee reported into FCC audit, risk and compliance committee during the year under review.

ASSESSMENT AND MANAGEMENT

Management of exposures

The equity investment risk portfolio is managed through a rigorous evaluation and review process from inception to exit of a transaction. All investments are subject to a comprehensive due diligence, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place which aligns the interests of all parties involved through the use of incentives and constraints for management and the selling party. Where appropriate, the Group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal semi-annual reviews are carried out for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed.

Recording of exposures – accounting policies

IAS 39 requires equity investments to be classified as financial assets at fair value through profit and loss, or available-for-sale financial assets.

Consistent with the Group's accounting policies, the consolidated financial statements include the assets, liabilities and results of operations of all equity investments in which the Group has power over the relevant activities and the ability to use that power to affect the variable returns received from the entity.

Equity investments in associates and joint ventures are included in the consolidated financial statements using the equity accounting method. Associates are entities where the Group holds an equity interest of between 20% and 50%, or over which it has the ability to exercise significant influence, but does not control. Joint ventures are entities in which the Group has joint control over the relevant activities of the joint venture through a contractual agreement.

Measurement of risk exposures

Risk exposures are measured as potential loss under stress conditions. A series of standardised stress tests are used to assess potential losses under current market conditions, adverse market conditions, as well as severe stress/event risk. These stress tests are conducted at individual investment and portfolio levels.

The Group targets an investment portfolio profile that is diversified along a number of pertinent dimensions, such as geography, industry, investment stage and vintage (i.e. annual replacements of realisations).

Stress testing

Economic and regulatory capital calculations are complemented with regular stress tests of market values and underlying drivers of valuation e.g. company earnings, valuation multiples and assessments of stress resulting from portfolio concentrations.

Regulatory and economic capital

The SARB simple risk weighted method under the market-based approach, 300% (listed) or 400% (unlisted) is applied for the quantification of regulatory capital. Under the Regulations, the risk weight applied to investments in financial, banking and insurance institutions are subject to the aggregate and individual value of the Group's shareholding in these investments and also in relation to the Group's qualifying CET1 capital. The shareholdings in the investments are bucketed depending on the size of investment.

For economic capital purposes, an approach using market value shocks to the underlying investments is used to assess economic capital requirements for unlisted investments after taking any unrealised profits not taken to book into account.

Where price discovery is reliable, the risk of listed equity investments is measured based on a 90-day ETL calculated using RMB's internal market risk model. The ETL risk measure is supplemented by a measure of the specific (idiosyncratic) risk of the individual securities per the specific risk measurement methodology.

EQUITY INVESTMENT RISK PROFILE

Market prices in selected industries continued to present the Group with opportunities to build its private equity portfolio. Unrealised profits for the investment portfolio remained resilient. The private equity portfolio has been subject to a portfolio rebuilding initiative during the year.

Investment risk exposure and sensitivity of investment risk exposure

R million	2014	2013**
Listed investment risk exposure included in the equity investment risk ETL process	**516**	431
ETL on above equity investment risk exposures	**161**	194
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value*	**397**	729
Cumulative gains realised from sale of positions in the banking book during the period	**1 786**	550

* *Audited. The 10% sensitivity movement is calculated on the carrying value of investments excluding investments subject to the ETL process and the carrying value of investments in associates and joint ventures. The decline in the sensitivity value from 2013 to 2014 relates mainly to a change in accounting treatment of the employee liability insurance.*

** *June 2013 number was restated to reflect IFRS changes.*

The following table provides information relating to equity investment risk.

Investment valuations and associated regulatory capital requirements

	2014		
R million	**Publicly quoted investments**	**Privately held**	**Total**
Carrying value of investments*	**1 907**	**9 630**	**11 537**
Per risk bucket			
250%	**3**	**2 558**	**2 561**
300%	**1 904**	**–**	**1 904**
400%	**–**	**7 072**	**7 072**
Latent revaluation gains not recognised in the balance sheet**	**183**	**5 750**	**5 933**
Fair value#	**2 090**	**15 380**	**17 470**
Total unrealised gains recognised directly in balance sheet through equity instead of the income statement**	**259**	**45**	**304**
Capital requirement†	**586**	**2 952**	**3 538**

* *Financial, banking and insurance entities that meet Basel III classification criteria are subject to risk weighting at 250% whilst listed and unlisted investments are subject to 300% and 400% risk weighting respectively. This is additional disclosure from June 2014. Comparative information will be provided from June 2015.*

** *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital.*

The fair values of listed private equity investments were not considered to be materially different from the quoted market prices.

† *Capital requirement calculated at 10% of RWA (excluding the bank-specific individual capital requirement), and includes capital on investments in financial entities. These investments are included as other assets in the RWA table in the capital section.*

	2013		
R million	**Publicly quoted investments**	**Privately held**	**Total**
Carrying value of investments*	2 521	9 262	11 783
Latent revaluation gains not recognised in the balance sheet**	–	5 411	5 411
Fair value#	2 521	14 673	17 194
Total unrealised gains recognised directly in balance sheet through equity instead of the income statement**	517	-	517
Capital requirement†	718	3 279	3 997

* *The carrying value includes investments in financial, banking and insurance entities, which from 1 January 2013 are subject to the Basel III 250% risk weighting.*

** *These unrealised gains or losses are not included in Tier 1 or Tier 2 capital. Numbers restated to reflect correct values as at 30 June 2013.*

The fair values of listed private equity investments were not considered to be materially different from the quoted market prices.

† *Capital requirement calculated at 9.5% of RWA (excluding the bank-specific individual capital requirement), and includes capital on investments in financial entities. These investments are included as other assets in the RWA table in the capital section.*

FOREIGN EXCHANGE AND TRANSLATION RISK IN THE BANKING BOOK

INTRODUCTION AND OBJECTIVES

Foreign exchange risk arises from on- and off-balance sheet positions whose valuation in rand is subject to currency movements. Key activities giving rise to these positions are foreign currency placements, lending and investing activities, raising of foreign currency funding and trading and client facilitation activities in foreign currencies. The objective of foreign exchange risk management is to ensure that currency mismatches are managed within the Group's risk appetite and to ensure governance and oversight.

Translation risk is the risk to the rand-based reported earnings from fluctuations in the exchange rate when applied to the value, earnings and assets of foreign operations. Translation risk is, at present, seen as an unavoidable risk which results from having offshore operations. The Group does not actively hedge this risk.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

Foreign exchange risk results from activities of all the franchises, but management and consolidation of all these positions occur in one of two business units. Client flow and foreign exchange trading, including daily currency mismatch, are consolidated under and executed by RMB global markets. Foreign currency funding, foreign assets as well as foreign currency exposure, liquidity and term mismatch are consolidated under and managed by Group Treasury.

Market risk, foreign exposure and mismatch limits are approved by the board and the primary governance body is the RCC committee. Trading risk and the NOFP are overseen by the market and investment risk committee, a subcommittee of the RCC committee and mismatch risk is governed through Group international ALCCO processes. In addition to the committee structures, business units charged with frontline management of these risks have deployed risk managers within their units who assess and report this risk on an ongoing basis.

ASSESSMENT AND MANAGEMENT

In addition to the regulatory prudential limit on foreign asset exposure (25% of local liabilities), the board has set internal limits on FirstRand's total foreign currency exposure, within the regulatory limit but allowing opportunity for expansion and growth. Internal limits are also set per franchise, taking into account existing foreign asset exposure and future growth plans. Internal limits and utilisation are continuously monitored and reviewed when necessary.

The Group's NOFP position is within the regulatory limit of USD848 million, with the actual exposure at a net negative USD4 million. Senior management implemented various levels of internal prudential limits, taking into account fluctuating exchange rates and the Group's capital position. These limits fall below the regulatory limit but are large enough to cater for the hedging, settlement and execution positions of business units. Group Treasury is the clearer of all currency positions in FirstRand and is, therefore, tasked with the responsibility for managing the Group's position within internal and prudential limits. Any breaches are reported through the risk management structures and corrective action is monitored by both the deployed risk managers and ERM.

FOREIGN EXCHANGE AND TRANSLATION RISK PROFILE

Over the past year, no significant foreign exchange positions have been run, apart from translation risk in strategic foreign investments. Mismatches have been contained well within regulatory limits at all times. The macro foreign asset exposure of the Group remained below both regulatory and board limits and there is significant headroom for expansion into foreign assets.

FUNDING AND LIQUIDITY RISK

INTRODUCTION AND OBJECTIVES

The Group strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and exceeding minimum requirements. The objective is to maintain natural market share, but also to outperform at the margin, which will provide the Group with a natural liquidity buffer.

Given the liquidity risk introduced by its business activities, the Group's objective is to optimise its funding profile within structural and regulatory constraints to enable franchises to operate in an efficient and sustainable manner.

Compliance with the Basel III Liquidity Coverage Ratio (LCR) influences the Group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of deposits. The Group is actively building its deposit franchise through innovative and competitive products and pricing, while also improving the risk profile of its institutional funding.

At 30 June 2014, the Bank exceeded the 60% minimum LCR requirement (effective 1 January 2015), per the *pro forma* LCR issued by the BCBS and inclusive of the SARB communicated national discretion items.

The Group has maintained a robust liquidity position during the year under review, holding sufficient levels of available liquidity relative to the Group's appetite and prevailing market conditions. At 30 June 2014, the Bank's available sources of liquidity per the BCBS LCR amounted to R93 billion, with an additional R22 billion of management liquidity available.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

Liquidity risk management is governed by the liquidity risk management framework, which provides relevant standards in accordance with regulatory requirements and international best practice. As a subframework of the BPRMF, the liquidity risk management framework is approved by the board and sets out consistent and comprehensive standards, principles, policies and procedures to be implemented throughout the Group to effectively identify, measure, report and manage liquidity risk.

The board retains ultimate responsibility for the effective management of liquidity risk. The board has delegated its responsibility for the assessment and management of this risk to the RCC committee, which in turn delegated this task to Group ALCCO. Group ALCCO's primary responsibility is the assessment, control and management of both liquidity and interest rate risk for the Bank, its international branches as well as the subsidiaries in FREMA, either directly or indirectly, through providing guidance, management and oversight to the asset and liability management functions and ALCCOs in these entities.

Group Treasury is mandated to manage the funding and liquidity risk of the Group. Group Treasury is responsible for:

- recommending, implementing and reviewing the liquidity risk appetite, strategy and risk management processes of the Group; and
- managing and maintaining prudential liquidity limits across all entities in the Group.

Governance is provided by an independent risk team responsible for ensuring that the liquidity risk management framework is implemented appropriately.

The Group's liquidity position, exposures and auxiliary information are reported weekly to the funding and liquidity portfolio management committee and monthly to the funding executive committee. In addition, management aspects of the liquidity position are reported daily to Group Treasury. The liquidity risk management team provides regular reports to Group ALCCO.

Foreign entities

Foreign branches are part of the Bank, while subsidiaries are managed on a standalone basis with no implicit or explicit support. All subsidiaries are managed within in-country capital base and liquidity resources with focus on developing deposit franchises.

International branches and subsidiaries have in-country treasury functions responsible for the day-to-day management of these entities' funding and liquidity risk. Group Treasury provides:

- overall funding and liquidity risk management frameworks and mandates;
- dedicated resources to assist with technical expertise in asset/liability management and fundraising activities; and
- alignment to international best practice and latest regulatory developments.

Individual ALCCOs have been established in each of the subsidiaries in FREMA and manage liquidity risk in-country in line with the Group principles under delegated mandates from their respective boards. Reports from these committees are regularly presented to Group ALCCO and management and control of liquidity risk in the subsidiaries are based on guidance and principles that have been set out and approved by Group ALCCO.

From a liquidity risk perspective, international businesses report into the international ALCCO (a subcommittee of Group ALCCO), which meets quarterly to review and discuss region-specific liquidity and interest rate risk issues. Individual ALCCOs are held locally monthly and include representation from Group Treasury.

FirstRand has been granted a renewed dispensation by the Financial Services Authority (FSA) for a waiver on a Whole-firm Liquidity Modification application basis where the FSA considers local risk reporting and compliance of the parent bank sufficient to waive FSA requirements for FirstRand Bank (London branch). FSA reporting commenced in January 2011. As part of the liquidity risk management framework for London branch, the branch has access to the Bank of England's discount window facility for approved collateral.

FUNDING MANAGEMENT

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these contractual savings translate into institutional funding for banks which have higher liquidity risk than deposits raised through the deposit franchise. Recent observations suggest that South African corporates and the public sector also make use of financial intermediaries that provide bulking and maturity transformation services with their cyclical cash surpluses. Structural liquidity risk is, therefore, higher in South Africa than in most other markets. This risk is, however, to some extent mitigated by the following factors:

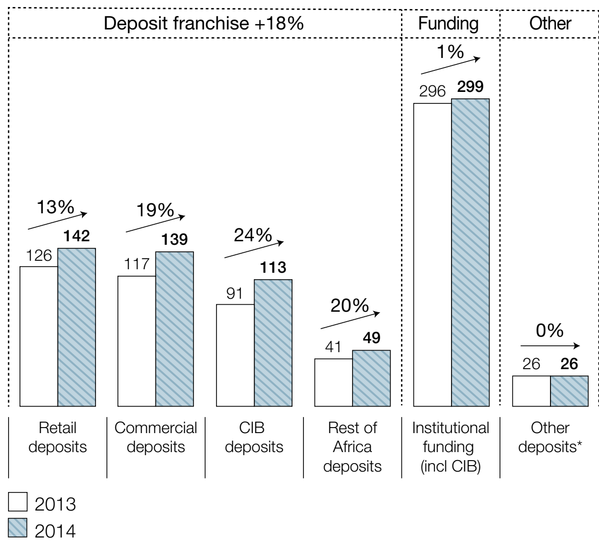
- the closed rand system where all rand transactions are cleared and settled in South Africa through registered banks and clearing institutions domiciled in South Africa;
- concentration of customer current accounts with the four largest banks;
- prudential exchange control framework in place in South Africa; and
- the low dependency of South African banks on foreign currency funding.

During the year under review, there has been increased liquidity demand by banks as a consequence of the money supply constraints introduced by LCR. In light of the structural features discussed above, focus is currently placed on achieving a risk-adjusted diversified funding profile which also complies with Basel III requirements.

The Group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 63% of domestic funding liabilities at 30 June 2014. During the year under review, the Group has continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings products and term savings. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing. To fund operations, the Group accesses the domestic money markets daily and has, during the course of the year, accessed both domestic and foreign capital markets. The Group has frequently issued various capital and funding instruments within the domestic capital markets on an auction and reverse enquiry basis with strong support from investors.

The graph below provides a segmental analysis of the Group's funding base and illustrates the success of its deposit franchise focus.

Group funding by segment
R billion



* *Consists of liabilities relating to conduits and securitisations.*

Funds transfer pricing

The Group operates a funds transfer pricing framework which incorporates liquidity costs and benefits as well as regulatory friction costs into product pricing and performance measurement for all on- and off-balance sheet activities. Franchises are incentivised to:

- preserve and enhance funding stability;
- ensure that asset pricing is aligned to liquidity risk;
- reward liabilities in accordance with behavioural characteristics and maturity; and
- manage contingencies with respect to potential funding drawdowns.

Funding measurement and activity

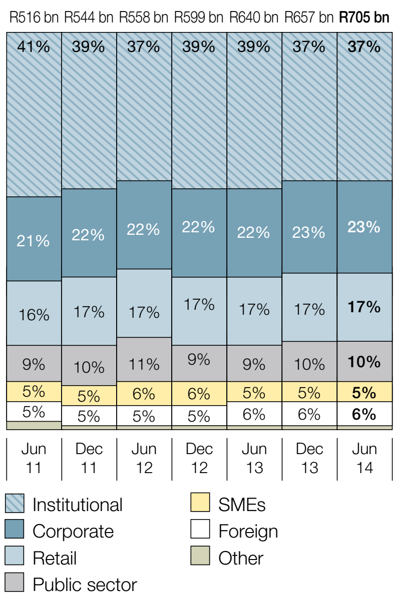
The Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from the deposit franchise in comparison to the South African aggregate, however, its funding profile also reflects the structural features described above. The table below provides an analysis of the Bank's funding sources.

Bank's funding sources*

	As at 30 June 2014			
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**
Institutional funding	**37.0**	**12.2**	**8.2**	**16.6**
Deposit franchise	**63.0**	**47.8**	**6.5**	**8.7**
Corporate	**22.7**	**19.5**	**1.4**	**1.8**
Retail	**17.0**	**12.7**	**2.9**	**1.4**
SMEs	**5.2**	**4.6**	**0.4**	**0.2**
Governments and parastatals	**9.6**	**7.9**	**1.2**	**0.5**
Foreign	**6.1**	**3.0**	**0.4**	**2.7**
Other	**2.4**	**0.1**	**0.2**	**2.1**
Total	**100.0**	**60.0**	**14.7**	**25.3**

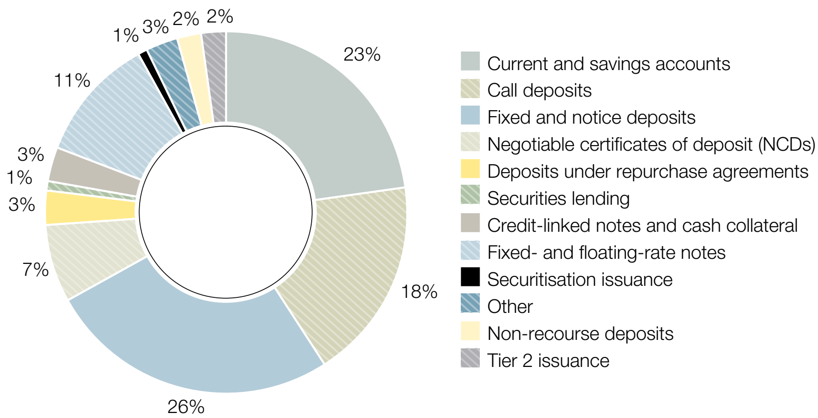
* *Reflects solo supervision, i.e. FRB excluding foreign branches.*

Bank's funding analysis by source



The following chart illustrates the Group's funding instruments by instrument type, including senior debt and securitisation.

Group's funding analysis by instrument type

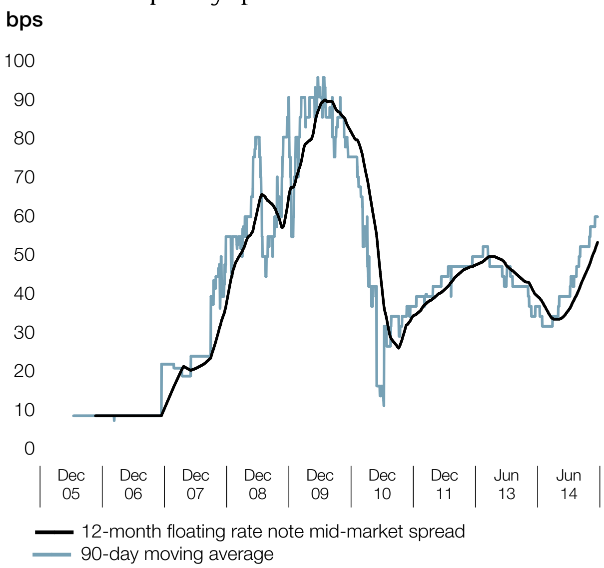


The Group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes has been established. The Bank's strategy for domestic vanilla public issuance is to create actively-traded benchmarks, which facilitate secondary market liquidity in both domestic and offshore markets. The value of this strategy is that it assists in identifying cost-effective funding opportunities while ensuring a good understanding of market liquidity.

The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-issued money market instrument by banks, namely 12-month NCDs. During the year under review, spreads initially reduced to a low point in October 2013, after which they started to increase slowly through to December 2013. Between January and June 2014, spreads increased considerably, as illustrated in the graph below. This appears to be a result of banks competing for longer term funding, while savings flows are not increasing.

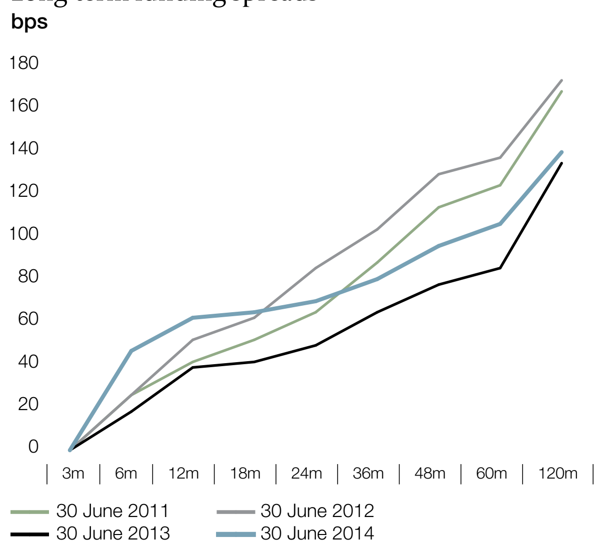
12-month liquidity spread



Source: Bloomberg (RMBP screen) and Reuters

The following graph shows that long-term funding spreads are elevated from a historical perspective. On the basis of the Group's improved risk profile, higher capital adequacy and greater predictability of earnings, the credit risk component of the funding spreads should be lower. Long-term funding spreads, therefore, still appear to be reflecting a high liquidity premium. The Group is consistently able to raise funds in the capital markets in line with its funding curve, which it views as an important test as the Group's asset origination is linked to its funding curve.

Long-term funding spreads

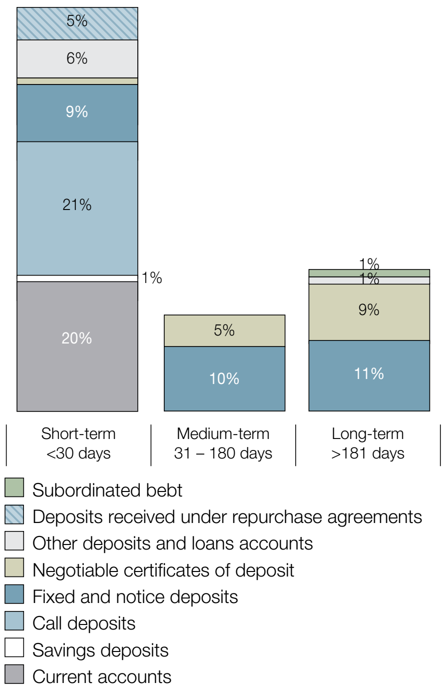


Source: Bloomberg (RMBP screen) and Reuters

As a result of the Group's focus on growing its deposit and transactional banking franchise, a significant proportion of funds are contractually short-dated. As these deposits are anchored to clients' service requirements and given the balance granularity created by individual clients' independent activity, the resultant liquidity risk profile is improved.

The following charts illustrates a breakdown of the Group's funding liabilities by instrument type and term.

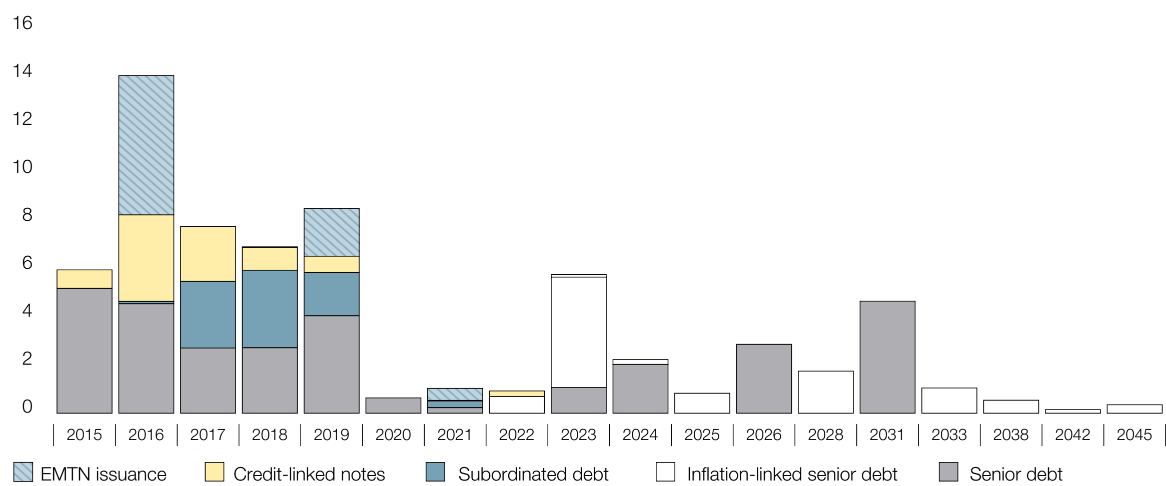
Group's funding liabilities by instrument type and term at 30 June 2014



The maturity profile of all issued capital markets instruments is shown below. The Group does not have concentration risk in any one year and seeks to efficiently issue across the curve with consideration of investor demand.

Maturity profile of Bank's capital market instruments

R billion



Funding structure of foreign operations

In line with the Group's focus on growing franchises, foreign operations are categorised in terms of their stage of development from greenfields to mature subsidiaries and are characterised from a funding perspective as follows:

- mature deposit franchises – all assets are largely funded in-country. The pricing of funding is determined via in-country funds transfer pricing, which is already in place;
- growing deposit franchises – assets are first funded in-country at attendant funds transfer pricing rates. Any excess over and above the in-country capacity would be funded by the Group's USD funding platforms. This is a temporary arrangement which allows these subsidiaries time to develop adequate in-country deposit bases; and
- no deposit franchises – all activities are funded by the Group's USD funding platforms.

Group support

Any funding provided by the Group is constrained by the appetite set independently by the credit risk management committee or the board. In arriving at limits, the credit risk management committee considers the operating jurisdiction and any sovereign risk limits that should apply, but is indifferent between liquidity and funding facilities. Group Treasury, therefore, has to ensure that any resources availed to foreign entities are appropriately priced.

FOREIGN CURRENCY BALANCE SHEET

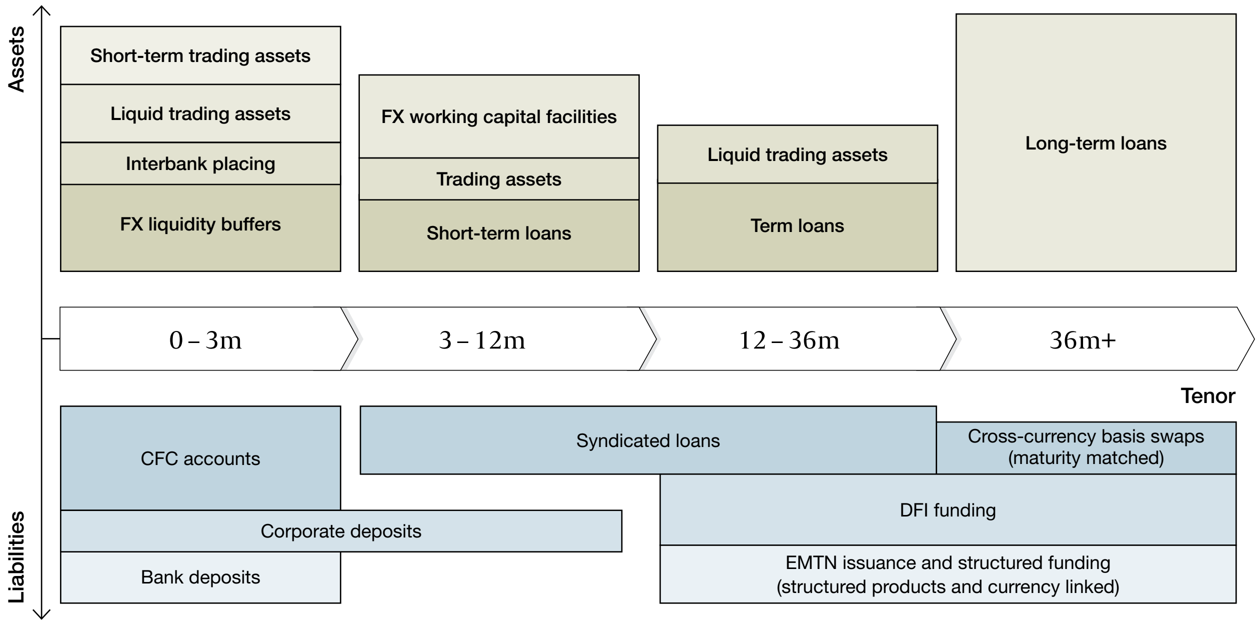
Given the Group's objective to grow its franchise in the rest of Africa, India and the corridors, and given the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus. The Group seeks to avoid exposing itself to undue liquidity risk within the risk appetite approved by the board and risk committee. The SARB via *Exchange Control Circular 9 of 2011* introduced macro-prudential limits applicable to authorised dealers. The Group utilises its own foreign currency measurement balance sheet measures based on economic risk and has set internal limits below those which are allowed by the macro-prudential limit framework.

FirstRand's expansion strategy means that its foreign currency activities, specifically lending and trade finance, have increased. It is, therefore, important to have a sound framework for the assessment and management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing. This limit includes the Bank's exposure to branches, foreign currency assets and guarantees.

Philosophy on foreign currency external debt

A key determinant in an institution's ability to fund and refinance in currencies other than its domestic currency is the sovereign risk and associated external financing requirement. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity. In order to achieve this, the Group considers risks arising from unsustainable debt path, liquidity, exchange rate and macroeconomic crises. To determine South Africa's foreign currency funding capacity, the Group considers the external debt of all South African entities (private and public sector, financial institutions) as these entities all utilise the South African system's capacity – confidence and export receipts.

Graphical representation of the foreign currency balance sheet



LIQUIDITY RISK MANAGEMENT

The Group acknowledges that liquidity risk is a consequential risk that may be caused by other risks. This was demonstrated by the reduction in liquidity in many international markets as a consequence of the recent credit crisis. The Group is, therefore, focused on continuously monitoring and analysing the potential impact of other risks and events on its funding and liquidity position and aims to ensure that business activities preserve and improve funding stability. This will enable the Group to operate through periods of stress when access to funding is constrained.

The Group recognises two types of liquidity risk:

- **funding liquidity risk** is the risk that a bank will not be able to effectively meet current and future cash flow and collateral requirements without negatively affecting its normal course of business, financial position or reputation; and
- **market liquidity risk** is the risk that market disruptions or lack of market liquidity will cause a bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of highly-liquid assets are held either to be sold into the market or to provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The Group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies, and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis as illustrated in the following table.

Liquidity risk management approaches

Structural liquidity risk	Daily liquidity risk	Contingency liquidity risk
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.
• liquidity risk tolerance; • liquidity strategy; • ensuring substantial diversification over different funding sources; • assessing the impact of future funding and liquidity needs taking into account expected liquidity shortfalls or excesses; • setting the approach to managing liquidity in different currencies and from one country to another; • ensuring adequate liquidity ratios; • ensuring an appropriate structural liquidity gap; and • maintaining a funds transfer pricing methodology and process.	• managing intraday liquidity positions; • managing daily payment queue; • monitoring net funding requirements; • forecasting cash flows; • performing short-term cash flow analysis for all currencies individually and in aggregate; • management of intragroup liquidity; • managing central bank clearing; • managing net daily cash positions; • managing and maintaining market access; and • managing and maintaining collateral.	• managing early warning and key risk indicators; • performing stress testing including sensitivity analysis and scenario testing; • maintaining product behaviour and optionality assumptions; • ensuring that an adequate and diversified portfolio of liquid assets and buffers are in place; and • maintaining the contingency funding plan.

Stress testing and scenario analysis

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress-testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the Group.

Liquidity contingency planning

Frequent volatility in funding markets and the fact that financial institutions can and have experienced liquidity problems even during benign economic conditions highlight the importance of quality liquidity risk and contingency management processes.

The Group's ability to meet all of its daily funding obligations and emergency liquidity needs is of paramount importance and, in order to ensure that this is always adequately managed, the Group maintains a liquidity contingency plan.

The objective of liquidity contingency planning is to achieve and maintain funding levels in a manner that allows the Group to emerge from a potential funding crisis with its reputation intact and to maintain its financial condition for continuing operations. The plan is expected to:

- support effective management of liquidity and funding risk under stressed conditions;
- establish clear roles and responsibilities in the event of a liquidity crisis; and
- establish clear invocation and escalation procedures.

The liquidity contingency plan provides a pre-planned response mechanism to facilitate swift and effective responses to contingency funding events. These events may be triggered by financial distress in the market (systemic) or a bank-specific events (idiosyncratic) which may result in the loss of funding sources.

It is reviewed annually and tested regularly via a Group-wide liquidity stress simulation exercise to ensure the document remains up to date, relevant and familiar to all key personnel within the Group that have a role to play should it ever experience an extreme liquidity stress event.

FirstRand's recovery plan

The Group has submitted its first recovery plan to the SARB, which will become an annual requirement. The Group recovery plan is an extension of the liquidity contingency plan inclusive of all other risk-contributing factors that influence capital adequacy, liquidity and operational processes. FirstRand is currently engaged with the industry and regulators on the recovery and resolution regime development for South Africa.

REGULATORY UPDATE

Basel III

Post the financial crisis, the BCBS instituted a framework for sound and prudent liquidity risk management. The liquidity reforms seek to address two aspects of liquidity risk:

- the LCR addresses short-term liquidity risk and cash management; and
- the Net Stable Funding Ratio (NSFR) addresses the structural liquidity risk of the balance sheet.

In January 2013, the BCBS released an amendment to the LCR and finalised minimum requirements and implementation dates.

The BCBS released an update on the NSFR in January 2014, proposing a better alignment between the LCR and NSFR. The Group believes that the calibration and alignment has improved the NSFR, however, some concerns remain with respect the treatment of secured funding transactions, such as repos and the application of the calibration to derivative transactions. The Group will continue to participate in the consultative process on the NSFR.

Liquidity coverage ratio

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility and will be phased in from 2015 to 2019. The minimum LCR requirement will be 60% at 1 January 2015, with 10% incremental step ups each year to 100% on 1 January 2019.

In addition to level 1 assets, eligible collateral will include levels 2A and 2B with qualifying criteria and ratings requirements referenced to national scale ratings for liquidity risk in that local currency.

Disclosure requirements

In March 2014 the BCBS published the *Liquidity coverage ratio disclosure standards* proposing consistent and transparent disclosure of banks' liquidity positions as measured by the Basel III regulations. The objective of the document is to reduce market uncertainty around these liquidity positions.

Disclosure is effective from the first reporting date after 1 January 2015 and will form part of the quarterly Pillar 3 disclosures. It is the Group's intention to comply with these requirements from 2015 onwards.

The LCR disclosure standards require banks to provide in a standardised template:

- available sources of liquidity by level of liquidity;
- cash outflows attributed by customer, category type and relationship; and
- cash inflows attributed by source.

Committed liquidity facility

On 2 August 2013, the SARB released *Guidance Note 6 of 2013* which outlines the provision of a committed liquidity facility to assist banks in meeting the LCR. The guidance note confirms that the maximum facility size would initially be set at 40% of high-quality liquid assets. Banks would, therefore, be required to meet the 60% requirement through adjustment to their balance sheets. It is envisaged that, as capital markets develop and the liquid asset shortage is addressed, the SARB will reduce the size of the committed liquidity facility.

The committed liquidity facility remains broadly as defined in *Guidance Note 5 of 2012* but with revisions to acceptable collateral. The SARB has, however, provided a detailed operational notice on the committed liquidity facility as an addendum to *Guidance Note 6 of 2013*.

Eligible collateral for the committed liquidity facility includes but is not limited to:

- listed debt securities (minimum A- national scale credit rating);
- listed equities on the main board of the JSE;
- notes of self-securitised eligible residential mortgages; and
- selection of on-balance sheet ring-fenced assets.

In order to include the committed liquidity facility in banks' available liquidity resources, a considerable amount of work is required to appropriately structure and prepare the bank's assets to access this facility. The collateral requirements include structuring features, eligibility criteria and haircuts designed to protect all counterparties. The committed liquidity facility has provided more clarity on the nature of liquidity transactions under stress and is a step towards reducing systemic risk in the banking sector. The Bank is in the process of applying to the SARB for a committed liquidity facility.

FirstRand is in the process of LCR implementation and expects to comply with the phase-in requirements.

Net Stable Funding Ratio

The latest consultative paper of the BCBS reflects the NSFR as a more structural balance sheet ratio and no longer a one-year stressed balance sheet ratio. The BCBS maintains the principle that a stable funding profile in relation to the composition of a bank's assets and off-balance sheet items promotes a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The ratio has to at least equal 100%. It is anticipated that the ratio will become a requirement on 1 January 2018, once the calibration has been finalised.

Recovery and resolution regime

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per paper *Key Attributes of Effective Resolution Regimes*. The SARB has adopted this requirement and has, as part of the first phase, required the South African domestically significant banking institutions to develop their own recovery plans. Improving the stability of the banking system by strengthening banks' ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the Financial Stability Board and the SARB has been incorporated into the Group's comprehensive recovery plan.

Recovery planning

The purpose of the recovery plan is to document how the board and management of FirstRand including its franchises and key subsidiary, FirstRand Bank, will recover from a severe stress event/scenario that threatened the Group's commercial viability. The recovery plan:

- analyses the potential for severe stress in the Group that causes material disruption to the South African financial system;
- identifies the type of stress event/s that would be necessary to trigger its activation;
- analyses how the Group might potentially be affected by the event/s;
- lists a menu of potential recovery actions available to the board and management to counteract the event/s; and
- assesses how the Group might recover from the event/s as a result of those actions.

The recovery plan forces the Group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and then to reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the Group's critical functions to support the recovery from severe stress event with the least negative impact are being considered. This process enables banks to better understand what functions are critical for its customers and for the financial system as well as which assets are most marketable to facilitate recovery. Where inefficiencies are identified, these can be amended to make the Bank more streamlined, adaptable and resilient to stress.

Resolution plan

To date the SARB has focused on bedding down the recovery plans for the South African banks, but it is expected that the SARB is likely to issue guidance related to resolution planning for banks before the end of 2014. These resolution plans will allow the SARB to pre-plan for an event from which the Group is unable to recover. It is envisaged that based on global best practice, the resolution plan would be owned and managed by the SARB. This would, however, require individual banks to submit a significant amount of data to the SARB.

LIQUIDITY POSITION

The table below provides details on the sources of liquidity by Basel LCR definition and management assessment.

Bank's composition of liquid assets

	As at 30 June 2014			
		After Basel III haircut		
R billion	**High quality liquid assets**	**Level 1**	**Level 2**	**Management buffer after haircuts**
Cash and deposits with central banks	**21**	**–**	**–**	**21**
Government bonds and bills*	**68**	**68**	**–**	**66**
Corporate bonds	**4**	**–**	**3**	**3**
Other liquid assets	**–**	**–**	**-**	**22**
Total	**93**	**68**	**3**	**112**

* *SARB-specified haircuts for management buffers.*

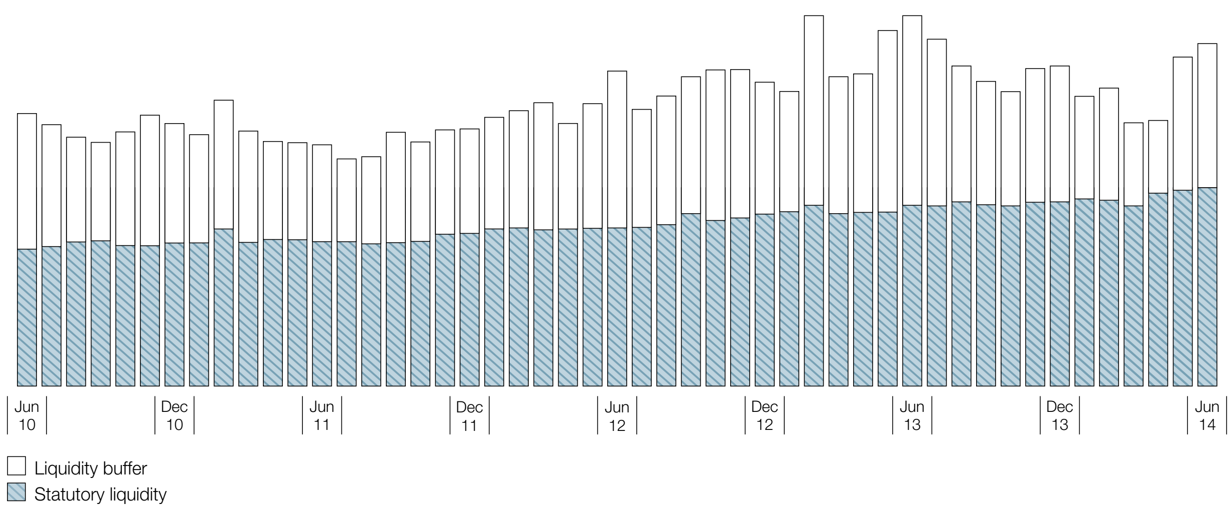
Liquidity buffers are actively managed via high quality, highly-liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of available liquidity resources. In addition, adaptive overlays to the liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business franchise activity.

Funding from institutional clients is the largest contributor to the Group's net cash outflows as measured under the LCR at nearly 40%, and reflects the South African market structure. Other significant contributors to cash outflows are corporate funding and off-balance sheet facilities granted to clients, specifically those related to corporate clients. The Group has strategies in place to increase funding sourced through its deposit franchise and reducing reliance on institutional funding, as well as to offer utilised facilities more efficiently.

The graph below presents a historical view of statutory liquid assets. The Bank has sought to hold buffers in excess of regulatory minimums based on its own risk assessment and operational liquidity requirements, these are also reflected in the chart below.

Bank's liquidity buffer and statutory liquidity requirements*

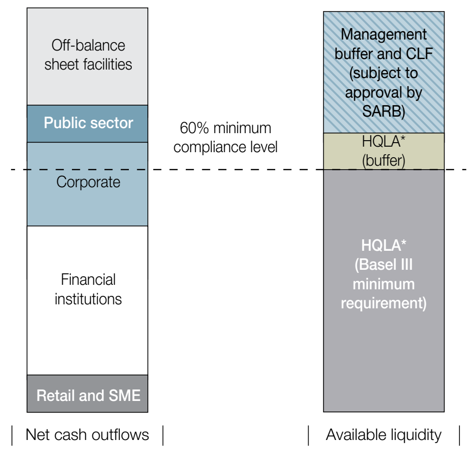
R million



* *Reflects solo supervision, FRB excluding foreign branches.*

The graph below gives an indication of FRB's LCR position as at 30 June 2014 and demonstrates the Bank's compliance with the 60% minimum requirement.

Bank's LCR
%



* *High-quality liquid assets.*

LIQUIDITY RISK PROFILE

Undiscounted cash flow

The following tables present the undiscounted cash flows of liabilities and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the balance sheet for the following reasons:

- balances are contractual, undiscounted amounts whereas the balance sheet is prepared using discounted amounts;
- the tables include contractual cash flows with respect to items not recognised on the balance sheet;
- all instruments held for trading purposes are included in the call to three-month bucket and not by contractual maturity as trading instruments are typically held for short periods of time; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

Liquidity cash flows (undiscounted cash flows) – maturity analysis of liabilities based on the undiscounted amount of the contractual payment (audited)

	2014			
		Term to maturity		
R million	**Carrying amount**	**Call – 3 months**	**4 – 12 months**	**>12 months**
Liabilities				
Deposits and current accounts	**828 299**	**544 419**	**119 722**	**164 158**
Short trading positions	**5 442**	**5 442**	**–**	**–**
Derivative financial instruments	**41 844**	**39 066**	**796**	**1 982**
Creditors and accruals	**13 553**	**11 390**	**868**	**1 295**
Tier 2 liabilities	**16 969**	**1 829**	**21**	**15 119**
Other liabilities	**7 190**	**733**	**729**	**5 728**
Policyholder liabilities under insurance contracts	**540**	**22**	**21**	**497**
Financial and other guarantees	**40 702**	**37 443**	**1 483**	**1 776**
Operating lease commitments	**2 581**	**240**	**676**	**1 665**
Facilities not drawn	**78 785**	**78 254**	**508**	**23**

Liquidity cash flows (undiscounted cash flows) – maturity analysis of liabilities based on the undiscounted amount of the contractual payment (audited) continued

	2013			
		Term to maturity		
R million	**Carrying amount**	**Call – 3 months**	**4 – 12 months**	**>12 months**
Liabilities				
Deposits and current accounts	738 915	503 888	100 472	134 555
Short trading positions	2 991	2 991	-	-
Derivative financial instruments	53 166	51 280	508	1 378
Creditors and accruals	11 264	9 943	767	554
Tier 2 liabilities	11 494	151	556	10 787
Other liabilities	6 524	2 655	957	2 912
Policyholder liabilities under insurance contracts	646	19	19	608
Financial and other guarantees	39 332	35 003	2 295	2 034
Operating lease commitments	2 514	226	580	1 708
Facilities not drawn	78 783	59 165	4 348	15 270

Contractual discounted cash flow analysis

The following tables represent the contractual discounted cash flows of assets, liabilities and equity for the Group. Relying solely on the contractual liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative (contractual) gap in the shorter term due to short-term institutional funds representing a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Therefore, in addition to the analysis in the previous tables, the Group carries out an adjusted liquidity mismatch analysis, which estimates the size of the asset and liability mismatch under normal business conditions. This analysis is also used to manage this mismatch on an ongoing basis.

Contractual discounted cash flow analysis – maturity analysis of assets and liabilities based on the present value of the expected payment (audited)

	2014			
		Term to maturity		
R million	**Carrying amount**	**Call – 3 months**	**4 – 12 months**	**>12 months**
Total assets	**945 535**	**326 101**	**84 541**	**534 893**
Total equity and liabilities	**945 535**	**605 756**	**118 734**	**221 045**
Net liquidity gap	**–**	**(279 655)**	**(34 193)**	**313 848**
Cumulative liquidity gap	**–**	**(279 655)**	**(313 848)**	**–**

	2013			
		Term to maturity		
R million	**Carrying amount**	**Call – 3 months**	**4 – 12 months**	**>12 months**
Total assets	865 732	309 188	99 185	457 359
Total equity and liabilities	865 732	571 796	98 272	195 664
Net liquidity gap	–	(262 608)	913	261 695
Cumulative liquidity gap	–	(262 608)	(261 695)	–

As illustrated in the table above, the negative contractual liquidity short-term gap increased slightly in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress funding buffers both locally and offshore, taking into account prevailing economic and market conditions.

OPERATIONAL RISK

INTRODUCTION AND OBJECTIVES

The Group believes that effective management of operational risk is key to the achievement of its business strategy. Accordingly, there is ongoing evaluation and enhancement of existing frameworks, policies, methodologies, processes, standards, systems and infrastructure to ensure that the operational risk management practices are practical and in line with regulatory developments and emerging best practices.

The focus for the year ahead remains on building an effective and forward-looking operational risk management programme, encompassing, amongst other things, the management and oversight of IT, infrastructure and information risks, internal and external fraud, litigation, business disruption and process risk. The key operational risk strategic objectives are:

- embedding the use of automated risk tool outputs for an integrated view of the operational risk profile;
- embedding and refining operational risk appetite limits at various levels in the Group;
- ongoing enhancement of the maturity of the AMA components and methodologies;
- facilitating greater use of risk information and analysis outcomes in risk management and strategic decision making;
- continuing improvements to the control environment;
- assessing operational risk-related regulatory developments and putting in place necessary actions for compliance;
- maintaining the AMA status; and
- implementing a new AMA capital modelling software and updating the AMA capital modelling methodology.

Year under review

The year under review was characterised by a number of initiatives aimed at addressing key operational risk themes identified as part of the risk identification and assessment process and improving operational risk maturity. The progress on these initiatives is tracked and reported at Group level through the risk governance process.

The principal operational risks currently facing the Group are:

- commercial and violent crime (including internal fraud) as economic growth slows;
- information security risk (risk of loss or theft of information), given the growing sophistication of cyberattacks globally; and
- execution, delivery and process management risk (the risk of process weaknesses and control deficiencies) as the business continues to grow and evolve.

Process automation projects have been initiated to reduce manual processes and thereby mitigate associated risks and improve efficiencies.

The Group's operational risk management and measurement tools have been successfully automated onto a single platform (risk management system) facilitating easy access to risk information and an integrated view of the business's operational risk profile based on the risk tool outputs. An exercise to improve the quality of risk tool data was undertaken prior to migration of all the risk tools onto the single risk management system. Enhancements were implemented on the risk management system to manage risk data quality on an ongoing basis and to improve efficiency in the internal validation of the risk tools.

The process-based risk and control self-assessment (PRCIA) methodology that aims to assess risk and controls on an end-to-end process basis has been implemented for all high-risk areas across the Group. Rollout of PRCIA is underway for offshore operations and new and medium/low risk areas. Further work is ongoing to refine PRCIA implementation coverage. A review of key risk indicators (KRIs) was conducted across the Group to improve the quality and value of KRIs tracked.

Operational risk appetite setting enables the Group and its franchises to measure and monitor operational risk profiles against approved operational risk appetite levels, and to set the boundaries for operational risk within which business decisions can be made. Operational risk appetite at Group and franchise level was reviewed during the year. Further enhancements to operational risk appetite are ongoing.

Cybercrime was an area of focus during the year, as this is perceived to be the dominant future threat in the financial services sector globally. Risk mitigation strategies to combat cybercrime are being reviewed to ensure that controls implemented are adequate and effective.

The Group upgraded power supply, management equipment and infrastructure for key facilities. A third redundant data centre is being implemented to improve the Group's business resilience capability. The Group's IT risk and governance functions have been integrated within ERM, with relevant governance forums in place to ensure continued monitoring and mitigation of IT risk across the Group. The Group's IT and related frameworks are being reviewed to ensure alignment with changing business models and the technology landscape.

Information, whether the Group's or that entrusted to it by customers, staff or business partners, is a valuable asset and the management of information remains integral to the way the Group operates. To this end, an information governance framework was developed to ensure that information is managed in accordance with its value, sensitivity and the risks to which it is exposed.

The refinement of information governance structures, processes and the improvement of data quality and records management practices was undertaken during the year. Information governance committees have been established in all franchises and information governance now forms an integral part of the overall risk management framework of the Group.

Looking ahead, the Group will continue to focus on improving its information management capabilities by embedding governance structures, continuous improvement of the information control environment and rolling out awareness programmes on relevant topics including records management, data quality and data privacy management.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

The board has delegated its approval and review authority for operational risk to the operational risk committee. The operational risk committee is responsible for monitoring implementation of the operational risk management framework and oversight over the management of operational risk across the Group.

The operational risk management framework prescribes the authorities, governance and monitoring structures, duties and responsibilities, processes, methodologies and standards which have to be implemented and adhered to when managing operational risk.

Within operational risk, a number of key risks exist for which specialised teams, frameworks, policies, standards and processes have been established. Fraud and physical security, business resilience, legal, information governance and information technology have dedicated specialist teams who provide oversight that is integrated into the broader operational risk management and governance processes. The central operational risk management team in ERM is responsible for embedding the operational risk governance structure across the Group.

MEASUREMENT OF OPERATIONAL RISK

Basel – advanced measurement approach (AMA)

FirstRand applies AMA for the Group's domestic operations. Under AMA, FirstRand uses a sophisticated statistical model for the calculation of capital requirements, which enables more accurate risk-based measures of capital for all business units. Operational risk scenarios (covering key risks that, although low in probability, may result in severe losses) and internal loss data are inputs into this model.

Scenarios are derived through an extensive analysis of the Group's operational risks in consultation with business and risk experts from the respective business areas. Scenarios are cross referenced to external loss data, internal losses, key risk indicators, risk and control self-assessments and other pertinent information about relevant risk exposures. To ensure ongoing accuracy of risk and capital assessments, all scenarios are reviewed, supplemented or updated semi-annually, as appropriate.

The loss data used for risk measurement, management and capital calculation is collected for all seven Basel event types across various internal business lines. Data collection is the responsibility of the respective business units and is overseen by the operational risk management team in ERM.

The modelled operational risk scenarios are combined with modelled loss data in a simulation model to derive the annual, aggregate distribution of operational risk losses. Basel Pillar 1 minimum capital requirements are then calculated (for the Group and each franchise) as the operational VaR at the 99.9^{th} percentile of the aggregate loss distribution, excluding the effects of insurance, expected losses and correlation/diversification.

Capital requirements are calculated for each franchise using the AMA capital model and then allocated to the legal entities within the Group based on gross income contribution ratios. This split of capital between legal entities is required for internal capital allocation, regulatory reporting and performance measurement purposes.

TSA and BIA capital calculations are based on a multiplication factor applied to gross income, as specified by Basel and SARB regulations. No risk-based information is used in these capital calculations or allocation. Business practices continuously evolve and the operational risk control environment is, therefore, constantly changing. The assessment of the operational risk profile and exposures and associated capital requirements take the following into account:

- changes in the operational risk profile, as measured by the various operational risk tools;
- material effects of expansion into new markets, new or substantially changed products or activities as well as the closure of existing operations;
- changes in the control environment – a continuous improvement in the control environment is targeted, but deterioration in effectiveness is also possible due to, for example, unforeseen increases in transaction volumes; and
- changes in the external environment, which drives certain types of operational risk.

ASSESSMENT AND MANAGEMENT

Operational risk assessment and management tools

The Group obtains assurance that the principles and standards in the operational risk management framework are being adhered to by the three lines of control model integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control. In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation and coordination of operational risk management and governance processes. GIA, as the third line of control, provides independent assurance of the adequacy and effectiveness of operational risk management processes and practices.

In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk. The most relevant of these are outlined in the following chart.

Operational risk assessment and management tools

Risk control self assessments and process-based risk and control identification and assessments	Key risk indicators
- integrated in the day-to-day business and risk management processes; - used by business and risk managers to identify and monitor key risk areas and assess the effectiveness of existing controls; and - process-based risk and control identification and assessment (currently being rolled out) is the risk and control assessment per product/service based on key business processes.	- used across the Group in all businesses as early warning measures; - highlight areas of changing trends in exposures to specific key operational risks; and - inform operational risk profiles which are periodically reported to the appropriate management and risk committees and are monitored on a continuous basis.
Internal/external loss data	**Risk scenarios**
- the capturing of internal loss data is well entrenched within the Group; - internal loss data reporting and analyses occur at all levels with specific focus on the root cause and process analysis and corrective action; and - external loss databases are used to learn from the loss experience of other organisations and as an input to the risk scenario process.	- widely used to identify and quantify low frequency extreme loss events; - senior executives of the business actively participate in the biannual reviews; and - results are tabled at the appropriate risk committees and are used as input to the capital modelling process.

As process-based risk and control identification and assessments are rolled out across the Group, these will replace risk control self-assessments to ensure a comprehensive assessment of risks and controls across end-to-end business processes.

FirstRand uses an integrated and reputable operational risk system which provides a solid platform for automation of all operational risk tools. The automation and integration of all the operational risk tools on the operational risk system is near completion.

Operational risk events

As operational risk cannot be avoided or mitigated entirely, frequent events resulting in small losses are expected as part of business operations (for example, external fraud) and are appropriately budgeted for. Business areas minimise these losses through continuously monitoring and improving relevant business and control practices and processes. Operational risk events resulting in substantial losses occur much less frequently and the Group strives to minimise these and contain frequency and severity within risk appetite levels.

Operational risk management processes

A number of key risks exist for which specialised teams, frameworks, policies and processes have been established and integrated into the broader operational risk management and governance processes as described below for major operational risks.

Business resilience management

Business resilience management focuses on ensuring that the Group's operations are resilient to the risk of severe disruptions caused by internal failures or external events. The business resilience steering committee, a subcommittee of the operational risk committee, has oversight of business resilience management.

Business resilience practices are documented in the Group's business resilience policy and supporting standards, which are approved at the operational risk committee. The policy, a subframework of the operational risk management framework, requires the development and maintenance of business continuity strategies and plans. It also requires regular business continuity assessments and testing to be carried out in all business units and for the results to be reported to the business resilience steering committee.

The Group carries out regular reviews of business resilience management practices and any disruptions or incidents are assessed and regularly reported to the relevant risk committees.

Legal risk

The legal risk management framework, a subframework of the operational risk management framework, addresses areas such as the creation and ongoing management of contractual relationships, management of disputes (which do or might lead to litigation), protection and enforcement of property rights (including intellectual property) and failure to account for the impact of the law or changes in the law brought about by legislation or decisions by the courts. Whilst compliance with legislation is a major element of legal risk, RRM manages this aspect. Added to these substantive and direct risks is the management of risk around the procurement of external legal resources.

A legal risk management programme is in place to ensure that comprehensive, sound operational risk governance practices and solutions are adopted in respect of legal risk management, which represents best practice and aligns to the Group's overall risk management programme. Key legal processes and control measures were implemented to support business in assessing and addressing legal risks. The legal risk committee, a subcommittee of the operational risk committee, has oversight of legal risk management.

IT risks and information governance

Information risk is concerned with the quality and protection of information and information systems against unauthorised access, destruction, modification, use and disclosure. The goal of these functions is to ensure confidentiality, availability and integrity of all information and systems that maintain, process and disseminate this information. To this end, a distinction is made between:

- IT risk management and governance (protection of systems); and
- information governance (accountability for and quality of information).

The Group's IT risk management framework, information governance framework, acceptable use of information resources policy, information security policy and other supporting policies provide the basis for the management of IT risk, information security and data quality within the Group.

The IT risk management framework defines the objectives of IT risk management and processes that are to be embedded, managed and monitored across the Group for effective management of IT risk.

The information governance framework stipulates key requirements with respect to the management of information across the Group to ensure that FirstRand data, information and records are maintained at a level of integrity and quality sufficient to ensure regulatory compliance and effective operation of business.

Fraud and security risks

Fraud risk is defined as the risk of loss resulting from unlawfully making, with intent to defraud, misrepresentation which causes actual prejudice or which is potentially prejudicial to another. Fraud incorporates both internal (staff) criminal activities as well as those that emanate from an external source.

Fraud risk is governed by the fraud risk management framework, which is a subframework of the operational risk management framework. The Group utilises a deployed fraud risk management model that requires businesses to institute processes and controls specific and appropriate to operations within the constraints of a consistent governance framework. This is overseen by the fraud risk management function reporting to the FNB CRO with a Group mandate.

The Group is committed to creating an environment that safeguards customers, staff and assets against fraud or security risks by continually investing in people, systems and processes for both preventative and detective measures.

External fraud losses related to commercial and violent crime maintained similar or decreasing trends as improvement in controls were introduced. These include deployment of chip cards, improvement in user authentication processes and enhancements to detection capabilities at a transaction level. Employee (internal) fraud threats remain a primary concern given the risk of collusion with syndicates, and employee knowledge of controls. Additional tools and resources will continue to be invested against the growing threat of cybercrime. There is an increased focus on operational processes for fraud to align views on potential money laundering threats with anti-money laundering regulations.

Risk insurance

The Group has a structured insurance risk financing programme in place, which has been developed over many years, to protect the Group against unexpected material losses arising from non-trading risks. The insurance risk programme is continuously refined through ongoing assessment of changing risk profiles, organisational strategy and growth, and monitoring of international insurance markets. The levels and extent of insurance cover is reviewed and benchmarked annually.

The Group's insurance-buying philosophy is to self-insure as much as is economically viable and to only protect itself against catastrophic risks through the use of third-party insurance providers. Accordingly, the majority of cover is placed with the Group's wholly-owned first-party dedicated insurance company, FirstRand Insurance Services Company Limited (FRISCOL). All cover on the main programme is placed with reinsurers that have a minimum credit rating of A-. The insurance programme includes, *inter alia*, cover for operational risk exposures such as professional indemnity, directors' and officers' liability, crime bond, public and general liability, etc. The Group, however, does not consider insurance as a mitigant in the calculation of capital for operational risk purposes.

REGULATORY RISK

INTRODUCTION AND OBJECTIVES

The Group's RRM function plays an integral part in managing risks inherent in banking. The Group fosters a compliance culture in its operations that contributes to the overall objective of prudent regulatory compliance and risk management, by observing both the spirit and the letter of the law in its business activities. The compliance culture also embraces broader standards of integrity and ethical conduct which concern all employees.

The objective of the RRM function is to ensure that business practices, policies, frameworks and approaches across the organisation are consistent with applicable laws and that regulatory risks are identified and managed proactively throughout the Group. This culminates in the maintenance of an effective and efficient regulatory risk management framework with sufficient operational capacity to promote and oversee compliance with legislative and best practice requirements. In order to achieve the Group's regulatory risk management objectives, staff members are trained and made aware of compliance requirements in order to ensure a high level of understanding and awareness of the applicable regulatory framework.

Non-compliance may potentially have serious consequences, which could lead to both civil and criminal liability, including penalties, claims for loss and damages or restrictions imposed by regulatory authorities. It is, therefore, important that the Group ensures compliance with laws and regulations applicable to its operations. These include, among others, the provisions of the Banks Act, 1990, the Regulations relating to Banks, the Financial Intelligence Centre Act, 2001, the Financial Advisory and Intermediary Services Act, 2002 and the Consumer Protection Act, 2008. All compliance issues identified in this context should be effectively and expeditiously resolved by senior management with the assistance of RRM. This requires close cooperation with and interaction between RRM, other Group functions and various regulatory authorities.

The year under review

Banking legislation

Subsequent to the implementation of the Basel III *Regulations relating to Banks,* which became effective on 1 January 2013, the Banks Act, 1990 was also amended through the Banks Amendment Act, 2013, which came into effect on 10 December 2013. The said amendments serve to amend, among others, banking legislation in line with BCBS requirements. Ongoing amendments to the Regulations are expected to ensure that the South African regulatory framework for banks remains aligned to internationally-agreed regulatory and supervisory standards.

Twin peaks

The most notable development and focus area of current regulatory reforms is the anticipated implementation of a twin peaks model of financial regulation in South Africa. In terms of the broad policy objectives, it is expected that these reforms will be implemented in two phases, along with the development of legislation necessary to enable the relevant regulators to deliver on their revised mandates. The Group will continue to foster close interaction and cooperation with regulators and other stakeholders in this regard.

The Group's ethics framework

The Group's ethics office is part of RRM and is responsible for an ethics framework. Several culture- and people-risk assessments were conducted, some of which resulted in strategic and operational changes in certain areas and the proactive identification and management of several risk types. The focus on promotion of responsible business conduct was maintained and included training on whistle-blowing, conflict of interest avoidance, anti-bribery and corruption. Another focus area is the promotion of responsible market conduct and ensuring that the Group remains compliant with market conduct regulations and related industry best practice. These developments specifically pertain to treating customers fairly in the context of the proposed twin peaks model of financial regulation in South Africa. Further enhancements to the Group's responsible competitive practice programme are expected to mitigate related risks.

Anti-money laundering and combating terrorist financing (AML/CFT) measures

Banking groups in South Africa have to ensure compliance with national and international regulations and counter-measures to combat money laundering and terrorist financing as prescribed and/or recommended by the Financial Intelligence Centre Act (FICA), 2001, the Financial Action Task Force (FATF) and the BCBS. The BCBS guidelines issued in January 2014 describe how banks should manage AML/CFT risks within overall risk management programmes. The BCBS supports the adoption and implementation of the FATF standards and the Group's objective remains to ensure compliance with these requirements. In terms of a recent consultation paper issued by the Financial Intelligence Centre, FICA will, going forward, be amended in order to align more closely with revised FATF recommendations such as that applicable to the risk-based approach.

Protection of Personal Information Act, 2013 (PoPI)

PoPI was signed into law in December 2013, with the effective date of compliance to be proclaimed. PoPI is applicable to all personal information held by the Group in respect of employees, customers and suppliers. The Group continues to devote substantial attention and resources to aspects such as security safeguards, processing and purpose specification of personal information, quality of personal information held, customer notification and consent, third party processors of personal information and complaints handling, in line with PoPI requirements.

Carbon disclosure project (CDP)

FirstRand participates in the annual carbon disclosure project (CDP) where the top 100 listed companies are invited to disclose their performance and leadership initiatives in carbon management. In 2013, in the South African JSE top 100 sample, FirstRand was one of the top eight companies in the South African Performance Leadership Index, continuing a trend of leadership that it has established in the last few years.

The Group is committed to the measurement and management of FirstRand's ecological footprint. This proactive approach will position the Group to meet expected carbon reporting requirements which will come into effect in 2016. The Group's commitment to good corporate citizenship and environmental sustainability aligns with the overall climate change policy and strategy of South Africa.

ORGANISATIONAL STRUCTURE AND GOVERNANCE

Responsibility for compliance with all relevant laws, related internal policies, regulations and supervisory requirements are delegated by the board to senior management and RRM. In order to assist board members in making informed judgements on whether the Group is managing its regulatory and compliance risks effectively, the head of RRM has overall responsibility for coordinating the management of the Group's regulatory risk. This includes monitoring, assessing and reporting on the level of compliance to senior management and the board. RRM complies with the prescribed requirements in terms of regulation 49 of the Regulations and its mandate is formalised in the Group's compliance risk management framework.

Governance oversight of the RRM function is conducted by a number of committees such as the RRM, RCC and audit committees, all of which receive regular detailed reports from RRM on the level of compliance and instances of material non-compliance. In addition to the centralised RRM function, each operating franchise has a dedicated compliance officer responsible for implementing and monitoring compliance policies and procedures related to the relevant franchise.

FirstRand has a formal social and ethics committee, which exercises oversight over the governance and functioning of the Group-wide ethics programme. The FirstRand Group code of ethics is the cornerstone of FirstRand's ethics management framework. RRM retains an independent reporting line to the Group CEO as well as to the board through its designated committees.

ASSESSMENT AND MANAGEMENT

RRM's board mandate is to ensure full compliance with statutes and regulations. To achieve this, RRM has implemented appropriate structures, policies, processes and procedures to identify regulatory and supervisory risks. RRM monitors the management of these risks and reports on the level of compliance risk management to both the board and the Registrar of Banks. These include:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to FirstRand;
- risk measurement through the development of risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on compliance-related matters.

Although independent of other risk management and governance functions, the RRM function works closely with GIA, ERM, external audit, internal and external legal advisors, and the company secretary's office to ensure effective functioning of compliance processes.

Public policy and regulatory affairs office

The Group's Public Policy and Regulatory Affairs Office provides the Group with a central point of engagement, representation and coordination in respect of relevant regulatory and public policy-related matters at strategic level. This function is differentiated from the existing and continuing engagement with regulators at an operational level, i.e. regulatory reporting, compliance and audit, with its main objective to ensure that Group executives and franchises are aware of key developments relating to public policy, legislation and regulation, which are considered pertinent to the Group's business activities and to support executives in developing the Group's position on issues pertaining to government policy, proposed and existing legislation and regulation.

This office reports directly to the Group CEO and indirectly, through designated subcommittees, to the board and maintains close working relationships with RRM, ERM and the business units where technical expertise reside.

REMUNERATION AND COMPENSATION

FirstRand's compensation policies and practices observe international best practice and comply with the requirements of the Banks Act, 1990 (Act No. 94 of 1990) and FSB Principles for Sound Compensation Practices. In accordance with the requirements of regulation 43 of the revised Regulations, full disclosure of the Group's compensation policies, practices and performance are included in the remuneration committee report in its annual integrated report, which is published on FirstRand's website, www.firstrand.co.za.

accounting policies, annual financial statements and notes

ACCOUNTING POLICIES

1 INTRODUCTION

The Group is an integrated financial services company consisting of banking, insurance and asset management operations.

The Group adopts the following accounting policies in preparing its consolidated financial statements.

In the current year the Group has applied a number of new and revised IFRS issued by the International Accounting Standards Board (IASB) that are mandatorily effective for accounting periods beginning on or after 1 January 2013. Except for the changes to accounting policies required by these new and revised IFRS as described in accounting policy 2, these policies have been consistently applied to all years presented.

2 BASIS OF PRESENTATION

The Group's consolidated financial statements have been prepared in accordance with IFRS. The following new and revised IFRS have been applied for the first time in the current financial year:

- The accounting requirements relating to defined benefit post-employment plans set out in *IAS 19 Employee Benefits* as amended in June 2011. The main changes include the removal of the corridor approach, which allowed entities the option to defer the recognition of actuarial gains and losses on these plans. The standard also contains revisions to the calculation of the amount included in profit or loss in respect of the return on plan assets and enhanced disclosure requirements for defined benefit plans. Refer to accounting policy 24.1 for the accounting policy on defined benefit post-employment plans and accounting policy 33 for the impact of the change.
- A package of five standards on consolidation, joint arrangements, associates and disclosures was issued. These *IFRS 10 Consolidated Financial Statements, IFRS 11 Joint Arrangements, IFRS 12 Disclosure of Interests in Other Entities, IAS 27 Separate Financial Statements (IAS 27R) and IAS 28 Investments in Associates and Joint Ventures (IAS 28R)*. Subsequent to the issue of these standards, amendments to IFRS 10, IFRS 11 and IFRS 12 were issued to clarify the transitional provisions for the first-time application of the standards. In the current financial year, the Group applied the requirements of the new and revised standards, together with the amendments regarding the transitional guidance. Additional details are set out below:
  - IAS 27R replaces *IAS 27 Separate and Consolidated Financial Statements*. The accounting and disclosure requirements for consolidated financial statements have been removed from IAS 27 as a result of the issue of IFRS 10 and IFRS 12, which establish new consolidation and disclosure requirements. IAS 27R contains the accounting and disclosure requirements for investments in subsidiaries, joint ventures and associates in separate financial statements. The majority of the requirements relating to separate financial statements were carried forward from the previous version of the standard and the amendments did not have a significant impact on the FirstRand Limited company financial statements that are included in this integrated report.
  - IAS 28R replaces *IAS 28 Investments in Associates* as a result of the issue of IFRS 11 and IFRS 12. IAS 28R prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. IAS 28R also incorporates the guidance contained in *SIC 13 – Jointly Controlled Entities – Non-Monetary Contributions by Venturers*. The disclosure requirements relating to these investments are now contained in IFRS 12. The Group has always applied the equity accounting principles in IAS 28 to both investments in associates and joint ventures. The amendments do not impact the amounts reported in the Group's consolidated financial statements.
  - IFRS 10 establishes 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 it 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. The consolidation principles have remained unchanged and are now incorporated as part of IFRS 10. IFRS 10 supersedes a portion of IAS 27 and *SIC 12 Consolidation – Special Purpose Entities*. Refer to accounting policy 33 for the impact of adoption on the Group's financial statements and to accounting policy 3 for the Group's consolidation accounting policy.
  - IFRS 11 supersedes *IAS 31 Joint Ventures* and aims to improve the accounting principles that are applicable to all joint arrangements. The standard distinguishes between two types of joint arrangements namely, joint operations and joint ventures. IFRS 11 places more focus on investors' rights and obligations than on the legal structure of the arrangement when determining whether a joint arrangement exists and how it should be classified. Joint operations arise where a joint operator has rights to the assets and obligations relating to the arrangement and hence accounts for its interest in assets, liabilities, revenue and expenses. Joint ventures arise where the joint venturer has rights to the net assets of the arrangement and hence equity accounts for its interest. Refer to accounting policy 5 for joint arrangements and

accounting policy 33 for the impact of adoption on the Group's financial statements.

- IFRS 12 aims to provide consistent disclosure requirements for all forms of interests in other entities, including joint arrangements, associates and consolidated or unconsolidated structured entities. IFRS 12 requires disclosure of information that will enable users to evaluate the nature of the risks associated with the interest and the effect of the interest on the financial position, performance and cash flows of the reporting entity. This standard addresses disclosure in the annual financial statements and does not affect recognition and measurement.

- *IFRS* 13 *Fair Value Measurement* was issued to eliminate inconsistencies in the guidance on how to measure fair value and disclosure requirements that exist under the different IFRS that require or permit fair value measurement. The revised measurement requirements did not have a significant impact on the net asset value of the Group for the current financial year. The revised disclosure requirements of IFRS 13 have been incorporated in the notes to the annual financial statements for the year ended 30 June 2014. The requirements of IFRS 13 are applicable on a prospective basis and in terms of the transitional provisions no comparatives are required for the new disclosures. Therefore, no prior year amounts have been restated as a result of the adoption of IFRS 13 and comparative information has not been provided in the disclosures.
- The amendments to *IFRS 7 Financial Instruments: Disclosure* require entities to provide additional disclosures relating to recognised financial assets and financial liabilities that are set off in accordance with paragraph 42 of *IAS 32 Financial Instruments: Presentation*. The additional disclosures include information about the gross amounts subject to rights of set off, amounts set off in accordance with the accounting standards and the related net credit exposure as well as information about the rights under enforceable master netting and similar arrangements. This amendment addresses disclosure in the annual financial statements only and does not affect the amount of offsetting applied to financial assets and financial liabilities in the Group's statement of financial position.
- *IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine* applies to waste removal costs that are incurred in surface mining activity during the production phase of the mine (production stripping costs). The interpretation falls outside the scope of the Group's operations and has no impact on the Group.
- Certain amendments were issued to *IFRS 1 First-time Adoption of International Financial Reporting Standards* during March 2012. The amendment, dealing with loans received from governments at a below market rate of interest, give first-time adopters of IFRS relief from full retrospective application of IFRS when accounting for these loans on transition. It provides the same relief to first-time adopters as is granted to existing preparers of IFRS financial statements when applying *IAS 20 Accounting for Government Grants and Disclosure of Government Assistance*. The Group is not a first-time adopter and this amendment has no impact on the Group nor has it resulted in the restatement of prior year numbers.
- As part of its *Annual Improvements Project*, the IASB made amendments to a number of accounting standards. The annual improvements for the 2009-2011 cycle issued in May 2012 were adopted in the current financial year. These amendments did not have a significant impact on the Group's results nor have they resulted in the restatement of prior year numbers.

The Group has voluntarily changed the manner in which it presents certain loans to associates and joint ventures. The change in presentation has had no impact on the net asset value of the Group and only affects the classification of items on the statement of financial position. The impact on previously reported results is set out in accounting policy 33.

The Group prepares its consolidated financial statements in accordance with the going concern principle using the historical cost basis, except for the following assets and liabilities:

- financial assets and financial liabilities held for trading;
- financial assets classified as available-for-sale;
- derivative financial instruments;
- financial instruments elected to be carried at fair value through profit and loss;
- investment properties valued at fair value; and
- employee benefit liabilities, valued using the projected unit credit method.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are outlined in note 45.

All monetary information and figures presented in these consolidated financial statements are stated in millions of South African rand (R million), unless otherwise indicated.

3 CONSOLIDATION

3.1 Subsidiaries

The consolidated financial statements include the assets, liabilities and results of the operations of the parent company and its subsidiaries.

Subsidiaries are all companies and structured entities over which the Group has control. 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.

When assessing whether control exists, the Group considers all existing substantive rights that result in the current ability to direct relevant activities. Subsidiaries are consolidated from the date on which the Group acquires effective control. Consolidation is discontinued from the date that control over the subsidiary is lost.

The Group will consolidate a structured entity when the substance of the relationship between the group and the structured entity indicates that the Group controls the structured entity.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated on consolidation. Unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

3.2 Business combinations

The Group uses the acquisition method of accounting to account for business combinations. A business is defined as an integrated set of activities and assets that are capable of being conducted and managed for the purposes of providing a return. It is presumed that a business exists if goodwill is present in the acquired set of assets and activities. Evidence to the contrary would be needed to overcome this presumption.

The consideration transferred for the acquisition is measured at the fair value of the assets transferred, equity instruments issued and the liabilities incurred or assumed at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and the acquisition date fair value of any existing equity interest held in the subsidiary. The contingent consideration is initially measured at fair value on the acquisition date. An obligation to pay contingent consideration is classified as either a financial liability or equity based on the respective definitions set out in IAS 32. The Group classifies any rights to the return of consideration previously transferred as a financial asset. Any asset or liability arising from a contingent consideration arrangement is subsequently measured at fair value.

Any changes resulting from additional and new information about events and circumstances that existed at the acquisition date and, if known, would have affected the measurement of the amounts recognised at that date, are considered to be measurement period adjustments. The Group retrospectively adjusts the amounts recognised for measurement period adjustments. The measurement period ends when the acquirer receives all the information it was seeking about facts and circumstances that existed at the acquisition date or learns that information is not obtainable. The measurement period shall, however, not exceed one year from the acquisition date. To the extent that changes in the fair value relate to post-acquisition events, these changes are recognised in accordance with the IFRS applicable to the specific asset or liability. Contingent consideration that is classified as equity is not remeasured after the acquisition date.

Transaction costs are expensed as incurred.

Identifiable assets acquired, and liabilities and contingent liabilities assumed in a business combination are measured at their fair value at the acquisition date.

Any difference between the sum of consideration transferred, the amount of any non-controlling interest in the subsidiary (also refer to accounting policy 3.3) and the acquisition date fair value of any previous equity interest in the subsidiary and the fair value of the Group's share of the identifiable net assets acquired, is recorded as goodwill. If this amount is negative as in the case of a bargain purchase, the difference is immediately recognised in profit or loss.

When control is achieved in stages, each transaction is accounted for separately and the identifiable assets, liabilities and contingent liabilities are measured at fair value at acquisition date.

3.3 Non-controlling interests

Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the Group's equity. Non-controlling interests may initially be measured at either fair value or the non-controlling interests' proportionate share of the subsidiary's identifiable net assets at the acquisition date. This is not an accounting policy election and the Group will apply the measurement on an acquisition by acquisition basis.

Subsequently, the non-controlling interests consist of the amount attributed to such interest at initial recognition and the non-controlling interests' share of changes in equity of the subsidiary since the acquisition date.

Non-controlling interests are treated as equity participants of the subsidiary company. The Group treats all acquisitions and disposals of its non-controlling interests in subsidiary companies, which do not result in a loss of control, as transactions with equityholders. The carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Group.

4 ASSOCIATES

Associates are entities over which the Group has significant influence but does not control or jointly control. The Group is presumed to have significant influence when it has power over between 20% and 50% of the voting rights.

The Group includes the results of associates in its consolidated financial statements using the equity accounting method from the date of acquisition. Refer to accounting policy 6, for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the Group ceases to have significant influence over the associate or from the date that the investment is classified as a non-current asset held for sale in accordance with IFRS 5.

Investments in associates acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less cost to sell in terms of IFRS 5.

5 JOINT ARRANGEMENTS

Joint arrangements are arrangements over which the Group has joint control in terms of a contractual agreement with the other parties to the arrangement. Joint control exists only when decisions about the relevant activities of the arrangement require the unanimous consent of the parties sharing control.

A joint arrangement may either be a joint operation or joint venture depending on the rights and obligations of the parties to an arrangement and the classification is based on the substance at inception. A joint operation is when the Group and the other contracting parties have rights to the assets and assume responsibility for the liabilities relating to the arrangement. A joint venture is a joint arrangement in terms of which the Group and the other contracting parties have rights to the net assets of the arrangement.

The Group includes in its statement of financial position all assets and liabilities that arise from its interest in joint operations. The Group's profit or loss includes all revenues and expenses arising from its interests in joint operations. These assets, liabilities, revenues and expenses are accounted for in accordance with the IFRS applicable to the particular assets, liabilities, revenue and expenses.

The Group accounts for its investments in joint ventures using the equity accounting method from the date on which joint control is obtained. Refer to accounting policy note 6, for details on the application of the equity accounting method.

Equity accounting is discontinued from the date that the Group ceases to have joint control over the joint venture or from the date that the investment is classified as a non-current asset held for sale in accordance with IFRS 5.

Investments in joint ventures acquired and held exclusively with the view to dispose of in the near future (within 12 months) are not accounted for using the equity accounting method, but are measured at fair value less costs to sell in terms of IFRS 5.

6 EQUITY ACCOUNTING

When equity accounting is applied to an investment in an associate or joint venture the investment is initially recognised at cost. The carrying amount is subsequently increased or decreased to recognise the Group‘s share of the profit or loss from the investee after the date of acquisition. Goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount.

Earnings attributable to ordinary shareholders include the Group's share of earnings of associates and joint ventures. Other comprehensive income includes the Group's share of other comprehensive income of associates and joint ventures. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment in the associate or joint venture. Changes in the Group's share of the net asset value that are not recorded in the investee's other comprehensive income are recorded directly in equity. These amounts are recycled to profit or loss when the investment ceases to be equity accounted.

The most recent audited annual financial statements of associates and joint ventures are used by the Group in applying the equity method of accounting. These are not always drawn up to the same date as the financial statements of the Group. Where the reporting date of the investee is different from that of the Group, the Group uses the most recently available financial statements of the investee as well as reviewing the investees management accounts for material transactions during the in-between period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the Group, the effect of such events are adjusted for. The Group has applied this principle consistently since adopting the equity accounting method for associates and joint ventures.

Certain loans and other long-term interests in associates and joint ventures are considered to be in substance part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. However, the value of such loans is included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the Group and for impairment testing purposes.

At each reporting period the Group assesses whether there is any objective evidence of impairment as described in *IAS 39 Financial Instruments: Recognition and Measurement* in relation to an investment in an associate or joint venture. If such evidence of exists, the entire carrying amount of the investment, including the goodwill and other long-term interests, is tested for impairment in terms of *IAS 36 Impairment of Assets*. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

When equity accounting is discontinued the Group measures any investment retained in the entity at fair value and recognises the resulting gain or loss in gains less losses from investing activities. The gain or loss is measured as the difference between the fair value of the retained investment and the carrying amount of the original investment at the date on which equity accounting is discontinued. After discontinuing equity accounting, the Group accounts for any retained investment in the entity in accordance with the relevant IFRS as appropriate.

The Group does not account for any further losses of the associate or joint venture when the carrying amount of the investment in an associate or joint venture reaches zero, unless it has incurred obligations or guaranteed obligations in favour of the investee.

The Group resumes equity accounting only after its share of the profits equals the share of losses not recognised. The Group increases the carrying amount of investments with its share of the associate or joint venture's income when equity accounting is resumed.

Unrealised gains on transactions between the Group and its associates or joint ventures are eliminated to the extent of the Group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of associates and joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

7 INTEREST INCOME AND EXPENSE

The Group recognises interest income and expense in profit or loss for instruments measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability by allocating the interest income or interest expense over the average expected life of the financial instruments or portfolios of financial instruments.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses. The calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

Interest income or expense on instruments designated at fair value through profit or loss is included in fair value income except to the extent that the interest relates to:

- the Group's insurance operations;
- the Group's funding operations; and
- items to which hedge accounting is applied.

From an operational perspective, the Group suspends the accrual of contractual interest on non-performing advances, subject to certain curing assumptions. However, in terms of IAS 39, interest income on impaired advances is recognised based on the original effective interest rate.

Instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities as appropriate. Where these instruments are measured at amortised cost dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument.

8 FAIR VALUE GAINS AND LOSSES

The Group includes profits or losses, fair value adjustments and interest on trading financial instruments (including derivative instruments that do not qualify for hedge accounting in terms of IAS 39), as well as trading related financial instruments designated at fair value through profit or loss, as fair value gains or losses in non-interest income. Trading related financial instruments designated at fair value through profit or loss exclude instruments relating to the Group's insurance operations and the Group's funding requirements.

9 NET FEE AND COMMISSION INCOME

9.1 Fee and commission income

The Group generally recognises fee and commission income on an accrual basis when the service is rendered.

Certain fees and transaction costs that form an integral part of the effective interest rate of available-for-sale and amortised cost financial instruments are capitalised and recognised as part of the effective interest rate of the financial instrument over the expected life of the financial instruments and not as non-interest income.

Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows:

- fees for services rendered are recognised as fee and commission income on an accrual basis when the service is rendered, for example, banking fee and commission income, and asset management and related fees;
- fees earned on the execution of a significant act, for example knowledge-based fee and commission income and non-banking fee and commission income, when the significant act has been completed; and
- commission income on bills and promissory notes endorsed is credited to profit or loss over the lives of the relevant instruments on a time apportionment basis.

9.2 Fee and commission expenses

Fee and commission expenses are expenses that are incremental or directly attributable to the generation of fee and commission income and are recognised in non-interest income. Fee and commission expenses include transaction and service fees, which are expensed as the services are received. Fee and commission expenses that form an integral part of the effective interest rate of a financial instrument are recognised as part of net interest income.

10 DIVIDEND INCOME

The Group recognises dividend income when the Group's right to receive payment is established. This is on the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

11 FOREIGN CURRENCY TRANSLATION

11.1 Functional and presentation currency

Items included in the consolidated financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in South African rand (R), which is the functional and presentation currency of the Group.

11.2 Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except when deferred in other comprehensive income as qualifying cash flow hedges.

Translation differences on both monetary and non-monetary items that are recognised at fair value through profit or loss, are reported as part of the fair value gains or losses in non-interest income.

Translation differences on non-monetary items, such as equities, classified as available-for-sale, are reported as part of the fair value adjustment and are included in other comprehensive income. Changes in the fair value of monetary securities denominated in foreign currency classified as available-for-sale are analysed between translation differences resulting from changes in the amortised cost and other changes in the fair value of the security. Translation differences relating to changes in the amortised cost are recognised in profit or loss and other changes in the fair value are recognised in other comprehensive income.

Foreign exchange gains or losses on monetary items measured at amortised cost are recognised in profit or loss as part of foreign exchange differences within non-interest income.

11.3 Foreign operations

The results and financial position of all the Group's foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency of the Group are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the actual rates at the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings, are recognised in other comprehensive income.

When a foreign operation is sold or partially disposed of and control is lost, including partial disposals where the entity retains an interest in the operation, the Group's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in other comprehensive income, are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised.

For partial disposals where control is retained, the Group re-attributes the proportionate share of the cumulative exchange differences recognised in other comprehensive income to the non-controlling interests of the foreign operation.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

12 BORROWING COSTS

The Group capitalises borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset up to the date on which construction or installation of the assets is substantially completed. Other borrowing costs are expensed when incurred.

13 TAXATION

13.1 Indirect tax

Indirect tax is disclosed separately from income tax in the income statement. Indirect tax includes other taxes paid to central and local governments including value added and securities transfer tax.

13.2 Income tax

Income tax includes South African and foreign corporate tax payable and where applicable, this includes capital gains tax.

The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction in which the Group operates.

14 RECOGNITION OF ASSETS

14.1 Assets

The Group recognises assets when it obtains control of a resource as a result of past events, and from which future economic benefits are expected to flow to the entity.

14.2 Contingent assets

The Group discloses a contingent asset where, as a result of past events, it is highly likely that economic benefits will flow to it, but this will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events which are not wholly within the control of the entity.

14.3 Managed funds and trust activities

Certain companies within the Group engage in trust or other fiduciary activities that result in the managing of assets on behalf of clients. The Group excludes these assets and liabilities from the statement of financial position as these are not assets and liabilities of the Group but of the client.

However, fee income earned and fee expenses incurred by the Group relating to these activities are recognised in fee and commission income in the period to which the service relates.

15 LIABILITIES, PROVISIONS AND CONTINGENT LIABILITIES

15.1 Liabilities and provisions

The Group recognises liabilities, including provisions, when:

- it has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation; and
- a reliable estimate of the amount of the obligation can be made.

Where there are a number of similar obligations, the likelihood that an outflow will be required upon settlement is determined by considering the class of the obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract. Present obligations arising under onerous contracts are recognised and measured as provisions.

15.2 Contingent liabilities

The Group discloses a contingent liability when:

- it has a possible obligation arising from past events, the existence of which will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- it has a present obligation that arises from past events but is not recognised because:
  - it is not probable that an outflow of resources will be required to settle the obligation; or
  - the amount of the obligation cannot be measured with sufficient reliability.

16 CASH AND CASH EQUIVALENTS

In the statement of cash flows, cash and cash equivalents comprise:

- coins and bank notes;
- money at call and short notice; and
- balances with central banks.

All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition.

17 FINANCIAL INSTRUMENTS

17.1 General

Financial instruments carried on the statement of financial position include all assets and liabilities, including derivative instruments but exclude investments in associates and joint ventures, commodities, property and equipment, assets and liabilities of insurance operations, deferred tax, tax payable, intangible assets, post-employment liabilities, provisions and certain non-current assets held for sale.

The Group recognises a financial asset or a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

The Group classifies its financial assets in the following categories:

- financial assets at fair value through profit or loss;
- loans and receivables;
- available-for-sale financial assets; and
- held-to-maturity investments.

Financial liabilities are classified in the following categories:

- financial liabilities at fair value through profit or loss; and
- financial liabilities at amortised cost.

Management determines the classification of its financial instruments at initial recognition.

Financial instruments are initially recognised at fair value plus transaction costs for all financial instruments not carried at fair value through profit or loss.

Available-for-sale financial assets and financial instruments at fair value through profit or loss are subsequently measured at fair value. Loans and receivables and held-to-maturity investments are measured at amortised cost using the effective interest method, less any impairment.

The Group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

17.1.1 Financial instruments at fair value through profit or loss

This category has two subcategories: financial instruments held for trading and those designated at fair value through profit or loss on initial recognition.

A financial instrument is classified as a trading instrument if acquired principally for the purpose of selling in the short term or if it forms part of a portfolio of financial assets for which there is evidence of short-term profit taking. Derivatives are also categorised as held for trading unless they are designated as hedging instruments in an effective hedging relationship.

Financial assets and financial liabilities are designated on initial recognition as at fair value through profit and loss to the extent that it produces more relevant information because it either:

i. results in the reduction of a measurement inconsistency (or accounting mismatch) that would arise as a result of measuring assets and liabilities and the gains and losses on them on a different basis;

ii. the group of financial assets and/or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and this is the basis on which information about the assets and/or liabilities is provided internally to the entity's key management personnel; or

iii. is a financial asset or liability containing significant embedded derivatives that clearly require bifurcation.

The main financial assets and financial liabilities designated at fair value through profit and loss under criteria (i) are various advances to customers, structured notes and other investments held by the investment banking division. These financial instruments have been designated at fair value through profit or loss to eliminate the accounting mismatch between these assets and the underlying derivatives used to manage the risk arising from these assets. If the assets were not designated at fair value through profit or loss, a mismatch would arise as a result of the assets being recognised at amortised cost and the related derivatives being recognised at fair value.

Financial instruments designated under criteria (ii), include:

- certain private equity and other investment securities; and
- financial assets held to meet liabilities under insurance contracts.

Gains and losses arising from changes in the fair value of the financial instruments at fair value through profit or loss are included in profit or loss as fair value gains or losses in the period in which they arise.

17.1.2 Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than:

- those that the Group intends to sell immediately or in the near term, which shall be classified as held for trading, and those that the Group upon initial recognition designates as at fair value through profit or loss;
- those that the Group upon initial recognition designates as available-for-sale; or
- those for which the holder may not recover substantially all of its initial investment, other than because of credit deterioration, which are classified as available-for-sale.

This category also includes purchased loans and receivables, where the Group has not designated such loans and receivables in any of the other financial asset categories.

17.1.3 Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group sells more than an insignificant amount of held-to-maturity investments, the entire category is considered to be tainted in terms of IAS 39 and would have to be reclassified as available-for-sale.

The Group measures held-to-maturity investments at amortised cost using the effective interest method, less any impairment.

17.1.4 Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices.

The Group recognises gains and losses arising from changes in the fair value of available-for-sale financial assets in other comprehensive income. It recognises interest income on these assets as part of interest income, based on the instrument's original effective interest rate using the effective interest method. Dividends on available-for-sale equity instruments are recognised in profit or loss when the entity's right to receive payment is established and are included in gains less losses from investing activities.

When the available-for-sale financial assets are disposed of or impaired, the related accumulated fair value adjustments are reclassified from other comprehensive income and included in profit or loss as gains less losses from investing activities.

Treasury bills, debt securities and equity shares intended to be held on a continuing basis, other than those designated at fair value through profit and loss, are classified as available-for-sale.

17.1.5 Classification of financial liabilities, equity instruments and compound financial instruments

The Group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. If a financial instrument includes a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities on potentially unfavourable terms, such as redeemable preference shares, the financial instrument is classified as a financial liability. An instrument is classified as equity if it evidences a residual interest in the assets of the Group after the deduction of liabilities.

Compound instruments are those financial instruments that have components of both financial liabilities and equity. At initial recognition the compound financial instruments are split into its separate components and accounted for as financial liabilities or equity as appropriate. The Group separately measures and recognises the fair value of the debt component of an issued convertible bond as a financial liability, with the residual value allocated to equity.

The initial fair value of the liability component is recognised at the fair value of a similar non-convertible instrument. The equity component is initially recognised as the difference between the fair value of the compound financial instrument as a whole and the fair value of the liability component. Any directly attributable transaction costs are allocated to the liability and equity components in proportion to their carrying values.

17.1.6 Measurement of financial liabilities

Financial liabilities are measured at amortised cost, except for certain liabilities that are designated as at fair value through profit or loss. Interest expense is recognised in profit or loss over the period of the borrowing using the effective interest method. Refer to accounting policies 7 and 8 for the accounting treatment applied to interest expense and fair value gains or losses respectively.

The Group calculates interest on the liability component of compound financial instruments based on the market rate for a similar non-convertible instrument at the inception thereof.

17.2 Offsetting of financial instruments

The Group offsets financial assets and financial liabilities and reports the net balance in the statement of financial position where:

- there is a legally enforceable right to set off; and
- there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

17.3 Embedded derivatives

The Group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when:

- their risks and characteristics are not closely related to those of the host contract;
- they meet the definition of a derivative; and
- the host contract is not carried at fair value through profit or loss.

Where embedded derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

17.4 Derecognition

The Group derecognises a financial asset when:

- the contractual rights to the asset expire; or
- where there is a transfer of the contractual rights to receive the cash flows of the financial asset and substantially all of the risks and rewards related to the ownership of the financial asset are transferred; or
- the Group retains the contractual rights of the assets but assumes a corresponding liability to transfer these contractual rights to another party and consequently transfers substantially all the risks and rewards associated with the asset.

Where the Group retains substantially all the risks and rewards of ownership of the financial asset, the Group continues to recognise the financial asset in its entirety and recognises a financial liability for the consideration received. These financial assets and the related financial liabilities may not be offset.

Where the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group determines whether it has retained control of the financial asset. In this case:

- if the Group has not retained control, it derecognises the financial asset and recognises separately as assets or liabilities any rights and obligations created or retained in the transfer; or
- if the Group has retained control, it continues to recognise the financial asset to the extent of its continuing involvement in the financial asset.

The Group derecognises a financial liability when it is extinguished, i.e. when the obligation specified in the contract is discharged, cancelled or expired. A substantial modification to the terms and conditions of an existing financial liability or part of an existing financial liability is accounted for as an extinguishment of the original financial liability and recognition of a new one. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

Where the Group purchases its own debt, the debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value income.

17.5 Sale and repurchase agreements and securities lending

The consolidated financial statements reflect securities sold subject to a linked repurchase agreement (repos) as trading or investment securities. The counterparty liability is included in deposits held under repurchase agreements. These financial liabilities are either measured at fair value or amortised cost in line with IAS 39.

Securities purchased under agreements to resell (reverse repos) are not recorded but the related advances relating to the repurchase transactions are recognised as advances under agreements to resell. These financial assets are either measured at fair value or amortised cost in line with IAS 39. The difference between the purchase and resale price is in substance interest and recognised in accordance with the Group's policy for net interest income.

Securities lent to counterparties under securities lending arrangements are retained as trading and investment securities. Any deposits arising from collateral provided by the counterparties are recognised as deposits under securities lending arrangements and are measured at either fair value or amortised cost in accordance with the requirements of IAS 39.

The Group does not recognise securities borrowed in the consolidated financial statements, unless onsold to third parties, in which case the obligation to return these securities is recognised as a financial liability at fair value with any gains or losses included in fair value income.

17.6 Impairment of financial assets

17.6.1 General

A financial asset is impaired if its carrying amount is greater than its estimated recoverable amount.

17.6.2 Assets carried at amortised cost

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a loss event) and that loss event(s) has an adverse impact on the estimated future cash flows of the financial asset or group of financial assets and the impact can be reliably estimated.

Objective evidence that a financial asset or group of financial assets is impaired includes observable data that comes to the attention of the Group about the following events:

- significant financial difficulty of the issuer or counterparty;
- a breach of contract, such as a default or delinquency in payments of principal or interest;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties or adverse changes in the market, economic or legal environment in which the entity operates; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be allocated to the individual financial assets in the Group, including:
  - adverse changes in the payment status of issuers or debtors in the Group; or
  - national or local economic conditions that correlate with defaults on the assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the financial assets' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

The calculation of the present value of the estimated future cash flows of a collateralised financial asset reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the Group elects to foreclose or not.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics i.e. on the basis of the Group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the financial assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period (for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the Group to reduce any differences between loss estimates and actual loss experience.

When a loan is uncollectible, it is written off against the related allowance account. Such loans are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the provision for loan impairment in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

17.6.2.1 Past due advances

Advances are considered past due in the following circumstances:

- loans with a specific expiry date (e.g. term loans etc.) and consumer loans repayable by regular instalments (e.g.

mortgage loans and personal loans) are treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date; or

- loans payable on demand (e.g. overdrafts) are treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.

In these instances, the full outstanding amount is considered overdue even if part of it is not yet due.

The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans that have been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.

17.6.2.2 Renegotiated advances

Financial assets that would otherwise be past due that have been renegotiated, are separately classified as neither past due nor impaired assets. Renegotiated advances are advances where, due to deterioration in the counterparty's financial condition, the Group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Advances are only classified as renegotiated if the terms of the renegotiated contract have not yet expired and remain classified as such until the terms of the renegotiated contract expire. Where the advances are reclassified as neither past due nor impaired the adherence to the new terms and conditions is closely monitored.

Renegotiated advances exclude advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original. Non-performing advances cannot be reclassified as performing unless the arrears balance has been repaid. Renegotiated but current financial assets are considered as part of the collective evaluation of impairment where financial assets are grouped on the basis of similar credit risk characteristics.

17.6.2.3 Repossessed assets

In certain circumstances, assets are repossessed following the foreclosure on loans that are in default. Repossessed assets are measured at the lower of cost or net realisable value. The Group recognises repossessed assets as part of accounts receivable in the statement of financial position.

17.6.3 Available-for-sale financial assets

The Group assesses at each reporting date whether there is objective evidence that an available-for-sale financial asset or a group of available-for-sale financial assets is impaired.

In the case of equity investments classified as available-for-sale, objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost. If any such objective evidence exists for available-for-sale financial assets, the cumulative loss, measured as the difference between the acquisition cost and the current fair value less any previously recognised impairment loss on that financial asset, is reclassified from other comprehensive income and recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments are not subsequently reversed.

In the case of a debt instrument classified as available-for-sale, the same objective evidence of impairment as for financial assets measured at amortised cost is considered in determining if impairment exists. The difference between the acquisition cost and the current fair value less any previous impairment losses recognised in profit or loss is removed from other comprehensive income and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

17.7 Derivative financial instruments and hedging

The Group initially recognises derivative financial instruments, including foreign exchange contracts, interest rate futures, forward rate agreements, currency and interest rate swaps, currency and interest rate options (both written and purchased) and other derivative financial instruments, in the statement of financial position at fair value. Derivatives are subsequently measured at fair value with all movements in fair value recognised in profit or loss, unless it is a designated and effective hedging instrument.

The method of recognising the resulting fair value gains or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedge of the fair value of recognised assets, liabilities or firm commitments (fair value hedge); or
- hedge of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge).

The hedge of a foreign currency firm commitment can either be accounted for as a fair value or a cash flow hedge.

Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

17.7.1 Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as hedging instruments in fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. The interest accrued or paid relating to interest rate swaps and hedged items are reflected in interest income or interest expense. Effective changes in fair value of currency futures are reflected in non-interest income. Other gains or losses, including the ineffective portion of all fair value hedges, are recorded as fair value gains or losses in non-interest income.

If the hedge of an instrument carried at amortised cost no longer meets the criteria for hedge accounting, the cumulative adjustment to the carrying amount of the hedged item is amortised to profit or loss based on a recalculated effective interest rate over the residual period to maturity, unless the hedge item has been derecognised, in which case it is released to profit or loss immediately. However, if the hedge of an equity instrument carried at fair value no longer meets the criteria for hedge accounting, the cumulative adjustment of the carrying amount of a hedged equity instrument remains in retained earnings until disposal.

17.7.2 Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated as hedging instruments in effective cash flow hedges is recognised in the cash flow hedge reserve in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately as part of fair value gains or losses in non-interest income in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss recognised in the cash flow hedge reserve at that time remains in other comprehensive income and is recognised when the forecast transaction is recognised in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in other comprehensive income is immediately reclassified to profit or loss.

Amounts accumulated in other comprehensive income are reclassified to profit or loss in the periods in which the hedged item affects profit or loss. Where the forecast transaction or a foreign currency firm commitment results in the recognition of a non-financial asset or liability, the gains or losses previously deferred in other comprehensive income are reclassified from other comprehensive income and included in the initial measurement of the cost of the non-financial asset or liability.

For financial assets and financial liabilities, if the risk being hedged is interest rate risk the amounts are included in interest income or interest expense when reclassified to profit or loss. The amount recognised in profit or loss for other risks relating to financial assets and financial liabilities is recognised in non-interest income as fair value gains or losses.

18 COMMODITIES

When the Group acquires commodities and has a short term trading intention, commodities are measured at fair value less costs to sell in accordance with the broker trader exemption in IAS 2. Changes in fair value are recognised in non-interest income as fair value gains or losses.

Where the Group has a longer term investment intention, the commodities are measured at the lower of cost or net realisable value. Cost is determined using the weighted average method and cost excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. The cost of commodities includes the amount of gains or losses on qualifying cash flow hedges previously recognised in other comprehensive income.

Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments and measured at fair value through profit or loss.

19 PROPERTY AND EQUIPMENT

The Group carries property and equipment at historical cost less accumulated depreciation and impairment losses, except for land which is carried at cost less impairment. Historical cost includes expenses that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be reliably measured. The carrying amount of any replacement part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Leasehold improvements are all improvements made to property which the Group leases under an operating lease in order to prepare the property for its intended use and from which the

Group is expected to benefit for more than one year. Leasehold improvements are capitalised as property and equipment.

Property and equipment is depreciated on a straight line basis at rates calculated to reduce the book value of these assets to estimated residual values over their expected useful lives. Freehold properties and properties held under finance leases are broken down into significant components and depreciation calculated based on the expected useful lives of these components.

The assets' residual values and expected useful lives are reviewed, and adjusted if appropriate, at each reporting date. Assets that are subject to depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset is immediately written down to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. The recoverable amount is the higher of the asset's fair value less costs to sell and value in use.

Gains or losses on disposals are determined by reference to the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss on disposal.

20 INVESTMENT PROPERTIES

The Group classifies investment properties as properties held to earn rental income and/or for capital appreciation that are not occupied by the companies in the Group.

Investment properties comprise freehold land and buildings and are measured at fair value. Investment properties that are being redeveloped for continuing use as investment property, or for which that market has become less active, continue to be measured at fair value.

Property located on land that is held under an operating lease is classified as investment property as long as it is held for long-term rental yields and is not occupied by the Group. The initial cost of the property is the lower of the fair value of the property and the present value of the minimum lease payments. Subsequent to initial recognition the property is carried at fair value.

When investment properties become owner occupied, the Group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.

Fair value adjustments on investment properties are included in profit or loss as gains less losses from investment activities. These fair value gains or losses are adjusted for any double counting arising from the recognition of lease income on the straight line basis compared to the accrual basis normally assumed in the fair value determination.

The Group carries investment properties under development at cost, less adjustments to reduce the cost to open market value, if appropriate.

21 LEASES

21.1 A Group company is the lessee

21.1.1 Finance leases

The Group classifies leases of property and equipment where it assumes substantially all the risks and rewards of ownership as finance leases.

Finance leases are capitalised as assets at the fair value of the leased asset at the inception of the lease, or, if lower, at the estimated present value of the underlying lease payments. The Group allocates each lease payment between the liability and finance charges to achieve a constant rate on the balance outstanding. The interest component of the finance charge is recognised in profit or loss over the lease period in interest expense. The property and equipment acquired are depreciated over the useful life of the assets, unless it is not probable that the Group will take ownership of the assets, in which case the assets are depreciated over the shorter of the useful life of the asset or the lease period, on a basis consistent with similar owned property and equipment.

21.1.2 Operating leases

The Group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The Group recognises operating lease payments as an operating expense in profit or loss on a straight line basis over the period of the lease. Contingent rentals are expensed in the period incurred. Minimum rentals due after year end are disclosed as commitments.

The Group recognises as an expense any penalty payment to the lessor for early termination of an operating lease, in the period in which termination takes place.

21.2 A Group company is the lessor

21.2.1 Finance leases

The Group recognises as advances, assets sold under a finance lease at the present value of the lease payments receivable. The difference between the gross receivable and the present value of the receivable represents unearned finance income. Unearned finance income is recognised as interest income over the term of the lease using the effective interest rate method, which reflects a constant periodic rate of return.

21.2.2 Operating leases

The Group includes assets held under operating leases as a separate category of property and equipment. The Group depreciates these assets over their expected useful lives on a basis consistent with similar owned property and equipment. Rental income is recognised as other non-interest income on a straight line basis over the lease term.

21.2.3 Instalment credit agreements

The Group regards instalment credit agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances.

The Group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest income in proportion to capital balances outstanding.

22 INTANGIBLE ASSETS

22.1 Goodwill

Goodwill represents the excess of the consideration transferred, the fair value of the previous equity interests held and the non-controlling interest of an acquisition over the Group's share of the fair value of the identifiable net assets of the acquired business, subsidiary, associate or joint venture at the date of acquisition. Goodwill on the acquisition of businesses and subsidiaries is included in intangible assets. Goodwill on acquisitions of associates and joint ventures is included in the carrying amount of the investment.

22.2 Computer software development costs

The Group expenses computer software development costs in the financial period incurred. However, where computer software development costs can be clearly associated with a strategic and unique system which will result in a benefit for the Group exceeding the costs incurred for more than one financial period, the Group capitalises such costs and recognises an intangible asset.

The Group carries capitalised software assets at cost less accumulated amortisation and any impairment losses. It amortises these assets on a straight line basis at a rate applicable to the expected useful life of the asset, but not exceeding three years.

22.3 Other intangible assets

The Group expenses the costs incurred on internally generated intangible assets such as trademarks, patents and similar rights and assets, in profit or loss in the period in which the costs are incurred. The costs incurred on the development of separately identifiable internally generated intangible assets, are capitalised by the Group if:

- the Group is able to demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- it is the Group's intention to complete the intangible asset and use or sell it;
- the Group will be able to use or sell the intangible asset;
- it is probable that the intangible asset will generate future economic benefits;
- adequate technical, financial and other resources are available to complete the development and to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset can be reliably measured.

The Group capitalises material acquired trademarks, patents and similar rights where it will receive a benefit from these intangible assets in more than one financial period.

The Group carries capitalised trademarks, patents and similar assets at cost less accumulated amortisation and any impairment. It amortises these assets at a rate applicable to the expected useful life of the asset.

22.4 Reacquired rights

As part of a business combination an acquirer may reacquire a right to use one of its recognised or unrecognised assets for which it had previously granted the right of use to this asset to the entity which becomes its subsidiary. Reacquired rights that arise from these transactions are identifiable intangible assets that the Group recognises separately from goodwill. Reacquired rights are recognised at fair value at acquisition date based on the remaining contractual term of the related contract without taking into consideration the effect of any potential contractual renewals. Where the terms of the contract giving rise to the reacquired rights are favourable or unfavourable relative to current market transactions for the same or similar items, the Group recognises a settlement gain or loss respectively.

22.5 Impairment of intangible assets

Management reviews the carrying value of intangible assets wherever objective evidence of impairment exists. An impairment loss is immediately recognised in profit or loss as part of operating expenses when the carrying value is greater than the recoverable amount. The recoverable amount is the higher of fair value less cost to sell and value in use.

Goodwill is tested annually for impairment or more frequently if an impairment indicator exists at the reporting date and is carried at cost less accumulated impairment losses. Impairment losses on goodwill are not subsequently reversed.

For impairment purposes goodwill is allocated to the smallest component of the business that is expected to benefit from synergies of the combination and at which management monitors goodwill (cash generating unit). Each cash generating unit represents a grouping of assets no higher than an operating segment. The recoverable amount of a cash generating unit is the higher of fair value less costs to sell and value in use.

22.6 Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset, and are recognised in profit or loss when the asset is derecognised.

23 DEFERRED INCOME TAX

Deferred income tax is provided in full, using the liability method on temporary differences arising between the tax basis of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is not provided on temporary differences that arise on the initial recognition of an asset or liability in a transaction other than a business combination that, at the time of the transaction, affects neither accounting profit or loss nor taxable income. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. In respect of temporary differences arising from the fair value adjustments on investment properties, deferred income tax is provided at the rate that would apply on the sale of the property i.e. the capital gains tax rate.

The Group recognises deferred income tax assets if it is probable that future taxable income will be available against which the unused tax losses can be utilised.

Temporary differences arise primarily from depreciation of property and equipment, revaluation of certain financial assets and liabilities including derivative contracts, provisions for pensions and other post- retirement benefits and tax losses carried forward. The Group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

Deferred income tax is provided on temporary differences arising from investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the difference will not reverse in the foreseeable future.

Deferred income tax related to fair value remeasurement of available-for-sale investments and derivatives designated as hedging instruments in effective cash flow hedges, which are recognised directly in other comprehensive income, is also recognised directly in other comprehensive income. Deferred tax recognised directly in other comprehensive income is subsequently reclassified to profit or loss at the same time as the related gain or loss.

Current and deferred income tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and these relate to income taxes levied by the same tax authority on the same taxable entity. If the balances relate to the same tax authority but different tax entities the Group will offset only it has a legally enforceable right and the entities intend to settle on a net basis or the tax assets and liabilities will be realised simultaneously.

24 EMPLOYEE BENEFITS

24.1 Post-employment benefits

The Group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. A defined contribution plan is one under which the Group pays a fixed contribution and has no legal or constructive obligation to pay further contributions. All post-employment plans that do not meet the definition of a defined contribution plan are defined benefit plans.

For defined contribution plans the Group recognises the contributions as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

The defined benefit plans are funded by contributions from employees and the relevant Group companies, taking into account the recommendations of independent qualified actuaries.

The amount recognised in the statement of financial position in respect of defined benefit plans is the present value of the defined benefit obligation at the reporting date less the fair value of plan assets. Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.

The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future payments required to settle the obligation resulting from employee service in current and prior periods. The discount rate used is the rate of high quality corporate bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability. In the absence of a deep and liquid bond market the rates on government bonds are used.

The fair value of the plan assets is calculated using the Group's accounting policies, and estimates and assumptions for similar assets. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.

The following items are included in profit or loss as part of staff costs:

- current service costs calculated on the projected unit credit method;
- past service costs relating to plan amendments made in the current period;
- gains or losses on curtailments that took place in the current period; and
- net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability.

All other remeasurements in respect of the obligation and plan assets, including actuarial gains or losses, are recognised in other comprehensive income. The remeasurements recognised in other comprehensive income will not be reclassified to profit or loss.

These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all Group employees.

24.2 Termination benefits

The Group recognises termination benefits as a liability in the statement of financial position and as an expense in profit or loss when it has a present obligation relating to termination. The Group has a present obligation at the earlier of when the Group can no longer withdraw the offer of the termination benefit and when the Group recognises any related restructuring costs.

24.3 Leave pay provision

The Group recognises in full employees' rights to annual leave entitlement in respect of past service.

24.4 Bonuses

The Group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

25 SHARE CAPITAL

25.1 Share issue costs

Instruments issued by the Group are classified as equity when there is no obligation to transfer cash or other assets. Incremental costs directly related to the issue of new shares or options are shown as a deduction from equity, net of any related tax benefit.

25.2 Dividends paid

Dividends on ordinary shares and NCNR preference shares are recognised against equity and a corresponding liability recognised when they have been appropriately approved by the company's shareholders and are no longer at the discretion of the entity. Dividends declared after the reporting date are not recognised but disclosed as a post-reporting date event.

25.3 Distribution of non-cash assets to owners

The Group measures the liability to distribute the non-cash assets as a dividend to owners at the fair value of the asset to be distributed. The carrying amount of the dividend payable is remeasured at the end of each reporting period and on settlement date, with changes recognised in equity as an adjustment to the distribution. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of settlement is recognised in profit or loss for the period.

Distributions of non-cash assets under common control are specifically excluded from the scope of IFRIC 17 and are measured at the carrying amount of the assets to be distributed.

25.4 Treasury shares

Where the company or other members of the consolidated Group purchase the company's equity share capital, the consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Fair value changes recognised in the subsidiary's financial statements on equity investments in FirstRand's shares, are reversed on consolidation and dividends received are eliminated against dividends paid. Where such shares are subsequently sold or reissued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

For purposes of the earnings per share calculation, the weighted average number of shares in issue is reduced by the number of shares held by the share trusts.

25.4.1 Share trusts

Certain of the Group's remuneration schemes are operated through various share trusts. These share trusts are considered to be structured entities. In instances where the Group has control over the share trust in terms of IFRS 10 they are consolidated.

The share trusts purchase FirstRand shares in the market to economically hedge the Group against price risk of the FirstRand shares and to limit the dilutive effect on current shareholders.

The shares purchased by the share trusts are considered to be treasury shares and are treated in accordance with the Group's policy for treasury shares.

26 SEGMENT REPORTING

An operating segment is a component of the Group that engages in business activities from which the Group may earn revenue and incur expenses. An operating segment is also a component of the Group whose operating results are regularly reviewed by the chief operating decision maker in allocating resources, assessing its performance and for which discrete financial information is available. The CEO of the Group has been identified as the Group's chief operating decision maker. The Group's identification and measurement of operating segments is consistent with the internal reporting provided to the chief executive officer. The operating segments have been identified and classified in a manner that reflects the risks and rewards related to the segments' specific products and services offered in their specific markets.

Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of total segment revenue, profit or loss or total assets, are reported separately.

Assets, liabilities, revenue or expenses that are not directly attributable to a particular segment are allocated between segments where there is a reasonable basis for doing so. The Group accounts for the intersegment revenues and transfers as if the transactions were with third parties at current market prices.

Funding is provided to business units and segments based on internally derived transfer pricing rates taking into account the funding structures of the Group.

27 SHARE-BASED PAYMENT TRANSACTIONS

The Group operates equity settled and cash settled share-based compensation plans for employees and historically disadvantaged individuals and organisations.

27.1 Equity settled share-based compensation plans

The Group expenses the fair value of the employee services received in exchange for the grant of the options, over the vesting period of the options, as employee costs, with a corresponding credit to a share-based payment reserve in the statement of changes in equity. The total value of the services received is calculated with reference to the fair value of the options on grant date.

The fair value of the options is determined excluding non-market vesting conditions. These vesting conditions are included in the assumptions of the number of options expected to vest. At each reporting date, the Group revises its estimate of the number of options expected to vest. The Group recognises the impact of the revision of original estimates, if any, in profit or loss, with a corresponding adjustment to the share-based payment reserve.

Amounts recognised for services received if the options granted do not vest because of failure to satisfy a vesting condition, are reversed through profit or loss. If options are forfeited after the vesting date, an amount equal to the value of the options forfeited is debited against the share-based payment reserve and credited against retained earnings in the statement of changes in equity.

The proceeds received net of any attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

27.2 Cash settled share-based payment compensation plans

The Group measures the services received and liability incurred in respect of cash settled share-based payment plans at the current fair value of the liability. The Group remeasures the fair value of the liability at each reporting date until settled. The liability is recognised over the vesting period and any changes in the fair value of the liability are recognised in profit or loss.

28 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than continuing use. This classification is only used if the sale is highly probable and the non-current assets or disposal groups are available for immediate sale.

In light of the Group's primary business being the provision of banking, insurance and asset management operations, non-current assets held as investments are not classified as held for sale as the ongoing investment management implies regular purchases and sales in the ordinary course of business.

Immediately before classification as held for sale, the carrying amount of the non-current assets and assets and liabilities included in the disposal group are measured in accordance with the appropriate IFRS. On initial recognition as held for sale, the non-current assets and liabilities that are in the measurement scope of IFRS 5 are recognised at the lower of carrying amount and fair value less costs to sell.

The following assets are excluded from the measurement scope of IFRS 5:

- deferred tax assets;
- assets arising from employee benefits;
- financial assets;
- investment properties measured at fair value;
- biological assets measured at fair value less costs to sell; and
- contractual rights under insurance contracts.

When these assets are classified as non-current assets held for sale or form part of a disposal group held for sale they continue to be measured in accordance with the appropriate IFRS. The IFRS 5 presentation and disclosure requirements are applied to these assets.

Any impairment losses on initial classification as held for sale are recognised in profit or loss. If a disposal group contains assets that are outside of the measurement scope of IFRS 5 any impairment loss is allocated to those non-current assets within the disposal group that are within the measurement scope of IFRS 5.

After initial recognition as held for sale the non-current assets are measured at fair value less costs to sell. Where the fair value less costs to sell is less than the carrying value, any additional impairment losses are recognised in profit or loss. Any increases in fair value less costs to sell are only recognised when realised.

The non-current assets and disposal groups held for sale will be reclassified immediately when there is a change in intention to sell. Subsequent measurement of the asset or disposal group at that date will be the lower of:

- its carrying amount before the asset or disposal group was classified as held for sale, adjusted for any depreciation, amortisation or revaluations that would have been recognised had the asset or disposal group not been classified as held for sale; and
- its recoverable amount at the date of the subsequent decision not to sell.

29 DISCONTINUED OPERATIONS

The Group classifies a component of the business as a discontinued operation when that component has been disposed of, or is classified as held for sale, and:

- it represents a separate major line of business or geographical area of operations;
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

A component of the Group comprises operations and cash flows that can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

30 INSURANCE

30.1 Classification of contracts

An insurance contact is a contract that transfers significant insurance risk to the Group. Significant insurance risk exists when it is expected that the present value of the benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amount payable had the insured event not occurred. Financial penalties levied on early termination of policy contracts are not taken into account when classifying the contracts.

Contracts that transfer only financial risk and not insurance risk are classified as financial instruments. Financial risk refers to the risk of a possible change in the value of a financial instrument due to a change in interest rates, commodity prices and an index of prices, foreign exchange or other measureable variable.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract at initial recognition remains the classification of the contract for the remainder of its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

30.2 Short-term insurance contracts

30.2.1 Insurance premium revenue

Gross premiums written comprise the premiums on contracts entered into during the year. Premiums are shown excluding any taxes and levies on the premium. Premiums are shown before the deduction of commission.

Premium revenue relates only to the earned portion of premiums and includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.

30.2.2 Policyholder liabilities

Policyholder liabilities comprise a provision for claims reported but not paid; provision for claims incurred but not reported (IBNR) and a provision for unearned premiums.

Policyholder liabilities are measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses. The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The company does not discount its liability for unpaid claims.

Adjustments to the amounts of policyholder liabilities established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material. The methods used are reviewed annually.

Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders.

Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees.

The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following or subsequent financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

30.2.3 Liability adequacy test

The net liability recognised for insurance contracts is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.

30.3 Receivables and payables related to short-term insurance contracts

Receivables and payables are recognised when due. These include amounts due to and from agents, brokers and policyholders. Receivables are included in the accounts receivable balance on the statement of financial position while payables are included in the creditors and accruals balance.

If there is objective evidence that an amount receivable under an insurance contract is impaired then the Group reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in profit or loss. The same indicators that are considered when assessing whether a financial asset measured at amortised cost is impaired are considered when assessing whether there is objective evidence of impairment of receivables related to insurance.

30.4 Reinsurance contracts held

The Group seeks reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on short-term insurance contracts. Reinsurance arrangements do not relieve the company from its direct obligations to its policyholders.

Only contracts that give rise to a significant transfer of insurance risk are accounted for as reinsurance. Rights under contracts that do not transfer significant insurance risk are accounted for as financial instruments.

Reinsurance premiums are recognised as an expense in profit or loss when they become due for payment at the undiscounted amounts due in terms of the contract.

Reinsurance recoveries are recognised in profit or loss in the same period as the related claim at the undiscounted amount receivable in terms of the contract.

Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract.

The benefits to which the Group is entitled under its reinsurance contracts are recognised as assets. These assets consist of short term balances due from reinsurers on settled claims (included in accounts receivable) as well as receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets).

Reinsurance assets are assessed for impairment if there is objective evidence, as a result of an event that occurred after its initial recognition, that the company may not recover all amounts due and that the event has a reliably measurable impact on the amounts that the company will receive from the reinsurer. Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised as an impairment loss in profit or loss. The same indicators that are considered when assessing whether a financial asset measured at amortised cost is impaired are considered when assessing whether there is objective evidence of impairment of reinsurance assets.

Reinsurance liabilities comprise premiums payable for reinsurance contracts and are recognised as an expense when they fall due in terms of the contract. Reinsurance liabilities are included in creditors and accruals.

31 CUSTOMER LOYALTY PROGRAMMES

The Group operates a customer loyalty programme in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised over the period in which the customer utilises the reward credits.

Expenses relating to the provision of the reward credits are recognised as fee and commission expenses as they are incurred.

32 SERVICE CONCESSION ARRANGEMENTS

Service concession arrangements are recognised if the Group acts as an operator in the provision of public services. Where the Group has a contractual right to recover the amount receivable in respect of the arrangements from the government organisation the amount receivable is classified as a financial asset and is accounted for in terms of the Group's accounting policy for financial assets. Alternatively, where the Group is entitled to collect the monies for usage from the public the Group recognises an intangible asset. The intangible asset is measured in accordance with the Group's accounting policy for intangible assets and amortised over its useful life. Fee income earned from public usage is included in fee and commission income as it is receivable.

33 RESTATEMENT OF PRIOR YEAR NUMBERS

33.1 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.

33 RESTATEMENT OF PRIOR YEAR NUMBERS continued

33.2 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

33 RESTATEMENT OF PRIOR YEAR NUMBERS continued

33.2 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

33 RESTATEMENT OF PRIOR YEAR NUMBERS continued

33.2 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

33 RESTATEMENT OF PRIOR YEAR NUMBERS continued

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

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	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

CONSOLIDATED INCOME STATEMENT
for the year ended 30 June

R million	Notes	2014	2013*
Interest and similar income	1.1	**50 412**	43 784
Interest expense and similar charges	1.2	**(20 534)**	(19 015)
Net interest income before impairment of advances		**29 878**	24 769
Impairment of advances	12	**(5 252)**	(4 807)
Net interest income after impairment of advances		**24 626**	19 962
Non-interest income	2	**36 150**	30 734
Income from operations		**60 776**	50 696
Operating expenses	3	**(35 448)**	(30 804)
Net income from operations		**25 328**	19 892
Share of profit of associates after tax	14	**670**	523
Share of profit of joint ventures after tax	15	**257**	301
Income before tax		**26 255**	20 716
Indirect tax	4.1	**(878)**	(645)
Profit before tax		**25 377**	20 071
Income tax expense	4.2	**(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	5	**336.2**	269.7
Diluted	5	**332.7**	266.4

* *Refer to restatement of prior year numbers on pages 280 to 284.*

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 280 to 284.*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
at 30 June

R million	Notes	2014	2013*	2012*
ASSETS				
Cash and cash equivalents	7	**60 756**	48 565	37 317
Derivative financial instruments	8	**39 038**	52 277	52 711
Commodities	9	**7 904**	6 016	5 108
Accounts receivable	10	**8 159**	7 804	6 222
Current tax asset		**131**	266	327
Advances	11	**685 926**	601 065	527 279
Investment securities and other investments	13	**119 107**	128 388	116 776
Investments in associates	14	**5 847**	4 486	4 025
Investments in joint ventures	15	**1 205**	910	737
Property and equipment	16	**14 495**	13 453	11 228
Intangible assets	17	**1 047**	1 169	1 743
Reinsurance assets	18	**408**	394	898
Defined benefit post-employment asset	19	**5**	–	–
Investment properties	20	**419**	459	215
Deferred income tax asset	21	**862**	460	343
Non-current assets and disposal groups held for sale	22	**226**	20	599
Total assets		**945 535**	865 732	765 528
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	23	**5 442**	2 991	5 343
Derivative financial instruments	8	**41 659**	53 008	53 760
Creditors and accruals	24	**13 437**	11 079	9 004
Current tax liability		**369**	513	334
Deposits	25	**768 234**	697 035	606 299
Provisions	26	**797**	600	592
Employee liabilities	19	**7 441**	5 857	4 983
Other liabilities	27	**6 586**	6 101	5 794
Policyholder liabilities under insurance contracts	18	**540**	646	1 089
Deferred income tax liability	21	**796**	753	1 412
Tier 2 liabilities	28	**11 983**	8 116	7 886
Liabilities directly associated with disposal groups held for sale	22	**34**	–	113
Total liabilities		**857 318**	786 699	696 609
Equity				
Ordinary shares	29	**55**	55	55
Share premium	29	**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	29	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the Group		**85 033**	76 137	66 218
Non-controlling interests	30	**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 280 to 284.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
for the year ended 30 June

		Ordinary share capital and ordinary equityholders' funds				
R million	**Notes**	**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	29	–	–	**–**	–	–
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**

CONSOLIDATED STATEMENT OF CASH FLOWS
for the year ended 30 June

R million	Notes	2014	2013*
Cash flows from operating activities			
Cash receipts from customers	32.2	**76 678**	65 844
Cash paid to customers, suppliers and employees	32.3	**(46 403)**	(40 194)
Dividends received		**3 734**	5 793
Dividends paid	32.4	**(8 957)**	(6 495)
Dividends paid to non-controlling interests		**(630)**	(650)
Cash generated from operating activities	32.1	**24 422**	24 298
Increase in income-earning assets	32.5	**(74 630)**	(84 136)
Increase in deposits and other liabilities	32.6	**68 797**	79 895
Taxation paid	32.7	**(6 711)**	(5 642)
Net cash generated from operating activities		**11 878**	14 415
Cash flows from investing activities			
Acquisition of investment in associates	14.2	**(1 566)**	(976)
Proceeds on disposal of investment in associates	14.3	**1 210**	918
Proceeds on settlement of loans to associates		**–**	22
Acquisition of investment in joint ventures	15.2	**(272)**	–
Proceeds on disposal of investment in joint ventures	15.3	**–**	29
Acquisition of investments in subsidiaries	42.1	**(15)**	(84)
Proceeds on disposal of investments in subsidiaries	42.2	**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	30.1	**(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	7	**60 756**	48 565

* *Refer to restatement of prior year numbers on pages 280 to 284.*
** *Cash and cash equivalents acquired and disposed of relates to the cash balances held by subsidiaries acquired or disposed of during the year.*

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

R million	2014 Gross	2014 Net	2013* Gross	2013* 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 280 to 284.*

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 CONSOLIDATED ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE
1.1 Interest and similar income

	2014				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Advances	**–**	**45 914**	**–**	**–**	**45 914**
Cash and cash equivalents	**–**	**994**	**–**	**–**	**994**
Investment securities and other investments	**2 812**	**119**	**–**	**–**	**2 931**
Unwinding of discounted present value on non-performing loans	**–**	**135**	**–**	**–**	**135**
Accrued on off market advances	**–**	**23**	**–**	**–**	**23**
Other	**–**	**46**	**327**	**42**	**415**
Interest and similar income	**2 812**	**47 231**	**327**	**42**	**50 412**

	2013				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Advances	–	39 463	–	–	39 463
Cash and cash equivalents	–	988	–	–	988
Investment securities and other investments	2 375	123	–	–	2 498
Unwinding of discounted present value on non-performing loans	–	168	–	–	168
Accrued on off market advances	–	9	–	–	9
Other	–	2	586	70	658
Interest and similar income	2 375	40 753	586	70	43 784

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

	2014				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Current accounts	**–**	**(2 794)**	**–**	**–**	**(2 794)**
Savings deposits	**–**	**(122)**	**–**	**–**	**(122)**
Call deposits	**–**	**(5 170)**	**–**	**–**	**(5 170)**
Fixed and notice deposits	**(392)**	**(7 396)**	**–**	**–**	**(7 788)**
Negotiable certificates of deposit	**(116)**	**(2 429)**	**–**	**–**	**(2 545)**
Repurchases agreements	**–**	**(431)**	**–**	**–**	**(431)**
Securities lending	**–**	**(363)**	**–**	**–**	**(363)**
Cash collateral and credit linked notes	**–**	**(406)**	**–**	**–**	**(406)**
Fixed and floating rate notes	**(136)**	**(5 561)**	**–**	**–**	**(5 697)**
Securitisation issuances	**–**	**(175)**	**–**	**–**	**(175)**
Other liabilities	**(13)**	**(152)**	**–**	**–**	**(165)**
Tier 2 liabilities	**(72)**	**(653)**	**–**	**–**	**(725)**
Other	**(24)**	**(627)**	**(940)**	**(2)**	**(1 593)**
Gross interest expense and similar charges	**(753)**	**(26 279)**	**(940)**	**(2)**	**(27 974)**
Less: Interest reallocated to fair value income*	**–**	**7 440**	**–**	**–**	**7 440**
Interest expense and similar charges	**(753)**	**(18 839)**	**(940)**	**(2)**	**(20 534)**

	2013				
R million	**Fair value**	**Amortised cost**	**Hedging instruments**	**Non-financial instruments**	**Total**
Current accounts	–	(2 102)	–	–	(2 102)
Savings deposits	–	(106)	–	–	(106)
Call deposits	–	(5 226)	–	–	(5 226)
Fixed and notice deposits	(213)	(8 408)	–	–	(8 621)
Negotiable certificates of deposit	(98)	(2 185)	–	–	(2 283)
Repurchases agreements	–	(244)	–	–	(244)
Securities lending	–	(239)	–	–	(239)
Cash collateral and credit linked notes	–	(541)	–	–	(541)
Fixed and floating rate notes	(205)	(3 160)	–	–	(3 365)
Securitisation issuances	(1)	(164)	–	–	(165)
Other liabilities	(142)	(114)	–	–	(256)
Tier 2 liabilities	(71)	(588)	–	–	(659)
Other	(11)	(179)	(1 354)	(44)	(1 588)
Gross interest expense and similar charges	(741)	(23 256)	(1 354)	(44)	(25 395)
Less: Interest reallocated to fair value income*	–	6 380	–	–	6 380
Interest expense and similar charges	(741)	(16 876)	(1 354)	(44)	(19 015)

* *Interest expense reallocated to fair value income relates to interest paid on liabilities that fund the Group's fair value activities. In line with the Group's accounting policies this interest expense is reallocated to fair value income to appropriately reflect the nature of the income earned.*

2 NON-INTEREST INCOME

R million	2014	2013
Fee and commission income	**27 043**	24 672
– Instruments at amortised cost	**20 354**	17 638
– Instruments at fair value	**1 737**	1 535
– Non-financial instruments	**4 952**	5 499
Fee and commission expenses	**(3 380)**	(2 965)
Net fee and commission income	**23 663**	21 707
Fair value gains or losses		
Held for trading	**5 227**	2 939
Designated at fair value through profit or loss	**2 696**	2 664
Other	**17**	3
Fair value gains or losses*	**7 940**	5 606
Gains less losses from investing activities		
Designated at fair value through profit or loss	**29**	(52)
Available-for-sale	**336**	354
Other	**954**	548
Gains less losses from investing activities	**1 319**	850
Other non-interest income	**3 228**	2 571
Total non-interest income	**36 150**	30 734

* *Included in fair value gains or losses is dividend income of R2 967 million (2013: R3 317 million).*

2 NON-INTEREST INCOME continued

R million	2014	2013
Fee and commission income		
Banking fee and commission income	**20 698**	18 901
– Card commissions	**3 407**	2 887
– Cash deposit fees	**1 969**	1 854
– Commitment fees	**765**	753
– Commissions: bills, drafts and cheques	**781**	561
– Exchange commissions	**877**	757
– Brokerage income	**70**	44
– Bank charges	**12 829**	12 045
Knowledge-based fee and commission income	**1 183**	1 121
Non-banking fee and commission income*	**2 474**	2 167
Insurance related income, including commission	**2 688**	2 483
Fee and commission income**	**27 043**	24 672
Fee and commission expenses		
Transaction processing fees	**(923)**	(845)
Commission paid	**(274)**	(246)
Customer loyalty programmes	**(735)**	(626)
Cash sorting, handling and transportation charges	**(557)**	(520)
Card and cheque book related	**(231)**	(210)
ATM commissions paid	**(26)**	(22)
Other	**(634)**	(496)
Fee and commission expenses	**(3 380)**	(2 965)
Net fee and commission income	**23 663**	21 707
Fair value gains or losses#†	**7 940**	5 606

* *Non-banking fee and commission income earned relates to fees and commissions for rendering services to clients other than those related to the banking operations. This includes income received from trust and fiduciary services.*

** *As part of the process of implementing the new and amended IFRS the classification of certain amounts within non-interest income was reconsidered. Amendments were made to the classifications to provide classifications that are more in line with the nature of the revenue generating activities, particularly as it relates to the income derived from the Group's insurance and investing activities relating to cell captives and other insurance profit share arrangements. The comparatives have been restated.*

Included in fair value gains or losses is dividend income of R2 967 million (2013: R3 317 million).

† *Interest expense reallocated to fair value income relates to interest paid on liabilities that fund the Group's fair value activities. In line with the Group's accounting policies this interest expense is reallocated to fair value income to appropriately reflect the nature of the income earned.*

2 NON-INTEREST INCOME continued

R million	Notes	2014	2013
Gains less losses from investing activities			
Loss on disposal of investment securities and other investments		**(27)**	(13)
Reclassification from other comprehensive income on the derecognition/sale of available-for-sale assets		**69**	33
Preference share dividends from unlisted investments		**34**	49
Other dividends received		**59**	60
Gain on disposal of investments in subsidiaries		**14**	58
Gain on remeasuring retained interest in subsidiaries disposed of		**4**	5
Gain on disposal of investments in associates		**893**	138
Gain on disposal of investments in joint ventures		**–**	23
Share of profit of associates after tax	14	**670**	523
Share of profit of joint ventures after tax	15	**257**	301
Gain on disposal of non-current assets held for sale		**–**	284
Gain on bargain purchase		**–**	14
Fair value gains on investment properties held at fair value through profit or loss	20	**–**	7
Rental income from investment properties	20	**42**	39
Other gains from investing activities		**231**	153
Gross gains less losses from investing activities		**2 246**	1 674
Less: Share of profit of associates after tax (disclosed separately on the face of the income statement)		**(670)**	(523)
Less: Share of profit of joint ventures after tax (disclosed separately on the face of the income statement)		**(257)**	(301)
Gains less losses from investing activities		**1 319**	850
Other non-interest income			
Loss on disposal of property and equipment		**(32)**	(77)
Non-interest income/(expense) from insurance operations		**119**	(66)
– Premium income		**70**	58
– Increase/(decrease) in value of net policyholder liabilities		**49**	(124)
Other income		**3 141**	2 714
Other non-interest income		**3 228**	2 571
Total non-interest income		**36 150**	30 734

3 OPERATING EXPENSES

R million	Notes	2014	2013
Auditors' remuneration			
Audit fees	26	**(187)**	(166)
Fees for other services		**(50)**	(44)
Prior year under provision		**(2)**	(12)
Auditors' remuneration		**(239)**	(222)
Operating lease charges			
Property		**(1 010)**	(950)
Equipment		**(196)**	(136)
Motor vehicles		**(15)**	(14)
Operating lease charges		**(1 221)**	(1 100)
Staff costs			
Salaries, wages and allowances		**(12 607)**	(11 007)
Contributions to employee benefit funds		**(1 869)**	(1 833)
– Defined contribution schemes		**(1 752)**	(1 756)
– Defined benefit schemes	19.2	**(117)**	(77)
Social security levies		**(245)**	(158)
Share-based payments	31	**(1 645)**	(1 114)
Movement in staff related provision	19.1	**(3 839)**	(3 054)
Other		**(466)**	(76)
Total staff costs		**(20 671)**	(17 242)

3 OPERATING EXPENSES continued

R million	Notes	2014	2013
Other operating costs			
Amortisation of intangible assets	17	**(95)**	(134)
Depreciation of property and equipment	16	**(2 042)**	(2 011)
Impairments incurred		**(323)**	(801)
– Property and equipment	16	**(141)**	(12)
– Intangible assets	17	**(139)**	(709)
– Other*		**(43)**	(80)
Insurance		**(81)**	(81)
Advertising and marketing		**(1 467)**	(1 361)
Maintenance		**(777)**	(857)
Property		**(921)**	(905)
Computer		**(1 569)**	(1 185)
Stationery		**(220)**	(187)
Telecommunications		**(417)**	(411)
Other operating expenditure		**(3 917)**	(3 109)
Total directors' remuneration**		**(26)**	(25)
Professional fees		**(1 462)**	(1 173)
Other operating costs		**(13 317)**	(12 240)
Total operating expenses		**(35 448)**	(30 804)

* *Included in other is impairment of accounts receivable.*
** *Disclosed as part of the corporate governance report.*

4 INDIRECT AND INCOME TAX EXPENSE

	R million	2014	2013
4.1	**Indirect tax**		
	Value added tax (net)	**(872)**	(639)
	Securities transfer tax	**(6)**	(6)
	Total indirect tax	**(878)**	(645)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(5 224)**	(4 573)
	– Current year	**(5 409)**	(4 005)
	– Prior year adjustment	**185**	(568)
	Deferred income tax	**423**	976
	– Current year	**431**	626
	– Prior year adjustment	**(8)**	350
	Total South African income tax	**(4 801)**	(3 597)
	Foreign company and withholding tax		
	Current	**(713)**	(600)
	– Current year	**(713)**	(606)
	– Prior year adjustment	**–**	6
	Deferred income tax	**(65)**	31
	– Current year	**(68)**	42
	– Prior year adjustment	**3**	(11)
	Total foreign company and withholding tax	**(778)**	(569)
	Capital gains tax		
	Current	**(11)**	(6)
	Deferred income tax	**2**	69
	Tax rate adjustment	**(2)**	(6)
	Total capital gains tax	**(11)**	57
	Customer tax adjustment account	**(1)**	(8)
	Total income tax expense	**(5 591)**	(4 117)

%	2014	2013
Tax rate reconciliation		
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Non-taxable income	**(7.0)**	(8.9)
Foreign tax rate differential	**3.1**	2.8
Prior year adjustments	**(0.7)**	1.1
Amounts charged/transferred directly to other comprehensive income	**–**	1.5
Effect of income at capital gains tax rate	**–**	(0.3)
Other non-deductible items	**(1.4)**	(3.7)
Effective rate of tax*	**22.0**	20.5

* *The change in the effective tax rate is due to a change in income mix, with strong growth in NII and standard rate NIR.*

5 EARNINGS PER SHARE

	2014	2013
Basic		
Basic earnings per share is calculated by dividing the net profit attributable to equityholders of the Group 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.		
Earnings attributable to ordinary equityholders (R million)	**18 440**	14 785
Weighted average number of ordinary shares in issue	**5 485 252 758**	5 482 486 726
Basic earnings per share (cents)	**336.2**	269.7
Diluted		
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares.		
Earnings attributable to ordinary equityholders (R million)	**18 440**	14 785
Actual number of shares		
Opening balance	**5 637 941 689**	5 637 941 689
Less: Treasury shares	**(152 823 701)**	(151 690 151)
– BEE staff trusts	**(151 401 072)**	(151 401 072)
– FirstRand shares held for client trading activities	**(1 422 629)**	(289 079)
Number of shares in issue (after treasury shares)	**5 485 117 988**	5 486 251 538

5 EARNINGS PER SHARE continued

	2014	2013
Weighted average number of shares*		
Weighted average number of shares before treasury shares	**5 637 941 689**	5 637 941 689
Less: Treasury shares	**(152 688 931)**	(155 454 963)
– Staff schemes	**–**	(446 141)
– BEE staff trusts	**(151 401 072)**	(151 401 072)
– Policyholder and mutual funds deemed treasury shares	**(1 287 859)**	(3 607 750)
Weighted average number of shares in issue	**5 485 252 758**	5 482 486 726
Dilution impact:		
– Staff schemes	**30 121**	25 846 994
– BEE staff trust	**57 719 182**	41 690 956
Diluted weighted average number of shares in issue	**5 543 002 061**	5 550 024 676
Number of shares		
Weighted average number of shares in issue	**5 485 252 758**	5 482 486 726
Dilution impact	**57 749 303**	67 537 950
Diluted weighted average number of shares in issue	**5 543 002 061**	5 550 024 676
Diluted earnings per share (cents)	**332.7**	266.4

* *The weighted average number of shares in issue has been restated.*

6 ANALYSIS OF ASSETS AND LIABILITIES

Financial assets and financial liabilities are measured either at fair value or at amortised cost. The principal accounting policies on page 267 to page 272 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the assets and liabilities in the statement of financial position per category of financial instrument and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled:

		2014		
	Notes	**Held for trading**	**Designated at fair value through profit or loss***	**Held-to-maturity**
ASSETS				
Cash and cash equivalents	7	–	–	–
Derivative financial instruments	8	**38 020**	–	–
Commodities	9	–	–	–
Accounts receivable	10	–	–	–
Current tax asset		–	–	–
Advances	11	–	**183 711**	**30**
Investment securities and other investments	13	**32 320**	**55 832**	**490**
Investments in associates	14	–	–	–
Investments in joint ventures	15	–	–	–
Property and equipment	16	–	–	–
Intangible assets	17	–	–	–
Reinsurance assets	18	–	–	–
Post-employment benefit asset	19	–	–	–
Investment properties	20	–	–	–
Deferred income tax asset	21	–	–	–
Non-current assets and disposal groups held for sale	22	–	–	–
Total assets		**70 340**	**239 543**	**520**
Fair value of assets held or placed on behalf of customers in a fiduciary capacity**				
LIABILITIES				
Short trading positions	23	**5 442**	–	–
Derivative financial instruments	8	**41 259**	–	–
Creditors and accruals	24	–	–	–
Current tax liability		–	–	–
Deposits	25	–	**104 762**	–
Provisions	26	–	–	–
Employee liabilities	19	–	–	–
Other liabilities	27	–	**3 505**	–
Policyholder liabilities under insurance contracts	18	–	–	–
Deferred income tax liability	21	–	–	–
Tier 2 liabilities	28	–	**1 030**	–
Liabilities directly associated with disposal groups held for sale	22	–	–	–
Total liabilities		**46 701**	**109 297**	–

* *Investment securities designated at fair value through profit and loss include non-recourse investments of R18 370 million. Refer to note 13.*
** *Excludes assets in trust where only trust advisory services are provided with no related asset management.*

The *risk and capital management report* contains further information about the risk associated with various financial assets and financial liabilities recognised in the statement of financial position.

Refer to note 36 for information about changes in the Group's own credit risk and the impact on the financial liabilities of the Group.

Refer to note 38 for additional information relating to the fair value of financial assets and financial liabilities.

2014							
Loans and receivables	**Available-for-sale financial assets**	**Financial liabilities at amortised cost**	**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
60 756	–	–	–	–	60 756	60 756	–
–	–	–	1 018	–	39 038	37 032	2 006
–	–	–	–	7 904	7 904	7 904	–
5 938	–	–	–	2 221	8 159	7 532	627
–	–	–	–	131	131	–	131
502 163	22	–	–	–	685 926	225 632	460 294
582	29 883	–	–	–	119 107	71 555	47 552
–	–	–	–	5 847	5 847	–	5 847
–	–	–	–	1 205	1 205	–	1 205
–	–	–	–	14 495	14 495	–	14 495
–	–	–	–	1 047	1 047	–	1 047
–	–	–	–	408	408	–	408
–	–	–	–	5	5	5	–
–	–	–	–	419	419	–	419
–	–	–	–	862	862	–	862
–	–	–	–	226	226	226	–
569 439	**29 905**	**–**	**1 018**	**34 770**	**945 535**	**410 642**	**534 893**
					202 810		
–	–	–	–	–	5 442	5 442	–
–	–	–	400	–	41 659	39 626	2 033
–	–	5 987	–	7 450	13 437	12 178	1 259
–	–	–	–	369	369	–	369
–	–	663 472	–	–	768 234	658 017	110 217
–	–	–	–	797	797	445	352
–	–	–	–	7 441	7 441	5 478	1 963
–	–	3 075	–	6	6 586	1 434	5 152
–	–	–	–	540	540	44	496
–	–	–	–	796	796	–	796
–	–	10 953	–	–	11 983	1 792	10 191
–	–	–	–	34	34	34	–
–	**–**	**683 487**	**400**	**17 433**	**857 318**	**724 490**	**132 828**

6 ANALYSIS OF ASSETS AND LIABILITIES continued

	Notes	2013 Held for trading	Designated at fair value through profit or loss*	Held-to-maturity
ASSETS				
Cash and cash equivalents	7	–	–	–
Derivative financial instruments	8	51 415	–	–
Commodities	9	–	–	–
Accounts receivable	10	–	–	–
Current tax asset		–	–	–
Advances	11	–	157 053	42
Investment securities and other investments	13	34 215	70 134	304
Investments in associates	14	–	–	–
Investments in joint ventures	15	–	–	–
Property and equipment	16	–	–	–
Intangible assets	17	–	–	–
Reinsurance assets	18	–	–	–
Post-employment benefit asset	19	–	–	–
Investment properties	20	–	–	–
Deferred income tax asset	21	–	–	–
Non-current assets and disposal groups held for sale	22	–	–	–
Total assets		85 630	227 187	346
Fair value of assets held or placed on behalf of customers in a fiduciary capacity**				
LIABILITIES				
Short trading positions	23	2 991	–	–
Derivative financial instruments	8	52 192	–	–
Creditors and accruals	24	–	–	–
Current tax liability		–	–	–
Deposits	25	–	104 883	–
Provisions	26	–	–	–
Employee liabilities	19	–	–	–
Other liabilities	27	–	2 023	–
Policyholder liabilities under insurance contracts	18	–	–	–
Deferred income tax liability	21	–	–	–
Tier 2 liabilities	28	–	1 049	–
Liabilities directly associated with disposal groups held for sale	22	–	–	–
Total liabilities		55 183	107 955	–

* *Investment securities designated at fair value through profit and loss include non-recourse investments of R19 225 million. Refer to note 13.*

** *Excludes assets in trust where only trust advisory services are provided with no related asset management.*

2013							
Loans and receivables	**Available-for-sale financial assets**	**Financial liabilities at amortised cost**	**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
48 565	–	–	–	–	48 565	48 565	–
–	–	–	862	–	52 277	50 586	1 691
–	–	–	–	6 016	6 016	6 016	–
4 645	–	–	–	3 159	7 804	7 594	210
–	–	–	–	266	266	–	266
443 898	72	–	–	–	601 065	202 645	398 420
415	23 320	–	–	–	128 388	92 947	35 441
–	–	–	–	4 486	4 486	–	4 486
–	–	–	–	910	910	–	910
–	–	–	–	13 453	13 453	–	13 453
–	–	–	–	1 169	1 169	–	1 169
–	–	–	–	394	394	–	394
–	–	–	–	–	–	–	–
–	–	–	–	459	459	–	459
–	–	–	–	460	460	–	460
–	–	–	–	20	20	20	–
497 523	23 392	–	862	30 792	865 732	408 373	457 359
					130 876		
–	–	–	–	–	2 991	2 991	–
–	–	–	816	–	53 008	51 377	1 631
–	–	5 058	–	6 021	11 079	10 525	554
–	–	–	–	513	513	–	513
–	–	592 152	–	–	697 035	597 149	99 886
–	–	–	–	600	600	243	357
–	–	–	–	5 857	5 857	4 176	1 681
–	–	–	4 068	10	6 101	3 543	2 558
–	–	–	–	646	646	38	608
–	–	–	–	753	753	24	729
–	–	7 067	–	–	8 116	2	8 114
–	–	–	–	–	–	–	–
–	–	604 277	4 884	14 400	786 699	670 068	116 631

7 CASH AND CASH EQUIVALENTS

R million	2014	2013
Coins and bank notes	**6 109**	5 926
Money at call and short notice	**35 385**	26 005
Balances with central banks	**19 262**	16 634
Cash and cash equivalents	**60 756**	48 565
Mandatory reserve balances included above	**17 322**	16 160

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the Group's day to day operations. These deposits bear little or no interest.

Money at short notice constitutes amounts withdrawable in 32 days or less.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The Group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the Group's own risk. For accounting purposes, derivative instruments are classified as held either for trading or hedging. Derivatives that are classified as hedging instruments are formally designated as hedging instruments as defined in IAS 39.

All other derivatives are classified as held for trading. The held for trading classification includes two types of derivative instruments: those used in sales activities, and those that are economic hedges but do not meet the criteria to qualify for hedge accounting. The latter includes derivatives managed in conjunction with financial instruments designated at fair value.

The Group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

The Group's detailed risk management strategy, including the use of hedging instruments in risk management, is set out in the *risk and capital management report*.

Held for trading derivatives

Most of the Group's derivative transactions relate to sales activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risks.

Hedging instruments

Fair value hedges

The Group's fair value hedges principally consist of commodity futures used to hedge the price risk associated with physical commodity positions and interest rate swaps used to hedge the fair value risk associated with changes in interest rates. The following amounts were recognised in profit or loss for the year in respect of fair value hedges:

R million	2014	2013
(Gains)/losses for the year arising from the change in fair value of fair value hedges		
– On hedging instrument	**(230)**	9
– On hedged items attributable to the hedged risk	**225**	(14)
Total	**(5)**	(5)

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

The Group raises funding and holds assets that bear interest at variable and fixed rates. This mix of interest rates in the Group's assets and liabilities exposes the Group to interest rate risk. Changes in the market interest rates have an impact on the Group's profit or loss. The Group has hedges in place to manage this risk. These hedges are accounted for as cash flow hedges.

The Group hedges this risk using separate portfolios. These portfolios are managed under separate mandates, which take into account the underlying risk inherent in each portfolio.

The Group uses the following derivatives as hedging instruments:

- Forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount.
- Interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example fixed rate for floating rate). No exchange of principal takes place.

During the period the hedging relationships were highly effective and the Group deferred the lesser of changes in fair value on the hedging instruments and changes in fair value on the hedged items. As the changes on the hedging instruments were more than the changes on the hedged items, there was ineffectiveness recognised in profit or loss.

R million	2014	2013
Hedge ineffectiveness recognised in profit or loss (net of tax)	**43**	(44)

The cash flows (gross of tax) on the underlying hedged items are expected to impact profit or loss as follows:

	2014		2013	
R million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
0 – 3 months	**49**	**16**	87	(28)
4 – 12 months	**195**	**(142)**	432	(98)
1 – 5 years	**(1)**	**(759)**	139	(684)
Over 5 years	**5**	**(35)**	2	(37)
Total	**248**	**(920)**	660	(847)

The cash flows (gross of tax) on the hedging instruments are expected to be released to profit or loss as follows:

	2014		2013	
R million	**Assets**	**Liabilities**	**Assets**	**Liabilities**
0 – 3 months	**(30)**	**40**	(56)	83
4 – 12 months	**(127)**	**216**	(77)	468
1 – 5 years	**(733)**	**9**	(685)	164
Over 5 years	**(20)**	**5**	(38)	2
Total	**(910)**	**270**	(856)	717

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2014			
	Assets		Liabilities	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives	83 888	852	49 786	306
– Forward rate agreements	27 405	5	5 805	5
– Swaps	56 483	847	43 981	301
Total cash flow hedges	83 888	852	49 786	306
Fair value hedges				
Interest rate derivatives	14 086	166	12 492	94
– Swaps	14 086	166	12 492	94
Commodity derivatives	1 769	–	–	–
– Futures	1 769	–	–	–
Total fair value hedges	15 855	166	12 492	94
Total qualifying for hedge accounting	99 743	1 018	62 278	400
Held for trading				
Currency derivatives	305 758	6 351	298 148	8 578
– Swaps	262 094	4 616	257 793	7 126
– Options	19 647	1 153	19 118	759
– Futures	24 017	582	21 237	693
Interest rate derivatives	8 331 595	29 082	7 998 745	29 478
– Forward rate agreements	6 153 870	3 918	6 017 725	3 910
– Swaps	1 750 199	24 710	1 767 588	24 893
– Options	422 879	426	207 987	661
– Futures	4 647	28	5 445	14
Equity derivatives	56 936	2 048	49 881	2 925
– Swaps	3 441	1 023	–	–
– Options	26 109	640	40 339	2 446
– Futures	27 386	385	9 542	479
Commodity derivatives	19 627	456	6 692	221
– Swaps	2 835	154	5 065	146
– Options	415	18	486	18
– Futures	16 377	284	1 141	57
Credit derivatives	3 488	83	5 853	57
Total held for trading	8 717 404	38 020	8 359 319	41 259
Total	8 817 147	39 038	8 421 597	41 659

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2014					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	**–**	**–**	**83 888**	**852**	**83 888**	**852**
– Interest rate derivatives	**–**	**–**	**83 888**	**852**	**83 888**	**852**
Fair value hedges	**1 769**	**–**	**14 086**	**166**	**15 855**	**166**
– Interest rate derivatives	**–**	**–**	**14 086**	**166**	**14 086**	**166**
– Commodity derivatives	**1 769**	**–**	**–**	**–**	**1 769**	**–**
Held for trading	**22 895**	**16**	**8 694 509**	**38 004**	**8 717 404**	**38 020**
– Currency derivatives	**1 994**	**–**	**303 764**	**6 351**	**305 758**	**6 351**
– Interest rate derivatives	**2 118**	**1**	**8 329 477**	**29 081**	**8 331 595**	**29 082**
– Equity derivatives	**4 517**	**–**	**52 419**	**2 048**	**56 936**	**2 048**
– Commodity derivatives	**14 266**	**15**	**5 361**	**441**	**19 627**	**456**
– Credit derivatives	**–**	**–**	**3 488**	**83**	**3 488**	**83**
Total	**24 664**	**16**	**8 792 483**	**39 022**	**8 817 147**	**39 038**

	2014					
	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	Notional	Fair value	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting						
Cash flow hedges	**–**	**–**	**49 786**	**306**	**49 786**	**306**
– Interest rate derivatives	**–**	**–**	**49 786**	**306**	**49 786**	**306**
Fair value hedges	**–**	**–**	**12 492**	**94**	**12 492**	**94**
– Interest rate derivatives	**–**	**–**	**12 492**	**94**	**12 492**	**94**
Held for trading	**3 848**	**10**	**8 355 471**	**41 249**	**8 359 319**	**41 259**
– Currency derivatives	**23**	**4**	**298 125**	**8 574**	**298 148**	**8 578**
– Interest rate derivatives	**3 718**	**4**	**7 995 027**	**29 474**	**7 998 745**	**29 478**
– Equity derivatives	**–**	**–**	**49 881**	**2 925**	**49 881**	**2 925**
– Commodity derivatives	**107**	**2**	**6 585**	**219**	**6 692**	**221**
– Credit derivatives	**–**	**–**	**5 853**	**57**	**5 853**	**57**
Total	**3 848**	**10**	**8 417 749**	**41 649**	**8 421 597**	**41 659**

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2013			
	Assets		**Liabilities**	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting				
Cash flow hedges				
Interest rate derivatives	60 853	753	95 654	791
– Forward rate agreements	3 280	2	3 525	8
– Swaps	57 573	751	92 129	783
Total cash flow hedges	60 853	753	95 654	791
Fair value hedges				
Interest rate derivatives	3 503	109	2 252	25
– Swaps	3 503	109	2 252	25
Commodity derivatives	2 146	–	–	–
– Futures	2 146	–	–	–
Total fair value hedges	5 649	109	2 252	25
Total qualifying for hedge accounting	66 502	862	97 906	816
Held for trading				
Currency derivatives	243 838	11 822	322 243	13 667
– Forward rate agreements	27	–	19	1
– Swaps	190 699	8 346	213 127	9 493
– Options	18 279	1 013	23 562	1 076
– Futures	34 833	2 463	85 535	3 097
Interest rate derivatives	6 356 066	35 392	6 245 057	35 694
– Forward rate agreements	4 226 596	4 344	4 137 097	4 200
– Swaps	1 768 737	30 248	1 728 845	30 510
– Options	352 052	695	367 204	959
– Futures	8 681	105	11 911	25
Equity derivatives	38 699	2 554	18 178	2 449
– Swaps	3 206	1 622	–	–
– Options	14 340	395	11 138	2 246
– Futures	21 153	537	7 040	203
Commodity derivatives	25 582	1 567	28 994	243
– Swaps	4 402	726	1 277	115
– Options	416	41	745	44
– Futures	20 764	800	26 972	84
Credit derivatives	2 265	80	5 879	139
Total held for trading	6 666 450	51 415	6 620 351	52 192
Total	6 732 952	52 277	6 718 257	53 008

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

	2013					
	Assets: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting						
Cash flow hedges	–	–	60 853	753	60 853	753
– Interest rate derivatives	–	–	60 853	753	60 853	753
Fair value hedges	2 146	–	3 503	109	5 649	109
– Interest rate derivatives	–	–	3 503	109	3 503	109
– Commodity derivatives	2 146	–	–	–	2 146	–
Held for trading	31 224	130	6 635 226	51 285	6 666 450	51 415
– Currency derivatives	2 776	1	241 062	11 821	243 838	11 822
– Interest rate derivatives	6 760	–	6 349 306	35 392	6 356 066	35 392
– Equity derivatives	4 835	–	33 864	2 554	38 699	2 554
– Commodity derivatives	16 853	129	8 729	1 438	25 582	1 567
– Credit derivatives	–	–	2 265	80	2 265	80
Total	33 370	130	6 699 582	52 147	6 732 952	52 277

	2013					
	Liabilities: Derivative instruments					
	Exchange traded		Over the counter		Total	
R million	**Notional**	**Fair value**	**Notional**	**Fair value**	**Notional**	**Fair value**
Qualifying for hedge accounting						
Cash flow hedges	–	–	95 654	791	95 654	791
– Interest rate derivatives	–	–	95 654	791	95 654	791
Fair value hedges	–	–	2 252	25	2 252	25
– Interest rate derivatives	–	–	2 252	25	2 252	25
Held for trading	85 022	8	6 535 329	52 184	6 620 351	52 192
– Currency derivatives	48 200	–	274 043	13 667	322 243	13 667
– Interest rate derivatives	11 282	8	6 233 775	35 686	6 245 057	35 694
– Equity derivatives	–	–	18 178	2 449	18 178	2 449
– Commodity derivatives	25 540	–	3 454	243	28 994	243
– Credit derivatives	–	–	5 879	139	5 879	139
Total	85 022	8	6 633 235	53 000	6 718 257	53 008

9 COMMODITIES

R million	2014	2013
Agricultural commodities	**2 077**	1 729
Gold	**5 827**	4 287
Total commodities	**7 904**	6 016

Certain commodities are subject to option agreements whereby the counterparty may acquire the commodity at a future date. The price risk in these commodities is fully hedged through a short position and if the party exercises the option the net profit earned on the transaction will be an interest margin.

10 ACCOUNTS RECEIVABLE

R million	Notes	2014	2013
Items in transit		**2 154**	2 106
Interest and commission accrued		**61**	57
Prepayments		**746**	692
Properties held for resale	34	**116**	156
Other accounts receivable		**5 082**	4 793
Total accounts receivable		**8 159**	7 804
Analysis of accounts receivable:			
Financial		**5 938**	4 645
Non-financial		**2 221**	3 159
Total accounts receivable		**8 159**	7 804

The credit quality of the financial instruments included in accounts receivable is provided in the table below:

2014

R million	Neither past due nor impaired	Past due but not impaired 1 – 30 days	31 – 60 days	61 – 90 days	Impaired	Total
Items in transit	**1 960**	**38**	**–**	**–**	**–**	**1 998**
Interest and commission accrued	**61**	**–**	**–**	**–**	**–**	**61**
Other accounts receivable	**3 762**	**84**	**17**	**16**	**–**	**3 879**
Total financial accounts receivable	**5 783**	**122**	**17**	**16**	**–**	**5 938**

2013

R million	Neither past due nor impaired	Past due but not impaired 1 – 30 days	31 – 60 days	61 – 90 days	Impaired	Total
Items in transit	1 233	–	–	–	–	1 233
Interest and commission accrued	57	–	–	–	–	57
Other accounts receivable	3 130	49	120	5	51	3 355
Total financial accounts receivable	4 420	49	120	5	51	4 645

11 ADVANCES

R million	Notes	2014 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	12	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926

11 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	12	–	(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	12	–	(1)	(10 384)	–	(10 385)
Net advances		183 711	30	502 163	22	685 926

11 ADVANCES continued

R million	Notes	2013 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	12	–	(1)	(9 432)	–	(9 433)
Net advances		157 053	42	443 898	72	601 065

11 ADVANCES continued

R million	Notes	2013 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	12	–	(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	12	–	(1)	(9 432)	–	(9 433)
Net advances		157 053	42	443 898	72	601 065

11 ADVANCES continued

R million	2014 Within 1 year	2014 Between 1 and 5 years	2014 More than 5 years	2014 Total
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	2013 Within 1 year	2013 Between 1 and 5 years	2013 More than 5 years	2013 Total
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).

11 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) 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.

11 ADVANCES continued

Credit risk mitigation

Collateral is an important mitigant of credit risk. Refer to the *risk and capital management 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.

12 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)

12 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)

12 IMPAIRMENT OF ADVANCES continued

	2014		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**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.

12 IMPAIRMENT OF ADVANCES continued

	2014		
R million	**Total value net of interest in suspense**	**Security held and expected recoveries**	**Specific impairment**
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**

12 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.

12 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

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS

	2014		
R million	**Held for trading**	**Designated at fair value through profit or loss**	**Held-to-maturity**
Negotiable certificates of deposit	**–**	**–**	**–**
Treasury bills	**1 082**	**15 791**	**236**
Other government and government guaranteed stock	**21 247**	**2 276**	**254**
Other dated securities	**3 405**	**9 110**	**–**
Other undated securities	**66**	**154**	**–**
Equities	**6 520**	**10 131**	**–**
Other	**–**	**–**	**–**
Total investment securities and other investments	**32 320**	**37 462**	**490**

	2013		
R million	**Held for trading**	**Designated at fair value through profit or loss**	**Held-to-maturity**
Negotiable certificates of deposit	1 547	–	–
Treasury bills	1 707	29 928	123
Other government and government guaranteed stock	22 913	2 126	181
Other dated securities	3 362	11 279	–
Other undated securities	14	139	–
Equities	4 672	7 437	–
Other	–	–	–
Total investment securities and other investments	34 215	50 909	304

R42 399 million (2013: R40 141 million) of the financial instruments form part of the Group's liquid asset portfolio in terms of the SARB and other foreign banking regulators' requirements.

	2014			
	Loans and receivables	**Available-for-sale**	**Non-recourse investments designated at fair value through profit or loss**	**Total**
	76	**749**	**–**	**825**
	–	**5 859**	**–**	**22 968**
	–	**22 106**	**–**	**45 883**
	505	**78**	**18 152**	**31 250**
	–	**16**	**218**	**454**
	–	**1 072**	**–**	**17 723**
	1	**3**	**–**	**4**
	582	**29 883**	**18 370**	**119 107**

	2013			
	Loans and receivables	**Available-for-sale**	**Non-recourse investments designated at fair value through profit or loss**	**Total**
	–	762	–	2 309
	–	4 082	–	35 840
	–	17 501	–	42 721
	415	–	19 225	34 281
	–	16	–	169
	–	955	–	13 064
	–	4	–	4
	415	23 320	19 225	128 388

13 INVESTMENT SECURITIES AND OTHER INVESTMENTS continued

Non-recourse investments designated at fair value through profit and loss

Certain investments held by the Group include investment grade commercial paper that is issued by asset backed conduits held by the Group. The Group is deemed to control these conduits and consolidates them as structured entities under IFRS 10 (refer to note 44).

Fair value income includes adjustments relating to these non-recourse vehicles. The fair value changes on both the non-recourse investments and the commercial paper issued are included in fair value gains or losses.

Where a Group entity owns the commercial paper issued by the conduit the fair value adjustments related to this portion of the commercial paper are excluded from the net fair value adjustment recognised in fair value gains or losses.

The Group has entered into the following conduit transactions:

1. iNdwa Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper.
2. iNkotha Investment Limited, a fixed income fund that provides South African institutional investors with short dated investment grade commercial paper.
3. iVuzi Investment Limited, an asset backed conduit that provides South African institutional investors with short dated investment grade commercial paper.
4. iNguza Investments Limited is a secured debenture programme that provides South African institutional investors with debentures linked to specific underlying credit exposures.

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the conduit. The Group has no obligations toward other investors beyond the amount already contributed. The Group has no management control or influence over these investments, which are designated at fair value through profit or loss.

Total fair value adjustments on non-recourse investments, including the adjustments linked to above conduits, are as follows:

R million	2014	2013
Investment grade commercial paper	**18 370**	19 225
Total non-recourse investments	**18 370**	19 225
Analysis of investment securities and other investments		
Listed	**66 706**	67 553
– Equities	**8 621**	6 263
– Debt	**58 085**	61 290
Unlisted	**52 401**	60 835
– Equities	**9 102**	6 801
– Debt	**43 299**	54 034
Total	**119 107**	128 388

Information regarding other investments is kept at the Group's registered offices. This information is open for inspection in terms of the provisions of Section 26 of the Companies Act 71 of 2008.

14 INVESTMENTS IN ASSOCIATES

R million	Notes	2014	2013
Investments in associates			
Listed investments		**87**	97
Unlisted investments		**5 760**	4 389
Carrying value of investments in associates		**5 847**	4 486
Movement in the carrying value of associates			
Balance at the beginning of the reporting period		**4 486**	4 025
Share of profit of associates after tax	2	**670**	523
– Income before tax for the year		**1 300**	1 016
– Impairments of associates*		**(263)**	(200)
– Tax for the year		**(367)**	(293)
Net movement resulting from acquisitions, disposals and transfers	14.1	**897**	618
Movement in other reserves		**108**	155
Exchange rate differences		**116**	107
Dividends received for the year		**(430)**	(942)
Balance at the end of the reporting period		**5 847**	4 486
Analysis of the carrying value of associates			
Shares at cost less impairment		**4 049**	3 022
Share of post-acquisition reserves		**1 798**	1 464
Total investments in associates		**5 847**	4 486

* *As part of the acquisition and subsequent restructure of Primedia Holdings Proprietary Limited, the investment was impaired by R140 million. Refer to note 14.2 for more details about the transaction. The remaining impairments relate to various RMB private equity associates in South Africa and Australia.*

The Group has invested in the following significant associates:

	Nature of the relationship	Place of business	% Ownership	% Voting rights
Toyota Financial Services Proprietary Limited	Vehicle finance	South Africa	33	33
Bankserv	Clearing house	South Africa	23	23
SBV	Provision of cash in transit services	South Africa	25	25
Home Choice Holdings Limited	Direct marketing and financial services	South Africa	9	9
Weston Atlas Funds	Investment fund	Various	–	–
Primedia Holdings Proprietary Limited	Broadcasting	South Africa	22	22
Volkswagen Financial Services SA Proprietary Limited	Vehicle finance	South Africa	49	49
RMB private equity associates and other	Various	Various	Various	Various

14 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates

	Toyota Financial Services Proprietary Limited		Bankserv		SBV	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Amounts recognised in profit or loss and other comprehensive income						
Dividends received	**45**	40	**–**	–	**–**	–
Revenue	**2 742**	567	**568**	1 121	**1 782**	3 271
Profit or loss from continuing operations after tax	**385**	84	**25**	116	**67**	108
Total comprehensive income	**385**	84	**25**	116	**67**	108
Amounts recognised in the statement of financial position						
Total assets	**26 623**	23 325	**741**	1 330	**1 065**	2 280
Total liabilities	**24 494**	21 355	**180**	324	**653**	1 377
Net asset value	**2 129**	1 970	**561**	1 006	**412**	903
Group's share of net asset value	**703**	650	**129**	231	**103**	226
Notional goodwill	**29**	(6)	**1**	(115)	**3**	(131)
Carrying value of investments	**732**	644	**130**	116	**106**	95

	Home Choice Holdings Limited		Weston Atlas Funds		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
	10	5	**–**	–	**–**	–	**–**	–
	1 664	1	**–**	33	**8 464**	–	**47**	–
						–		–
	309	–	**–**	33	**4 360**	–	**(161)**	–
	309	–	**–**	33	**4 360**	–	**(161)**	–
	1 768	2	**–**	133	**7 948**	–	**6 334**	–
	482	–	**–**	–	**5 061**	–	**5 472**	–
	1 286	2	**–**	133	**2 887**	–	**862**	–
	116	–	**–**	44	**648**	–	**422**	–
	(2)	97	**–**	–	**(91)**	–	**20**	–
	114	97	**–**	44	**557**	–	**442**	–

14 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2014**	**2013**	**2014**	**2013**
Carrying amount	**2 661**	2 509	**1 105**	981
Group's share of profit or loss after tax from continuing operations	**449**	154	**193**	172
Group's share of other comprehensive income/(loss)	**159**	73	**(33)**	41
Group's share of total comprehensive income	**608**	227	**160**	213

During the current year losses of R5 million (2013: R14 million) were not recognised as the balance of the investment in the associates was Rnil. The cumulative share of losses from associates not recognised is R12 million (2013: R38 million).

The Group has no exposure to contingent liabilities as a result of its relationships with associates.

14 INVESTMENTS IN ASSOCIATES continued

14.1 Net movement resulting from acquisitions, disposals and transfers

R million	Notes	2014	2013
Acquisition of associates	14.2	**1 350**	976
Disposal of associates	14.3	**(406)**	(469)
(Disposals)/acquisitions of subsidiaries		**(15)**	116
Transfer to non-current assets and disposal groups held for sale	22	**(32)**	(5)
Net movement		**897**	618

14 INVESTMENTS IN ASSOCIATES continued

14.2 Acquisitions of associates

	2014				
	Total	**Primedia Holdings Proprietary Limited**	**Volkswagen Financial Services SA Proprietary Limited**	**RMB private equity associates**	**Other insignificant acquisitions**
Acquisition date		**20/12/2013**	**4/11/2013**	**Various**	**Various**
Interest acquired (%)		**22**	**49**	**Various**	**Various**
Total consideration transferred (R million)	**1 350**	**664**	**490**	**175**	**21**
– Discharged by cash	**1 566**	**945**	**490**	**110**	**21**
– Non-cash consideration and other purchase price adjustments	**(216)**	**(281)**	**–**	**65**	**–**

Primedia Holdings Proprietary Limited

During the current year the Group acquired a 22% interest in the ordinary shares of Primedia Holdings Proprietary Limited for a consideration of R664 million. This acquisition was made as part of the capital restructure of the Primedia Group, under which the Group exchanged preference share debt funding provided to the Primedia Group for an equity investment in Primedia Holdings Proprietary Limited. As part of the restructure, the investment in the Primedia Group was impaired in line with the carrying value of the original debt. There is no active market for these shares and the consideration paid for the investment was in contemplation of a debt restructure by the Primedia Group and was therefore not reflective of a fair market price for the shares.

Volkswagen Financial Services SA Proprietary Limited

During the current year the Group acquired a 49% interest in Volkswagen Financial Services Proprietary Limited for a consideration of R490 million.

Mvelaphanda Group Limited

During the prior year, the Group acquired a 28.3% shareholding in Mvelaphanda Group Limited for a consideration of R334 million. Subsequently, Mvelaphanda Group Limited was sold, resulting in a loss of R7 million.

RMB private equity associates

During the current year the Group acquired various RMB private equity associates, none of which are individually material. During the prior year the Group acquired various RMB private equity associates including the acquisition of an entity on 31 August 2012, which changed the nature of the investment from a subsidiary to an associate.

	2013			
	Total	**Mvelaphanda Group Limited**	**RMB private equity associates**	**Other insignificant acquisitions**
		20/11/2012	Various	Various
		28	Various	Various
	976	334	627	15
	976	334	627	15
	–	–	–	–

14 INVESTMENTS IN ASSOCIATES continued

14.3 Disposals of associates

	2014		
	Total	**RMB private equity associates**	**Other insignificant disposals**
Disposal date		**Various**	**Various**
Interest disposed of (%)		**Various**	**Various**
Total consideration received (R million)	**1 263**	**1 194**	**69**
– Discharged by cash	**1 210**	**1 194**	**16**
– Non-cash consideration	**53**	**–**	**53**
Carrying value of the associate on disposal date	**406**	**346**	**60**
Gains/(loss) on disposal of associates	**857**	**848**	**9**

RMB private equity associates

During the current and prior year, the Group disposed of various RMB private equity associates. In the current year this included the disposal of two entities. The one entity was disposed of in a sales transaction and realised a profit of R12 million. The other entity was disposed of through a share buy-back executed by one entity and realised a profit of R825 million. Various other disposals make up the remaining R11 million profit on disposals of private equity associates.

Crookes Brothers Limited

During the prior year, the Group disposed of its 30% interest in Crookes Brothers Limited for a cash consideration of R194 million.

2013			
Total	**Crookes Brothers Limited**	**RMB private equity associates**	**Other insignificant disposals**
	26/09/2012	Various	Various
	30	Various	Various
613	194	321	98
607	194	321	92
6	–	–	6
469	204	167	98
144	(10)	154	–

15 INVESTMENTS IN JOINT VENTURES

R million	Notes	2014	2013
Investments in joint ventures			
Unlisted investments		**1 205**	910
Carrying value of investments in joint ventures		**1 205**	910
Movement in the carrying value of joint ventures			
Balance at the beginning of the reporting period		**910**	737
Share of profit of joint ventures after tax	2	**257**	301
– Income before tax for the year		**466**	375
– Impairments of joint ventures*		**(136)**	(2)
– Tax for the year		**(73)**	(72)
Net movement resulting from acquisitions, disposals and transfers	15.1	**248**	(6)
Movement in other reserves		**31**	15
Dividends received for the year		**(241)**	(137)
Balance at the end of the reporting period		**1 205**	910
Analysis of carrying value of joint ventures			
Shares at cost less impairment		**191**	50
Share of post-acquisition reserves		**1 014**	860
Total investments in joint ventures		**1 205**	910

* *During the current year the Group impaired its investment in RMB private equity joint ventures by R136 million. The market value of the investments declined below its carrying amount and the impairment was recognised in the RMB segment to reflect this.*

The Group has invested in the following significant joint ventures:

	Nature of the relationship	Place of business	% Ownership	% Voting rights
RMB Morgan Stanley Proprietary Limited	Equity sales, trading and research	Various	50	50
Eris Property Fund	Property services	South Africa	–	–
RMB Westport	Property services	Various	Various	Various
RMB private equity joint ventures	Private equity	Various	Various	Various

15 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley		Eris Property Fund	
R million	**2014**	**2013**	**2014**	**2013**
Dividends received	**75**	50	**–**	–
Revenue	**449**	390	**49**	42
Profit or loss from continuing operations after tax	**81**	75	**(28)**	(15)
Total comprehensive income	**81**	75	**(28)**	(15)
Total assets	**7 104**	10 870	**580**	417
Total liabilities	**6 423**	10 200	**585**	425
Net asset value	**681**	670	**(5)**	(8)
Group's share of net asset value	**341**	335	**–**	–
Notional goodwill	**(6)**	(7)	**–**	–
Carrying value of investment	**335**	328	**–**	–

Included in the above joint ventures' total assets, liabilities and comprehensive income are the following amounts:

R million	**2014**	**2013**
Cash and cash equivalents	**4 532**	318
Short-term portion of financial liabilities	**(5 574)**	(128)
Long-term portion of financial liabilities	**(4 496)**	(3 572)
Depreciation	**(5)**	(4)
Interest income	**194**	2 464
Interest expense	**(258)**	(2 357)
Income tax	**(318)**	(284)

Financial information of individually immaterial joint ventures

	RMB Westport		RMB private equity joint ventures		Other	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Carrying amount	**13**	1	**680**	569	**177**	12
Group's share of profit or loss after tax from continuing operations	**6**	(5)	**133**	211	**37**	14
Group's share of other comprehensive income	**–**	–	**30**	14	**1**	–
Group's share of total comprehensive income/(loss)	**6**	(5)	**163**	225	**38**	14

During the current year losses of R5 million (2013: R7 million) were not recognised as the balance of the investment in the joint venture was Rnil. The cumulative share of losses from joint ventures not recognised is R5 million (2013: R7 million).

The Group has no exposure to contingent liabilities as a result of its relationships with joint ventures.

The Group has not committed to provide future funding to joint ventures.

15 INVESTMENTS IN JOINT VENTURES continued

15.1 Net movement resulting from acquisitions, disposals and transfers

R million	Notes	2014	2013
Acquisitions of joint ventures	15.2	**272**	–
Disposals of joint ventures	15.3	**–**	(6)
Disposals of subsidiaries		**(24)**	–
Net movement		**248**	(6)

15.2 Acquisition of joint ventures

	2014		
	Total	**RMB private equity joint ventures**	**Other insig-nificant acquisitions**
Acquisition date		**Various**	**Various**
Interest acquired (%)		**Various**	**Various**
Total consideration transferred (R million)	**272**	**266**	**6**
– Discharged by cash	**272**	**266**	**6**
– Non-cash consideration	**–**	**–**	**–**

There were no acquisitions of joint ventures during the prior year.

RMB private equity joint ventures

During the current year, the Group acquired various RMB private equity joint ventures.

15.3 Disposal of joint ventures

	2014	2013		
	Total*	**Total**	**RMB private equity joint ventures**	**Other insig-nificant disposals**
Disposal date			Various	Various
Interest disposed of (%)			Various	Various
Total consideration received (R million)	**–**	29	28	1
– Discharged by cash	**–**	29	28	1
Carrying value of the joint venture on disposal date	**–**	6	5	1
Gains on disposal of joint ventures	**–**	23	23	–

* *There were no disposals of joint ventures during the current year.*

RMB private equity joint ventures

During the prior year, the Group disposed of various RMB private equity joint ventures for a consideration of R28 million.

16 PROPERTY AND EQUIPMENT

The useful life of each asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful life of the individual assets:

Leasehold premises	Shorter of estimated life or period of lease
Freehold property and property held under finance lease	
– Buildings and structures	50 years
– Mechanical and electrical	20 years
– Components	20 years
– Sundries	3 – 5 years
Computer equipment	3 – 5 years
Furniture and fittings	3 – 10 years
Motor vehicles	5 years
Office equipment	3 – 6 years

	2014			2013		
R million	**Cost**	**Accumulated depreciation and impairments**	**Carrying amount**	**Cost**	**Accumulated depreciation and impairments**	**Carrying amount**
Property**	**12 064**	**(3 363)**	**8 701**	11 509	(3 245)	8 264
Freehold property	**8 216**	**(2 018)**	**6 198**	7 583	(1 628)	5 955
Leasehold premises	**3 848**	**(1 345)**	**2 503**	3 926	(1 617)	2 309
Assets held under leasing agreements*	**925**	**(298)**	**627**	836	(240)	596
Equipment**	**11 036**	**(5 869)**	**5 167**	10 489	(5 896)	4 593
Computer equipment	**5 524**	**(3 382)**	**2 142**	5 376	(3 652)	1 724
Furniture and fittings	**2 013**	**(1 068)**	**945**	1 917	(1 037)	880
Motor vehicles	**2 221**	**(629)**	**1 592**	2 019	(470)	1 549
Office equipment	**1 261**	**(782)**	**479**	1 161	(735)	426
Capitalised leased assets	**17**	**(8)**	**9**	16	(2)	14
Total property and equipment	**24 025**	**(9 530)**	**14 495**	22 834	(9 381)	13 453

* *Assets which are owned by the Group and leased to third parties under operating leases as part of the Group's revenue generating operations.*
** *Assets utilised by the Group in the normal course of operations to provide services.*

16 PROPERTY AND EQUIPMENT continued

R million	Freehold property	Leasehold premises	Assets held under leasing agreements
Carrying amount at 1 July 2012	4 536	2 429	680
Acquisitions	1 573	251	16
Disposals	(83)	(87)	(27)
Acquisitions of subsidiaries	128	–	–
Exchange rate difference	96	18	81
Depreciation charge for the period	(287)	(302)	(90)
Impairments recognised*	(8)	–	–
Other	–	–	(64)
Carrying amount at 30 June 2013	**5 955**	**2 309**	**596**
Acquisitions	**827**	**501**	**65**
Disposals	**(48)**	**(41)**	**(5)**
Disposal of subsidiaries	**(20)**	**–**	**–**
Exchange rate difference	**48**	**–**	**24**
Depreciation charge for the period	**(320)**	**(265)**	**(53)**
Impairments recognised*	**(137)**	**(1)**	**–**
Transfer to non-current assets and disposal groups held for sale	**(107)**	**–**	**–**
Carrying amount at 30 June 2014	**6 198**	**2 503**	**627**

* *During the current year Instant Access Holdings Proprietary Limited, a subsidiary of the Group, impaired a property located in Australia. An impairment of R89 million was recognised as a result of the low levels of activity in the construction industry in Australia. This impairment is recognised in RMB. A further impairment of property of R45 million was raised on units in a commercial building in Dubai. The property was handed over by the developer in a condition unsuitable for business purposes. This impairment is recognised in the FCC segment. An impairment of R6 million was raised during the prior year for aircraft owned by Richtrau 241 Proprietary Limited, a subsidiary of the Group. The market value of this type of aircraft decreased below its carrying value and an impairment was recognised in WesBank. The remaining balance of the impairment recognised during the prior year relates to various items of freehold property in RMB. There were no reversals of previously recognised impairments in the current or prior years.*

Information regarding land and buildings is kept at the Group's registered offices. This information will be open for inspection in terms of section 26 of the Companies Act 71 of 2008.

Property occupied for banking operations serves as security for finance lease liabilities. Refer to note 27 for liabilities that are related to the finance lease assets.

Computer equipment	Furniture and fittings	Motor vehicles	Office equipment	Capitalised leased assets	Total
1 487	886	818	389	3	11 228
904	207	1 287	189	12	4 439
(51)	(15)	(287)	(5)	–	(555)
–	–	–	–	–	128
7	8	2	8	–	220
(703)	(202)	(271)	(155)	(1)	(2 011)
–	(4)	–	–	–	(12)
80	–	–	–	–	16
1 724	**880**	**1 549**	**426**	**14**	**13 453**
1 202	**301**	**919**	**196**	**–**	**4 011**
(98)	**(14)**	**(519)**	**(4)**	**–**	**(729)**
–	**–**	**–**	**–**	**–**	**(20)**
5	**–**	**–**	**(1)**	**–**	**76**
(691)	**(217)**	**(353)**	**(138)**	**(5)**	**(2 042)**
–	**–**	**(3)**	**–**	**–**	**(141)**
–	**(5)**	**(1)**	**–**	**–**	**(113)**
2 142	**945**	**1 592**	**479**	**9**	**14 495**

17 INTANGIBLE ASSETS

The useful life of each intangible asset is assessed individually. The table below provides information on the benchmarks used when assessing the useful lives of the individual intangible assets:

Software and development costs	3 years
Trademarks	10 to 20 years
Other	3 to 10 years other than a service concession arrangement, that has a contractual term of 37 years

	2014			2013		
R million	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**	**Cost**	**Accumulated amortisation and impairments**	**Carrying amount**
Goodwill						
Opening balance	**1 483**	**(709)**	**774**	1 459	(275)	1 184
Acquisitions/(disposals) of subsidiaries	**15**	**–**	**15**	(2)	5	3
Transfer to non-current assets and disposal groups held for sale	**(8)**	**–**	**(8)**	–	–	–
Exchange rate differences	**8**	**(1)**	**7**	26	(1)	25
Impairment recognised	**–**	**(128)**	**(128)**	–	(438)	(438)
Closing balance	**1 498**	**(838)**	**660**	1 483	(709)	774
Software and development costs						
Opening balance	**1 170**	**(918)**	**252**	971	(596)	375
Acquisitions	**105**	**–**	**105**	244	–	244
Disposals	**(19)**	**12**	**(7)**	(52)	46	(6)
Exchange rate difference	**4**	**(2)**	**2**	7	(6)	1
Amortisation for the year	**–**	**(83)**	**(83)**	–	(114)	(114)
Impairment recognised*	**–**	**(1)**	**(1)**	–	(248)	(248)
Closing balance	**1 260**	**(992)**	**268**	1 170	(918)	252

* *During the prior year RMB corporate banking recognised an impairment of R248 million against previously capitalised internally generated software. Subsequent assessments indicated that the software was not capable of generating future economic benefits in their current state without major modifications or alterations. The software was written down to its recoverable amount.*

17 INTANGIBLE ASSETS continued

R million	2014 Cost	2014 Accumulated amortisation and impairments	2014 Carrying amount	2013 Cost	2013 Accumulated amortisation and impairments	2013 Carrying amount
Trademarks						
Opening balance	**213**	**(194)**	**19**	206	(167)	39
Acquisitions	**–**	**–**	**–**	1	–	1
Disposals	**–**	**–**	**–**	(4)	4	–
Transfer to non-current assets and disposal groups held for sale	**(8)**	**8**	**–**	–	–	–
Exchange rate difference	**11**	**(11)**	**–**	10	(9)	1
Amortisation for the year	**–**	**(3)**	**(3)**	–	(8)	(8)
Impairment recognised*	**–**	**–**	**–**	–	(14)	(14)
Closing balance	**216**	**(200)**	**16**	213	(194)	19
Other						
Opening balance	**226**	**(102)**	**124**	235	(90)	145
Disposals	**–**	**–**	**–**	(14)	14	–
Exchange rate difference	**4**	**(6)**	**(2)**	5	(5)	–
Amortisation for the year	**–**	**(9)**	**(9)**	–	(12)	(12)
Impairment recognised**	**–**	**(10)**	**(10)**	–	(9)	(9)
Closing balance	**230**	**(127)**	**103**	226	(102)	124
Total intangible assets						
Goodwill	**1 498**	**(838)**	**660**	1 483	(709)	774
Software and development costs	**1 260**	**(992)**	**268**	1 170	(918)	252
Trademarks	**216**	**(200)**	**16**	213	(194)	19
Other	**230**	**(127)**	**103**	226	(102)	124
Total intangible assets	**3 204**	**(2 157)**	**1 047**	3 092	(1 923)	1 169

* *The trademark impaired during the prior year was recognised on the initial acquisition of RentWorks Africa Proprietary Limited. The expected future economic benefits that will flow to the Group as a result of acquiring the trademark were reassessed and the trademark was impaired. The impairment is recognised in WesBank.*

** *During the current year a customer book ceased to generate income and was impaired by R10 million to its recoverable amount. The amount of R9 million recognised in the prior year related to insurance books that were impaired as revenue trends were lower than revenue trends inherent at acquisition. There were no reversals of previously recognised impairments in the current or prior year.*

Included in other intangible assets are assets that the Group, through RMB, has legal ownership of in terms of a service concession arrangement. In terms of the service concession agreement the Group is entitled to charge the user of the asset for usage, the pricing of which has been established in terms of the concession agreement. The Group has the obligation to maintain the asset in a workable condition and will deliver ownership of the asset to the government at the conclusion of the concession period.

The carrying amount of the intangible asset relating to the service concession arrangement has been estimated taking into account usage levels and the pricing under the arrangement.

17 INTANGIBLE ASSETS continued

Impairment of goodwill

For impairment testing purposes, goodwill is allocated to cash-generating units (CGU) at the lowest level of operating activity to which it relates, and is therefore not combined at Group level.

The CGU to which the goodwill balance as at 30 June relates to:

R million	2014	2013
FNB Botswana	**33**	31
FNB Mozambique	**147**	147
RMB Corvest	**169**	183
RMB other	**117**	117
WesBank	**61**	164
Other	**133**	132
Total	**660**	774

When testing for impairment, the recoverable amount of a CGU is determined as the higher of the fair value less costs to sell and value in use. The fair value less costs to sell is determined as the current market value of the CGU less any costs related to the realisation of the CGU. The value in use is calculated by discounting the estimated future cash flows to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. The future cash flows are based on the financial budget approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates.

The table below shows the discount rate and the growth rate used in calculating the value in use for the CGU:

	Discount rates		Growth rates	
%	2014	2013	2014	2013
FNB Botswana	**14.00**	14.00	**3.00**	3.00
FNB Mozambique	**18.60**	19.10	**8.10**	7.00
RMB Corvest	**19.93**	18.75	**5.97**	5.50
RMB other	*	*	*	*
WesBank	**15.00**	18.50	**3.00**	3.48
Other	**7.58**	7.80	**7.39**	7.52

* *The discount rate used is the weighted average cost of capital for the specific segment or entity, adjusted for specific risks relating to the segment or entity. Some of the other assumptions include investment returns, expense inflation rates, tax rates and new business growth. RMB Corvest determines the recoverable amount as the fair value less costs to sell and not the value in use due to the nature of the entity.*

The recoverable amounts of these CGU are not sensitive to changes in these key assumptions and a reasonably possible change in the key assumptions would not result in additional impairment losses recognised for goodwill.

17 INTANGIBLE ASSETS continued

The impairment of goodwill in the current and prior years relates to the following investments in subsidiaries:

R million	2014	Reporting segment	Basis for recoverable amount	Discount rate %
First Auto Proprietary Limited	**104**	WesBank	Value in use	15.0 (2013: 18.5)
Various private equity subsidiaries	**24**	RMB	Fair value less costs to sell	–
Goodwill impairment incurred	**128**			

R million	2013	Reporting segment	Basis for recoverable amount	Discount rate %
FNB International Wealth Management Holdings Limited	259	FNB retail	Value in use	9.2* (2013: 11.2)
FNB Securities Proprietary Limited (previously BJM Private Client Services)	166	FNB retail	Value in use	18.5 (2013: 18.7)
Various private equity subsidiaries	13	RMB Corvest	Value in use	18.8 (2013: 18.8)
Goodwill impairment incurred	438			

* *Post-tax rate applicable to Group entities with operations situated in the United Kingdom.*

Impairments during 2014

During the current year WesBank and RMB private equity recognised R128 million impairment of goodwill. The WesBank subsidiary is based in South Africa and the RMB private equity subsidiary is based in Australia.

Impairments during 2013

FNB International Wealth Management Holdings Limited (FNBIWML) represented the offshore operations of the Group's wealth and asset management business. During the prior year a strategic review of the Group's asset management business was undertaken and a decision was made to wind down the business activities of FNBIWML, with focus placed on the local operations. This coupled with changes in the global appetite for certain of the offshore funds and the weaker fund performances, resulted in a decrease in the assets under management. This also negatively impacted the future performance of these offshore operations and as a result, the goodwill originally attributed to the acquisition of FNBIWML was written off in the prior year.

FNB Securities provided stockbroking, wealth and asset management services to clients in South Africa. The expected synergies and assets to which the goodwill was attributable, will no longer be realised in FNB Securities. This is due to certain strategic and operational changes in the Group. The full amount of goodwill relating to FNB Securities was impaired during the prior year.

The remaining goodwill impairment recognised in the prior year related to various other subsidiaries held through the private equity portfolio. These subsidiaries are individually immaterial and the impairment can be contributed to changes in the current economic environment both locally and globally.

18 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS AND REINSURANCE ASSETS

	2014		
R million	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	**504**	**(408)**	**96**
Unearned premiums	**36**	**–**	**36**
Total policyholder liabilities under insurance contracts and reinsurance assets	**540**	**(408)**	**132**

	2013		
R million	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	615	(394)	221
Unearned premiums	31	–	31
Total policyholder liabilities under insurance contracts and reinsurance assets	646	(394)	252

18.1 Reconciliation of claims outstanding and incurred but not reported

	2014		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**615**	**(394)**	**221**
Increase in current year claims outstanding	**8**	**(45)**	**(37)**
Decrease from prior year claims outstanding	**(43)**	**27**	**(16)**
Claims settled in the year	**(76)**	**4**	**(72)**
Closing balance	**504**	**(408)**	**96**

	2013		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	1 062	(898)	164
Increase/decrease in current year claims outstanding	144	2	146
Decrease from prior year claims outstanding	(523)	496	(27)
Claims settled in the year	(68)	6	(62)
Closing balance	615	(394)	221

18 POLICYHOLDER LIABILITIES UNDER INSURANCE CONTRACTS AND REINSURANCE ASSETS

18.2 Reconciliation of unearned premiums

	2014		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**31**	**–**	**31**
Net movement during the year	**5**	**–**	**5**
Closing balance	**36**	**–**	**36**

	2013		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	27	–	27
Net movement during the year	4	–	4
Closing balance	31	–	31

18.3 Risk management relating to insurance contracts

The Group underwrites short-term policies through their subsidiary, FirstRand Insurance Services Limited.

Terms and conditions of insurance contracts

The terms and conditions of insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions of these contracts are refined at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The Group believes that the liability for claims carried at the end of the year is adequate.

The Group underwrites short-term insurance in the following risk classes:

Liability – Provide cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract.

Motor – Provide indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, fire and theft and liability to other parties.

Personal accident – Provide compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.

Property – Provide indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

Risk management objectives and policies for mitigating insurance risk

The principle risk the Group faces under such contracts is that the actual claims and expenses exceed the carrying amount of insurance liabilities. Insurance risk occurs due to the uncertainty of the timing and amount of future cash flows arising under insurance contracts. This is influenced by the frequency and severity of claims, especially if actual benefits paid, are greater than originally estimated, and the subsequent development of long-term claims.

The Group manages its insurance risk through underwriting limits, approval procedures for transactions that involve new products or that exceed set limits, pricing guidelines and monitoring of emerging issues.

The Group cedes insurance risk to limit exposure to underwriting losses under various reinsurance agreements. These reinsurance agreements spread the risk of loss and minimise the effect of losses. The risk retention levels depend on evaluation of specific risk, subject to certain circumstances, to maximum limits based on the characteristics of coverage.

The Group is not exposed to any significant concentrations of insurance risk due to the nature of the policies underwritten by the Group. In addition, the Group has adequate reinsurance in place to reduce the risk that arises from insurance contracts to acceptable levels.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2014	2013
Staff-related provisions	19.1	**5 414**	4 410
Cash settled share-based payment liability*		**1 332**	997
Defined benefit post-employment liability	19.2	**694**	442
Other long-term employee benefit liability		**1**	8
Defined contribution post-employment liability	19.3	**–**	–
Total employee liabilities		**7 441**	5 857
Post-employment benefit asset	19.2	**(5)**	–
Net amount due to employees		**7 436**	5 857

* *Included in the cash settled share-based payment liability is an amount of Rnil (2013: R236 million) that relates to options that have already vested but have not yet been exercised by staff.*

Refer to note 31 for more details on the cash settled share-based payment schemes.

19.1 Staff-related provision

The staff-related provision consists mainly of the provision for leave pay, staff bonuses and the liability relating to the MMI shares that the participants in the BEE schemes will receive. Further details of this scheme and the vesting conditions related to the scheme are provided in note 31.

R million	2014	2013
Opening balance	**4 410**	3 572
Exchange rate difference	**36**	38
Charge to profit or loss	**3 839**	3 054
– Additional provision created	**3 867**	3 058
– Unused provision reversed	**(28)**	(4)
Utilised	**(2 871)**	(2 254)
Closing balance	**5 414**	4 410

19.2 Defined benefit post-employment liability

Nature of benefits

The Group operates two defined benefit plans in South Africa, a plan that provides post-employment medical benefits and a pension plan. The pension plan provides retired employees with annuity income after their service. The medical scheme provides retired employees with medical benefits after their service. In terms of these plans, the Group is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these pension plans are reflected as a net asset or liability in the statement of financial position. For the pension plan a separate fund (the fund) has been established. The fund holds assets that are solely used to pay the pension benefits. For current pensioners the fund pays a pension to the members and dependants' pension to the spouse and eligible children on death of the member.

On retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased, is determined based on the purchasing member's demographic details (age, sex, age of spouse), the pension structure (guarantee period, spouse's reversion, pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). There are also a small number of active members whose benefits are calculated on a defined benefit basis as prescribed in the rules of the fund. A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. The liability in respect of contributing defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions and employer's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Nature of benefits continued

In terms of the medical scheme, the Group is liable for any deficit in the provision of the benefits from the plan assets. In terms of the small number of defined benefit contributing members in the pension plan, the Group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and granting of pension increases subject to the assets of the fund supporting such increases. Should the pension account in the fund be in a deficit to the extent that current pensions in payment cannot be maintained, the Group is liable to maintain the nominal value of pensions in payment.

The fund also provides death and withdrawal benefits. The fund provides a pension that can be purchased with the member's fund credit (equal to member and employer contributions of 7.5% of pensionable salary each year, plus net investment returns). The employer's post-employment health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

The Group has two foreign subsidiaries that operate defined benefit plans for their employees. The details of these funds are disclosed in the annual financial statements of these subsidiaries and the liabilities recognised for these obligations are not material to the Group.

Regulatory framework

The plans are governed by local regulations and practice in South Africa. The pension plan is regulated by the Financial Services Board and the medical plan by The Registrar of Council for Medical Schemes.

Governance of the plans

Responsibility for governance of the plans including investment decisions and contribution schedules lies, jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Group and plan participants in accordance with the plans regulations. The board consists of four representatives of the Group and four representatives of the plan participants in accordance with the plans regulations. The trustees serve the board for five years and may be re-elected. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Regulator of Pension Funds (i.e. to the Financial Services Board). A full actuarial valuation of the pension fund submission to the Financial Services Board is done every three years, with the last valuation being in 2014. Annual interim actuarial valuations are performed for the trustees and for IAS 19 purposes. At the last valuation date the fund was financially sound.

Governance of the post-employment medical aid subsidy policy lies with the Group and a committee meets regularly to discuss and review the management and subsidy. The committee also considers administration and data management issues and analyse demographic and economic risks inherent in the subsidy policy.

Funding policy

Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The Group considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation.

In addition, the trustees of the fund target a funding position on the pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions.

As at the last statutory actuarial valuation of the fund (during June 2014), all categories of liabilities was at least 100% funded.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Asset-liability matching strategies

The Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the schemes. Within this framework, the Group`s ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets.

The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows a 70% exposure in fixed interest instruments to immunise the interest rate and inflation risk, and 30% exposure to local growth assets.

The fixed interest instruments mainly consists of long dated South African Government issued inflation linked bonds, while the growth assets are allocated to selected local asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level.

The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, inflation linked, and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy as elements such as salary inflation and decrement rates cannot be matched. This is however an insignificant liability compared against the pensioner liability of the Fund.

Risks associated with the plans

Through its defined benefit pension plans and post-employment medical plans, the Group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility: Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets would create a deficit.

Inflation risk: The plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation forms part of the financial assumptions used in the valuation.

Life expectancy: The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Demographic movements: The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should less eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the liabilities could be understated.

The financial implications to the Group in the event of deficit of the pension plan have been discussed in the nature of benefits section on page 354.

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Details of the defined benefit plan assets and fund liability are as follows:

		2014			2013		
R million	**Notes**	**Pension**	**Medical**	**Total**	**Pension**	**Medical**	**Total**
Post-employment benefit fund liability							
Present value of funded obligation		**9 728**	**3 060**	**12 788**	9 262	2 818	12 080
Fair value of plan assets		**(10 073)**	**(2 382)**	**(12 455)**	(9 164)	(2 474)	(11 638)
Total employee liability/(asset)		**(345)**	**678**	**333**	98	344	442
Limitation imposed by IAS 19 asset ceiling		**356**	**–**	**356**	–	–	–
Total post-employment liability		**11**	**678**	**689**	98	344	442
The amounts recognised in the income statement are as follows:							
Current service cost		**33**	**43**	**76**	10	44	54
Net interest		**10**	**31**	**41**	17	6	23
Total included in staff costs	3	**43**	**74**	**117**	27	50	77
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**98**	**344**	**442**	377	140	517
Exchange differences		**(8)**	**–**	**(8)**	4	–	4
Current service cost		**33**	**43**	**76**	10	44	54
Interest expense		**10**	**31**	**41**	17	6	23
Benefits paid		**(9)**	**(2)**	**(11)**	(11)	(107)	(118)
Remeasurements: Recognised in OCI		**(105)**	**262**	**157**	(291)	261	(30)
– Actuarial losses from changes in demographic assumptions		**8**	**–**	**8**	1	–	1
– Actuarial losses from changes in financial assumptions		**191**	**79**	**270**	61	–	61
– Other remeasurments		**(304)**	**183**	**(121)**	(353)	261	(92)
Employer contribution		**(2)**	**–**	**(2)**	(6)	–	(6)
Employee contribution		**(1)**	**–**	**(1)**	(1)	–	(1)
Settlement of curtailment of liability		**(5)**	**–**	**(5)**	(1)	–	(1)
Closing balance		**11**	**678**	**689**	98	344	442

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

	2014			2013		
R million	**Pension**	**Medical**	**Total**	**Pension**	**Medical**	**Total**
Movement in the fair value of plan assets:						
Opening balance	**9 164**	**2 474**	**11 638**	8 697	2 539	11 236
Interest income	**762**	**207**	**969**	980	220	1 200
Remeasurements: Recognised in OCI	**657**	**(175)**	**482**	17	(285)	(268)
– Return on plan assets	**657**	**(175)**	**482**	17	(285)	(268)
Exchange differences	**38**	**–**	**38**	27	–	27
Employer contributions	**13**	**–**	**13**	11	–	11
Employee contributions	**3**	**–**	**3**	3	–	3
Benefits paid and settlements	**(564)**	**(124)**	**(688)**	(570)	–	(570)
Closing balance	**10 073**	**2 382**	**12 455**	9 165	2 474	11 639
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**–**	**–**	**–**	–	–	–
Change in the asset ceiling, excluding amounts included in interest	**356**	**–**	**356**	–	–	–
Closing balance	**356**	**–**	**356**	–	–	–
The actual return on plan assets was:	**9%**			9%		
Plan assets comprised the following:						
Equity securities: Listed	**2 340**	**–**	**2 340**	1 688	–	1 688
Total equity securities	**2 340**	**–**	**2 340**	1 688	–	1 688
Cash and cash equivalents	**347**	**–**	**347**	208	–	208
Debt instruments	**6 995**	**–**	**6 995**	7 215	–	7 215
Government bonds	**6 218**	**–**	**6 218**	5 840	–	5 840
Money market	**609**	**–**	**609**	765	–	765
Corporate bonds	**168**	**–**	**168**	167	–	167
Other	**–**	**–**	**–**	443	–	443
Other	**391**	**2 382**	**2 773**	53	2 474	2 527
Total plan assets	**10 073**	**2 382**	**12 455**	9 164	2 474	11 638
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**1**	**–**	**1**	–	–	–
Buildings occupied by the Group with a fair value of	**62**	**–**	**62**	56	–	56
Total	**63**	**–**	**63**	56	–	56

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Each sensitivity analysis is based on changing one assumption while keeping all other remaining assumptions constant in practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity analysis has been calculated in terms of the projected unit credit method and illustrates how the value of the liability would change in response to certain changes in actuarial assumptions.

	2014		2013	
%	**Pension**	**Medical**	**Pension**	**Medical**
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**8.3**	**–**	8.0	–
Long-term increase in health cost	**–**	**8.3**	–	7.5
The effects of a 1% movement in the assumed health cost rate were as follows:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**–**	**470.6**	–	460.5
Effect on the aggregate of the current service cost and interest cost (R million)	**–**	**55.4**	–	51.1
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**–**	**382.7**	–	371.2
Effect on the aggregate of the current service cost and interest cost (R million)	**–**	**44.6**	–	40.5
The effects of a 1% movement in the expected rates of salary increases were as follows:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**8.9**	**–**	12.0	–
Effect on the aggregate of the current service cost and interest cost (R million)	**3.0**	**–**	2.3	–
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**7.9**	**–**	4.6	–
Effect on the aggregate of the current service cost and interest cost (R million)	**1.0**	**–**	1.8	–
The effects of a change in the average life expectancy of a pensioner retiring at age 65				
Increase in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**347.8**	**109.5**	333.9	102.1
Effect on the aggregate of the current service cost and interest cost (R million)	**17.0**	**11.7**	14.9	10.3
Decrease in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**329.1**	**108.1**	297.1	101.0
Effect on the aggregate of the current service cost and interest cost (R million)	**14.4**	**11.5**	13.3	10.2
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**3**	**49**	4	49
Net increase in rate used to value pensions, allowing for pension increases	**1.7**	**0.9**	1.8	1.1
The weighted average duration of the defined benefit obligation is (years)	**11.1**	**17.9**	11.1	17.1

The weighted average duration of the defined benefit obligation at the end of the reporting period is 11.1 years (2013: 11.1 years).

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

The expected maturity analysis of undiscounted pension and post-employment medical benefits are below:

R million	Within 1 year	Between 1 – 5 years	More than 5 years	Total
Pension benefits	**660**	**2 481**	**8 073**	**11 214**
Post-employment medical benefits	**125**	**627**	**27 500**	**28 252**
Total as at 30 June 2014	**785**	**3 108**	**35 573**	**39 466**

		2014		2013	
Mortality rate		**Active members**	**Pensioners**	**Active members**	**Pensioners**
Pension fund					
Normal retirement age		**60**	**–**	60	–
Mortality rate table used		**PA(90)-2**	**PA(90)-2**	PA(90)-2	PA(90)-2
Post-employment medical benefits					
Normal retirement age		**60**	**–**	60	–
Mortality rate table used (rated down 3 years for females)	Active	**SA 85-90**	**–**	SA 85-90	–
	Retired	**PA (90)-3**	**PA (90)-3**	PA (90)-3	PA (90)-3

SA 85 – 90 refers to standard actuarial mortality tables for active members on a defined benefit plan where the chance of dying before normal retirement is expressed at each age for each gender.

PA(90) – 2 refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender.

PA(90) – 3 refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender.

	2014		2013	
Mortality rate	**Pension**	**Medical**	**Pension**	**Medical**
The average life expectancy in years of a pensioner retiring at age 65 on the reporting date, is as follows:				
Male	**17**	**17**	17	17
Female	**21**	**21**	21	21
The average life expectancy in years of a pensioner retiring at age 65, 20 years after the reporting date is as follows:				
Male	**18**	**18**	18	18
Female	**22**	**22**	22	22

19 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

19.2 Defined benefit post-employment liability continued

Defined benefit obligation amounts owing to:

	2014	2013
Pension:		
Active members	**304**	275
Pensioners	**6 436**	6 526
Deferred plan participants	**314**	313
Total	**7 054**	7 114
Benefits vested at the end of the reporting period (R miliion)	**9 627**	9 071
Benefits accrued but not vested at the end of the reporting period (R million)	**101**	–
Conditional benefits (R million)	**16**	–
Amounts attributable to future salary increases (R million)	**125**	117
Other benefits (R million)	**9 587**	8 954
Medical:		
Active members	**5 518**	5 939
Pensioners	**5 173**	4 962
Deferred plan participants	**35**	–
Total	**10 726**	10 901
Benefits vested at the end of the reporting period (R million)	**1 911**	1 831
Benefits accrued but not vested at the end of the reporting period (R million)	**1 149**	987
Conditional benefits (R million)	**1 179**	987
Other benefits (R million)	**1 881**	1 831

19.3 Defined contribution post-employment liability

R million	2014	2013
Post-employment defined contribution plan		
Present value of obligation	**14 709**	12 892
Present value of assets	**(14 709)**	(12 892)
Net defined contribution liability	**–**	–

The defined contribution scheme allows active members to purchase a pension from the defined benefit plan on retirement. The purchase price for the pension is determined based on the purchasing member's demographic details, the pension structure and the economic assumptions at time of purchase. Should a member elect to purchase a pension, the Group becomes exposed to longevity and other actuarial risks. However because of the way that the purchase is priced the employer is not exposed to any asset return risk prior to the election of this option. On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension.

20 INVESTMENT PROPERTIES

R million	2014	2013
Completed properties		
Fair market value at beginning of the year	**459**	215
Net revaluations (included in gains less losses from investing activities – note 2)	**–**	7
Additions	**37**	–
Acquisition of subsidiaries	**–**	237
Disposals	**(76)**	–
Exchange rate differences	**(1)**	–
Fair market value at end of year	**419**	459
Comprising		
Office buildings	**238**	277
Industrial buildings	**181**	175
Vacant land	**–**	7
Total investment properties	**419**	459
The following amounts have been included in the consolidated income statement:		
Rental income (included in gains less losses from investing activities – note 2)	**42**	39

Information regarding investment properties as required is kept at the Group's registered offices. The information will be open for inspection in terms of section 26 of the Companies Act, 71 of 2008.

Refer to note 38 for information about the fair value of investment properties.

21 DEFERRED INCOME TAX

The movement on the deferred income tax account is as follows:

R million	2014	2013
Deferred income tax asset		
Opening balance	**460**	343
Exchange rate difference	**(4)**	10
Release to profit or loss	**406**	107
Deferred income tax on amounts charged directly to other comprehensive income	**(1)**	1
Other	**1**	(1)
Total deferred income tax asset	**862**	460
Deferred income tax liability		
Opening balance	**(753)**	(1 412)
Exchange rate difference	**(6)**	(10)
Release to profit or loss	**(46)**	969
Deferred income tax on amounts charged directly to other comprehensive income	**3**	(295)
Tax rate adjustment	**–**	(6)
Other	**6**	1
Total deferred income tax liability	**(796)**	(753)
Net deferred income tax	**66**	(293)

21 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities and deferred tax (charged)/released to profit or loss are attributable to the following items:

	2014		
R million	**Opening balance**	**Exchange rate difference**	**Tax (charge)/ release**
Deferred income tax asset			
Tax losses	**223**	**(3)**	**(37)**
Provision for loan impairment	**22**	**–**	**(2)**
Provision for post-employment benefits*	**–**	**–**	**–**
Other provisions	**83**	**(1)**	**(24)**
Financial instruments	**5**	**–**	**14**
Accruals	**12**	**–**	**(11)**
Available-for-sale securities*	**1**	**–**	**1**
Capital gains tax	**10**	**–**	**3**
Other	**104**	**–**	**462**
Total deferred income tax asset	**460**	**(4)**	**406**
Deferred income tax liability			
Provision for loan impairment	**609**	**–**	**209**
Provision for post-employment benefits*	**124**	**–**	**(6)**
Other provisions	**922**	**–**	**(141)**
Cash flow hedges*	**(39)**	**–**	**–**
Financial instruments	**10**	**–**	**204**
Instalment credit assets	**(1 406)**	**(5)**	**331**
Accruals	**(243)**	**–**	**42**
Available-for-sale securities*	**(212)**	**–**	**(209)**
Capital gains tax	**69**	**–**	**19**
Transfer to non-current assets and disposal groups held for sale	**–**	**–**	**–**
Other	**(587)**	**(1)**	**(495)**
Total deferred income tax liability	**(753)**	**(6)**	**(46)**
Net deferred income tax	**(293)**	**(10)**	**360**

* *Certain amounts reported under the other column have been charged directly to other comprehensive income.*

2014			
Transfer to non-current assets and disposal groups held for sale	Tax rate adjustment	Other	Closing balance
–	–	–	183
–	–	(1)	19
–	–	(1)	(1)
–	–	–	58
–	–	1	20
–	–	–	1
–	–	–	2
–	–	(1)	12
–	–	2	568
–	–	–	862
–	–	1	819
–	–	75	193
–	–	(3)	778
–	–	(141)	(180)
–	–	1	215
–	–	–	(1 080)
1	–	–	(200)
–	–	69	(352)
–	–	–	88
(4)	–	8	4
3	–	(1)	(1 081)
–	–	9	(796)
–	–	9	66

21 DEFERRED INCOME TAX continued

	2013		
R million	**Opening balance**	**Exchange rate difference**	**Tax (charge)/ release**
Deferred income tax asset			
Tax losses	135	5	82
Provision for loan impairment	3	–	18
Other provisions	62	2	19
Financial instruments	9	–	(3)
Accruals	21	2	(11)
Available-for-sale securities*	–	–	–
Capital gains tax	10	–	–
Other	103	1	2
Total deferred income tax asset	343	10	107
Deferred income tax liability			
Provision for loan impairment	629	1	(20)
Provision for post-employment benefits*	144	–	(12)
Other provisions	593	–	328
Cash flow hedge*	293	–	–
Financial instruments	(14)	–	23
Instalment credit assets	(1 691)	(9)	292
Accruals	(218)	–	(26)
Available-for-sale securities*	(257)	–	–
Capital gains tax	–	–	69
Other	(891)	(2)	315
Total deferred income tax liability	(1 412)	(10)	969
Net deferred income tax	(1 069)	–	1 076

* *Certain amounts reported under the other column have been charged directly to other comprehensive income.*

Dividends declared by South African entities are subject to shareholders' withholding tax. The Group would therefore incur no additional tax if the total reserves of R 74 928 million (2013: R 65 954 million) were declared as dividends.

Deferred income tax assets are recognised in respect of deductible temporary differences, unused tax losses and unused tax credits to the extent that the realisation of the related tax benefit is probable.

The Group has not recognised a deferred tax asset amounting to R720 million (2013: R390 million) relating to tax losses. These tax losses have expiry dates ranging from 2015 to 2017.

2013		
Tax rate adjustment	**Other**	**Closing balance**
–	1	223
–	1	22
–	–	83
–	(1)	5
–	–	12
–	1	1
–	–	10
–	(2)	104
–	–	460
(1)	–	609
–	(8)	124
1	–	922
–	(332)	(39)
–	1	10
2	–	(1 406)
1	–	(243)
–	45	(212)
–	–	69
(9)	–	(587)
(6)	(294)	(753)
(6)	(294)	(293)

22 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	2014	2013
Total non-current assets held for sale	**226**	20
Non-current assets held for sale	**72**	20
Assets included in disposal groups held for sale	**154**	–
Total liabilities included in disposal groups held for sale	**(34)**	–
Net non-current assets held for sale	**192**	20

		2014		2013	
R million	**Notes**	**Total**	**Other**	**Total**	**Other**
Non-current assets held for sale					
Property and equipment		**40**	**40**	15	15
Investments in associates	14.1	**32**	**32**	5	5
Total non-current assets held for sale		**72**	**72**	20	20

2014

Property and equipment

At 30 June 2014 the Group met the requirements to classify an investment property of R40 million as held for sale in terms of IFRS 5. The investment property comprises the remainder of Portion 13 of Erf 2772 La Lucia. The sale will be final once transfer of the property to the new owner takes place. The property is expected to be transferred in the new financial year.

Investments in associates

At 30 June 2014 the Group met the requirements to classify an investment in an associate, namely Respiratory Care Africa Proprietary Limited, of R32 million as held for sale under IFRS 5. The transaction to dispose of the Group's investment in Respiratory Care Africa has been approved by the shareholders and a buyer has been identified. The documentation has been signed by both parties and the sale will be final once approval from the Competition Commission has been received. The sale is expected to be finalised within 3 months after 30 June 2014.

2013

Property and equipment

The property consists of vacant land that was owned by RMB. The land was situated in Olifantsfontein in Midrand. The property was classified as held for sale at 30 June 2013. During the current year this land previously classified as held for sale was reclassified back to property and equipment as the sale was no longer highly probable. No adjustment was required to the carrying amount of the land and therefore there was no impact on the operating results of the Group.

Investments in associates

At 30 June 2013 Finance House Proprietary Limited, an investment in an associate of FNB Botswana, was classified as held for sale under IFRS 5. This investment was disposed of during the current financial year.

22 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Disposal groups held for sale in 2014

R million	Total	Sani Pass Hotel Proprietary Limited	Dynamic Bedding Proprietary Limited
Assets included in disposal groups held for sale			
Loans and receivables			
Cash and cash equivalents	**8**	**–**	**8**
Accounts receivable	**52**	**2**	**50**
Non-financial			
Current tax asset	**1**	**–**	**1**
Property and equipment	**85**	**65**	**20**
Intangible assets	**8**	**–**	**8**
Total assets included in disposal groups held for sale	**154**	**67**	**87**
Liabilities included in disposal groups held for sale			
Financial liabilities at amortised cost			
Creditors and accruals	**10**	**–**	**10**
Other liabilities	**20**	**15**	**5**
Non-financial			
Deferred income tax liability	**4**	**3**	**1**
Total liabilities included in disposal groups held for sale	**34**	**18**	**16**
Net assets of disposal groups held for sale	**120**	**49**	**71**

Sani Pass Hotel Proprietary Limited

RMB Investment and Advisory Proprietary Limited, a subsidiary of FRIHL, decided to dispose of its investment in a subsidiary, Sani Pass Hotel Proprietary Limited. Management has received an offer to purchase and are considering the terms. If the offer to purchase is not accepted, management will search for alternative buyers. Management is committed to the plan to dispose and the disposal is expected to be finalised during the next reporting period. At the end of the reporting period, the carrying value of the disposal group was lower than the fair value less costs to sell, and as a result no impairment was required. The disposal group is currently recognised within RMB.

Dynamic Bedding Proprietary Limited

RMB Corvest Proprietary Limited, a subsidiary of the FRIHL, has decided to dispose of its investment in a subsidiary, Dynamic Bedding Proprietary Limited. A buyer has been identified and the investment committee has made a decision to sell this investment. The sale will be final once the final terms have been agreed by all parties and conditions precedents have been met. It is expected that the sale will be finalised within 5 months after 30 June 2014. At the end of the reporting period, the carrying value of the disposal group was lower than the fair value less costs to sell, and as a result no impairment was required. The disposal group is currently recognised within RMB.

23 SHORT TRADING POSITIONS

R million	2014	2013
Government and government guaranteed stock	**5 367**	2 908
Other dated securities	**31**	15
Undated securities	**44**	68
Total short trading positions	**5 442**	2 991
Analysed as follows:		
Listed	**5 442**	2 991
Total short trading positions	**5 442**	2 991

24 CREDITORS AND ACCRUALS

R million	2014	2013
Accrued interest	**83**	69
Accounts payable and accrued liabilities	**12 031**	9 902
Deferred income	**947**	793
Operating lease liability arising from straight lining of lease payments	**102**	106
Payments received in advance	**274**	209
Total creditors and accruals	**13 437**	11 079

25 DEPOSITS

	2014		
R million	**Designated at fair value through profit or loss**	**At amortised cost**	**Total**
Category analysis			
Current accounts	**–**	**172 518**	**172 518**
Call deposits	**335**	**144 073**	**144 408**
Savings accounts	**–**	**8 296**	**8 296**
Fixed and notice deposits	**51 446**	**148 734**	**200 180**
Negotiable certificates of deposit	**3 062**	**54 481**	**57 543**
Repurchase agreements	**16 953**	**4 760**	**21 713**
Securities lending	**–**	**6 303**	**6 303**
Cash collateral and credit linked notes	**10 761**	**12 507**	**23 268**
Fixed and floating rate notes	**2 268**	**86 230**	**88 498**
Securitisation issuances	**–**	**7 572**	**7 572**
Other	**1 567**	**17 998**	**19 565**
Non-recourse deposits*	**18 370**	**–**	**18 370**
Total deposits	**104 762**	**663 472**	**768 234**

	2013		
R million	**Designated at fair value through profit or loss**	**At amortised cost**	**Total**
Category analysis			
Current accounts	–	139 849	139 849
Call deposits	1 315	134 182	135 497
Savings accounts	–	6 821	6 821
Fixed and notice deposits	40 665	168 868	209 533
Negotiable certificates of deposit	1 729	30 742	32 471
Repurchase agreements	28 265	3 094	31 359
Securities lending	–	6 414	6 414
Cash collateral and credit linked notes	9 077	17 615	26 692
Fixed and floating rate notes	3 986	61 077	65 063
Securitisation issuances	–	6 329	6 329
Other	621	17 161	17 782
Non-recourse deposits*	19 225	–	19 225
Total deposits	104 883	592 152	697 035

* *Refer to note 13 for a description of non-recourse investment securities.*

25 DEPOSITS continued

R million	2014 Designated at fair value through profit or loss	2014 At amortised cost	2014 Total
Sector analysis			
Deposit current accounts and other loans			
Sovereigns, including central banks	**508**	**48 298**	**48 806**
Public sector entities	**2 424**	**33 643**	**36 067**
Local authorities	**758**	**10 318**	**11 076**
Banks	**17 455**	**27 184**	**44 639**
Securities firms	**606**	**8 234**	**8 840**
Corporate customers	**72 699**	**325 508**	**398 207**
Retail customers	**8 799**	**209 817**	**218 616**
Other	**1 513**	**470**	**1 983**
Total deposits	**104 762**	**663 472**	**768 234**
Geographical analysis			
South Africa	**87 587**	**574 295**	**661 882**
Other Africa	**4 908**	**54 765**	**59 673**
UK	**5 310**	**11 445**	**16 755**
Other	**6 957**	**22 967**	**29 924**
Total deposits	**104 762**	**663 472**	**768 234**

R million	2013 Designated at fair value through profit or loss	2013 At amortised cost	2013 Total
Sector analysis			
Deposit current accounts and other loans			
Sovereigns, including central banks	1 588	36 526	38 114
Public sector entities	2 902	34 967	37 869
Local authorities	288	9 392	9 680
Banks	27 960	36 343	64 303
Securities firms	(952)	9 177	8 225
Corporate customers	66 616	273 323	339 939
Retail customers	5 486	192 375	197 861
Other	995	49	1 044
Total deposits	104 883	592 152	697 035
Geographical analysis			
South Africa	89 973	516 649	606 622
Other Africa	3 208	46 243	49 451
UK	7 775	9 067	16 842
Other	3 927	20 193	24 120
Total deposits	104 883	592 152	697 035

26 PROVISIONS

R million	Notes	2014	2013
Audit fees			
Opening balance		**88**	60
Exchange rate difference		**1**	1
Charge to profit or loss	3	**187**	166
– Additional provision created		**188**	231
– Unused provision reversed		**(1)**	(65)
Utilised		**(192)**	(138)
Closing balance		**84**	89
Other*			
Opening balance		**511**	532
Exchange rate difference		**6**	3
Charge to profit or loss		**316**	82
– Additional provision created		**371**	101
– Unused provision reversed		**(55)**	(19)
Utilised		**(120)**	(106)
Closing balance		**713**	511
Total provisions		**797**	600

* *Other provisions include provisions for litigation and claims.*

27 OTHER LIABILITIES

R million	Notes	2014	2013
Finance lease liabilities	27.1	**6**	10
Funding liabilities*		**6 580**	6 091
Total other liabilities		**6 586**	6 101

* *Funding liabilities includes liabilities not directly related to banking activities, including preference shares not qualifying as Tier 2 capital.*

27.1 Finance lease liabilities

		2014	2013
Finance lease liabilities			
Not later than 1 year		**4**	4
Later than 1 year and not later than 5 years		**2**	6
Total finance lease liabilities		**6**	10

Refer to note 16 for assets that secure finance lease liabilities.

28 TIER 2 LIABILITIES

R million	2014	2013
Fixed rate bonds*	**4 614**	4 493
Floating rate bonds**	**7 369**	3 623
Total Tier 2 liabilities	**11 983**	8 116

* *The fixed rate bonds predominately mature between 15 September 2014 and 21 December 2018 and bear interest at between 8.5% and 12%.*

** *The floating rate bonds predominately mature between 10 June 2016 and 2 June 2021 and the interest varies between 70 bps and 300 bps above the three-month JIBAR rate, and 415 bps over the LIBOR rate. The subordinated bonds issued during the current financial year mature between 9 April 2019 and 2 June 2021 and the interest rate varies between 225 bps and 239 bps over the three-month JIBAR rate and 415 bps above the six-month LIBOR rate. In terms of the bank regulations, these subordinated bonds would at the discretion of the Registrar either be written down or converted into the most subordinated form of equity upon the occurrence of a trigger event; being the point at which the Group is considered to be non-viable.*

29 SHARE CAPITAL AND SHARE PREMIUM

29.1 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

29 SHARE CAPITAL AND SHARE PREMIUM continued

29.1 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

29 SHARE CAPITAL AND SHARE PREMIUM continued

Preference shares that qualify as Tier 2 capital have been included in Tier 2 liabilities (note 28). Other preference share liabilities have been included in deposits (note 25) or other liabilities (note 27) as appropriate.

29.2 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*.

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.

30 NON-CONTROLLING INTERESTS

The following subsidiaries have non-controlling interests that are material to the Group:

	Country of incorporation	Interest owned by non-controlling interests %	Voting rights owned by non-controlling interests %
First National Bank of Namibia Holdings Limited	Namibia	**41.60**	**41.60**
First National Bank Holdings Botswana Limited*	Botswana	*	*
Other emerging markets	Various	**Various**	**Various**
RMB Private Equity Holdings Proprietary Limited**	South Africa	**Various**	**Various**
Makalani Holdings Limited	South Africa	**22.92**	**22.92**
Immaterial non-controlling interests	Various	**Various**	**Various**

	Profit or loss attributable to non-controlling interests		Accumulated balance of non-controlling interests		Dividends paid to non-controlling interests	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
First National Bank of Namibia Holdings Limited	**311**	238	**1 189**	961	**121**	280
First National Bank Holdings Botswana Limited*	**260**	237	**816**	666	**138**	112
Other emerging markets	**19**	10	**1**	(13)	**–**	–
RMB Private Equity Holdings Proprietary Limited **	**357**	222	**729**	693	**239**	176
Makalani Holdings Limited	**15**	8	**149**	265	**53**	10
Immaterial non-controlling interests	**96**	157	**300**	324	**79**	72
Total non-controlling interests	**1 058**	872	**3 184**	2 896	**630**	650

* *The Group holds 100% of the shares in First National Bank Holdings Botswana Limited. The non-controlling interests recognised by the Group results from First National Bank Holdings Botswana Limited's shareholding in FNB Botswana Limited. The non-controlling interests own 30.54% of FNB Botswana Limited.*

** *The Group holds 100% of the shares in RMB Private Equity Holdings Proprietary Limited. The non-controlling interests recognised by the Group results from RMB Private Equity Holdings Proprietary Limited shareholding in various other private equity subsidiaries.*

It is the Group's investment strategy to limit the non-controlling interests in its subsidiary holdings. The Group generally holds 100% interests in its key subsidiaries. These key subsidiaries may have holdings in various other subsidiaries and recognise non-controlling interests in their consolidated financial statements.

30 NON-CONTROLLING INTERESTS continued

The following balances have been included in the consolidated statement of financial position and statement of comprehensive income in respect of these entities:

	Total Assets		Total Liabilities		Profit before tax	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
First National Bank of Namibia Holdings Limited	**26 266**	22 506	**23 487**	20 217	**784**	610
First National Bank Holdings Botswana Limited*	**21 301**	18 259	**18 524**	15 981	**835**	756
Other emerging markets	**19 211**	14 689	**12 108**	7 907	**580**	599
RMB Private Equity Holdings Proprietary Limited**	**11 447**	8 977	**7 557**	5 458	**1 223**	903
Makalani Holdings Limited	**700**	1 186	**417**	738	**65**	33

During the period the Group entered into transactions with the non-controlling interests of certain entities whereby the Group's shareholding in the subsidiary changed without the Group losing control of the subsidiary. The following amounts were recognised directly in equity as a result of these transactions:

R million	**2014**	**2013**
RMB private equity	**(180)**	–
Other insignificant transactions	**–**	16

30.1 Transactions with non-controlling interests

Acquisition of additional interests in subsidiaries

	2014		2013
R million	**Total**	**RMB private equity**	**Total**
Carrying amount of non-controlling interests acquired	**93**	**93**	27
Consideration paid to non-controlling interests	**273**	**273**	11
– Discharged by cash	**273**	**273**	11
– Non-cash consideration	**–**	**–**	–
(Loss)/gain recognised directly in equity	**(180)**	**(180)**	16

RMB private equity

During December 2013 the Group (through its subsidiary RMB Private Equity Holdings Proprietary Limited) acquired an additional 14% interest in a subsidiary from the non-controlling interests. The Group now holds 73.3% of the share capital of the entity.

There were no disposals of interest in subsidiaries to non-controlling interests during the current or prior years.

31 REMUNERATION SCHEMES

R million	Notes	2014	2013
The charge to profit or loss for share-based payments is as follows:			
FirstRand black employee scheme		**27**	19
FirstRand black non-executive directors' scheme		**1**	1
FirstRand share appreciation rights scheme		**289**	301
Conditional share plan		**1 312**	781
Forfeitable share plan		**–**	1
Other subsidiary schemes		**16**	11
Amount included in profit or loss	3	**1 645**	1 114

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within Group.

31 REMUNERATION SCHEMES continued

Description of schemes and vesting conditions:

Scheme	IFRS 2 treatment	Description	Vesting conditions
FirstRand black employee scheme	Equity settled	This trust was set up specifically for the benefit of the black employees. The issue of participation rights in the trust was made on the following dates – 20 July 2005, 1 November 2006, 3 December 2007 and 14 May 2010.	The rights granted under this scheme will vest during December 2014.
FirstRand black non-executive directors scheme	Equity settled	This scheme was set up specifically for the benefit of black non-executive directors and those executive directors who were non-executives prior to becoming executives of the FirstRand Group.	The rights granted under this scheme will vest during December 2014.
FirstRand share appreciation rights scheme	Cash settled	This scheme was implemented in 2006 to provide selected FirstRand Group employees, including executive directors of participating companies, the opportunity of receiving incentive remuneration payments based on the increase in the market value of ordinary FirstRand shares.	One third of the total number of rights issued may be exercised after the third year, two thirds after the fourth year and all of the shares by the fifth anniversary of the date of grant, provided that the performance objectives set for the grant have been achieved. The final tranche of the rights granted have vested during the financial year ended 30 June 2014. In any one year where the performance objectives have not been achieved the shares will not vest in that year but will be carried over to the following year, provided that the performance objectives are met in that following year. If performance conditions are not met by year five, the rights will not vest. These corporate performance targets are set out on page 388. The majority of the shares vested in November 2013. Any outstanding rights will vest by October 2014.

31 REMUNERATION SCHEMES continued

Description of schemes and vesting conditions:

Scheme	IFRS 2 treatment	Description	Vesting conditions
Conditional share plan	Equity settled (share awards granted up to 2011) Cash settled (share awards granted from 2012 onwards)	The conditional award comprises a number of full shares with no strike price.	These awards vest after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance conditions, set annually by the Group's remuneration committee. These corporate performance targets are set out on page 388.
Forfeitable share plan	Equity settled	The forfeitable share plan is a remuneration scheme that grants selected employees full shares with no strike price.	These awards vest after two years. The last portion of the shares vested in September 2012.
Co-investment scheme	Not applicable	A co-investment scheme was established whereby certain key executives and decision makers of the Group are allowed to co-invest with FirstRand in certain predefined portfolios. The rationale is the alignment of management and shareholder objectives, retention of key employees and decision makers and attracting new talent in a highly competitive market. The participants who co-invest with FirstRand buy into existing portfolios at the disclosed fair values and are required to place capital at risk. No additional gearing is provided by FirstRand. Participants share in future profits to the extent of their capital as a percentage of the total capital at risk in the portfolios. The co-investment scheme encourages a long-term perspective and commitment from employees. The amounts invested by key management have been included in note 43.4.	The scheme also encourages executives to remain in the employ of the Group companies for more than three years, as the value of the underlying investments are expected to realise over a longer time frame.

31 REMUNERATION SCHEMES continued

Valuation methodologies

Scheme	Valuation methodology		
FirstRand black employee trust	Black Scholes option pricing model	Economically, FirstRand has granted European call options and is repurchasing shares. The strike price equates to the expected outstanding amount of the funding. The value of the implicit options is determined using the Black Scholes option pricing model.	
FirstRand black non-executive directors trust	Black Scholes option pricing model	The FirstRand black non-executive directors trust is valued on the same methodology as used for the FirstRand black employee trust, except that a zero percentage weighted average forfeiture rate was used due to the fact that there are only 10 participants (2013: 10 participants).	
FirstRand share appreciation rights scheme	Cox Rubenstein binomial model	The scheme is cash settled and will thus be repriced at each reporting date.	
Conditional share plan	Black Scholes option pricing model	The conditional share plan is valued using the Black Scholes option pricing model with a zero strike price. Grants made before 2012 are equity settled and are therefore not repriced at each reporting date. The scheme relating to the grants made during 2012 and after is cash settled and is therefore repriced at each reporting date.	
Forfeitable share plan	Black Scholes option pricing model	The present value of all declared dividends was added to the value as determined using Black Scholes option pricing. The scheme is equity settled and will thus not be repriced at each reporting date.	

Valuation assumptions		
Dividend data	**Market related**	**Employee related**
A fixed dividend yield was assumed.	• volatility is the expected volatility over the period of the plan, and historical volatility was used as a proxy for expected volatility. • the interest rate used was the RMB forward prime curve (extrapolated where necessary) as the funding of the option is linked to the prime lending rate.	The weighted average forfeiture rate used is based on historical forfeiture data for this scheme and takes cognisance of whether the shares are in or out the money and the vesting date.
A fixed dividend yield was assumed.		Not applicable.
Management's estimates of future dividends.	• volatility is the expected volatility over the period of the plan, and historical volatility was used as a proxy for expected volatility. • the interest rate is the risk free rate of return as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the plan.	The number of rights granted is reduced by the actual staff turnover at year end. This turnover is then assumed to be constant over the period of the grant and used to estimate the expected number of rights which will vest on the vesting date.
Management's estimates of future discrete dividends.		The weighted average forfeiture rate used is based on historical forfeiture data over all schemes cognisant of whether the shares are in or out the money and the vesting date.
		No forfeiture rate is used due to the short duration of the scheme.

31 REMUNERATION SCHEMES continued

Corporate performance targets

The FirstRand Limited Group remuneration committee (remco) sets the corporate performance targets (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 are not entitled to any dividends on their Long Term Incentive (LTI) 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 schemes

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 (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 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 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 (vests in 2014) – Normalised EPS growth must equal or exceed South African nominal GDP 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 Limited 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.

2013 (vests in 2016) – FirstRand Limited 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.

2014 (vests in 2017) – FirstRand Limited 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.

31 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of options and share transactions granted are:

	FNB Botswana	FNB Namibia	FirstRand black employee scheme	FirstRand black non-executive directors scheme	FirstRand share appreciation rights scheme	Conditional share plan
2014						
Range of exercise prices (Rand)	**2.69 – 15.10**	**4.00 – 19.32**	**12.05 – 24.60**	**12.28 – 17.60**	**12.98 – 12.98**	**–**
Expected volatility (%)	**13 – 35**	**4.02 – 16**	**24 – 49**	**23 – 33**	**25**	**25**
Expected option life (years)	**5**	**5**	**5 – 10**	**10**	**5**	**3 – 4**
Expected risk free rate (%)	**7.29 – 9.45**	**5.81 – 7.69**	**6.91 – 9.90**	**6.91**	**4.82 – 5.21**	**4.82 – 7.07**
Expected dividend yield (%)	**–**	**4.5**	**3.50**	**3.50**	**–**	**–**
Expected dividend growth (%)	**15 – 20**	**–**	**–**	**–**	**–**	**–**
2013						
Range of exercise prices (Rand)	2.69 – 15.10	4.00 – 14.57	12.05 – 24.60	12.28 – 17.60	7.85 – 12.98	–
Expected volatility (%)	13 – 35	4.02 – 16	24 – 49	23 – 33	25	25
Expected option life (years)	5	5	5 – 10	10	5	3 – 4
Expected risk free rate (%)	7.29 – 9.45	5.81 – 7.69	6.91 – 9.90	6.91	4.82 – 5.21	4.82 – 7.07
Expected dividend yield (%)	–	4.52	3.50	3.50	–	–
Expected dividend growth (%)	15 – 20	–	–	–	–	–

31 REMUNERATION SCHEMES continued

	2014				
	FirstRand share appreciation rights scheme (FSR shares)	**FirstRand black employee scheme (FSR shares)***	**FirstRand black non-executive directors scheme (FSR shares)**	**Conditional share plan (FSR shares)****	**Forfeitable share plan (FSR shares)**
Number of options and share awards in force at the beginning of the year (millions)	**41.1**	**106.1**	**9.5**	**122.9**	**–**
Granted at prices ranging between (cents)	**785 – 1 298**	**1 205 – 2 460**	**1 228 – 1 760**	**–**	**–**
Weighted average (cents)	**1 048**	**1 638**	**1 284**	**–**	**–**
Number of options and share awards granted during the year (millions)	**–**	**–**	**–**	**41.6**	**–**
Granted at prices ranging between (cents)	**–**	**–**	**–**	**–**	**–**
Weighted average (cents)	**–**	**–**	**–**	**–**	**–**
Grant date fair value	**–**	**–**	**–**	**–**	**–**
Number of options and shares awards exercised/released during the year (millions)	**(40.6)**	**–**	**–**	**(46.3)**	**–**
Market value range at date of exercise/release (cents)	**2 440 – 3 866**	**–**	**–**	**2 825 – 4 074**	**–**
Weighted average (cents)	**3 516**	**–**	**–**	**3 346**	**–**
Number of options and share awards cancelled/lapsed during the year (millions)	**(0.4)**	**3.0**	**–**	**(4.8)**	**–**
Granted at prices ranging between (cents)	**1 014 – 1 048**	**1 228 – 2 234**	**–**	**–**	**–**
Weighted average (cents)	**1 047**	**1 187**	**–**	**–**	**–**
Number of options and share awards in force at the end of the year (millions)	**0.1**	**109.1**	**9.5**	**113.4**	
Granted at prices ranging between (cents)	**1 298 – 1 298**	**1 205 – 2 460**	**1 228 – 1 760**	**–**	**–**
Weighted average (cents)	**1 298**	**1 622**	**1 284**	**–**	**–**

* *As the scheme gets closer to the vesting date more accurate information is available about the final level of forfeitures expected.*

** *The grant date fair value was not determined as these share awards are cash-settled and are remeasured to fair value at each reporting date.*

31 REMUNERATION SCHEMES continued

	2013				
	FirstRand share appreciation rights scheme (FSR shares)	**FirstRand black employee scheme (FSR shares)**	**FirstRand black non-executive directors scheme (FSR shares)**	**Conditional share plan (FSR shares)**	**Forfeitable share plan (FSR shares)**
Number of options and share awards in force at the beginning of the year (millions)	111.1	109.1	9.5	136.9	1.2
Granted at prices ranging between (cents)	785 – 1 700	1 205 – 2 460	1 228 – 1 760	–	–
Weighted average (cents)	1 302	1 645	1 215	–	–
Number of options and share awards granted during the year (millions)	–	–	–	38.8	–
Granted at prices ranging between (cents)	–	–	–	–	–
Weighted average (cents)	–	–	–	–	–
Grant date fair value	–	–	–	*	–
Number of options and shares awards exercised/released during the year (millions)	(24.9)	–	–	(47.8)	(1.2)
Market value range at date of exercise/release (cents)	785 – 3 285	–	–	2 550 – 3 219	2 753 – 2 753
Weighted average (cents)	2 858	–	–	2 570	2 753
Number of options and share awards cancelled/lapsed during the year (millions)	(45.0)	(3.0)	–	(4.9)	–
Granted at prices ranging between (cents)	1 048 – 1 700	1 228 – 2 234	–	–	–
Weighted average (cents)	1 676	1 808	–	–	–
Number of options and share awards in force at the end of the year (millions)	41.2	106.1	9.5	123	–
Granted at prices ranging between (cents)	785 – 1 298	1 205 – 2 460	1 228 – 1 760	–	–
Weighted average (cents)	1 048	1 638	1 284	–	–

* *The grant date fair value was not determined as these share awards are cash-settled and are remeasured to fair value at each reporting date.*

31 REMUNERATION SCHEMES continued

	2014		
	FirstRand share appreciation rights scheme (FSR shares)		
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding options (millions)**
	10.48 – 14.46	**0.34**	**0.1**
			0.1
Total options and share awards – in the money (millions)			**0.1**
Total options and share awards – out of the money (millions)			**–**
Total options and share awards (millions)			**0.1**
Value of Group loans to share option trust at the beginning of the year (R million)			
Value of Group loans to share option trust at the end of the year (R million)			**–**
Number of participants			**1**

	2014		
	FirstRand black employee scheme		
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding option (millions)**
	12.05 – 14.00	**0.50**	**54.1**
	14.01 – 16.56	**0.50**	**2.1**
	16.57 – 19.89	**0.50**	**36.0**
	19.90 – 24.60	**0.50**	**16.9**
			109.1
Total options and share awards – in the money (millions)			**109.1**
Total options and share awards – out of the money (millions)			**–**
Total options and share awards (millions)			**109.1**
Value of Group loans to share option trust at the beginning of the year (R million)			**1 715**
Value of Group loans to share option trust at the end of the year (R million)			**1 581**
Number of participants			**11 328**

* *The employees are awarded the shares; there is therefore no strike price associated with the awards made under the conditional or forfeitable share plans.*

2014			
	FirstRand black non-executive directors scheme (FSR shares)		
	Range of exercise prices (rand)	Weighted average remaining life (years)	Outstanding options (millions)
	12.05 – 14.00	0.50	8.5
	16.57 – 19.89	0.50	1.0
			9.5
			9.5
			–
			9.5
			205
			192
			10

2014				
	Conditional share plan*		Forfeitable share plan*	
	Weighted average remaining life (years)	Outstanding options (millions)	Weighted average remaining life (years)	Outstanding options (millions)
	0.29	42.4	–	–
	1.27	37.7	–	–
	2.29	33.0	–	–
	2.77	0.2	–	–
		113.3		–
		113.3		–
		–		–
		113.3		–
		–		–
		–		–
		2 553		–

31 REMUNERATION SCHEMES continued

	2013		
	FirstRand share appreciation rights scheme (FSR shares)		
Options and share awards outstanding	**Range of exercise prices (rand)**	**Weighted average remaining life (years)**	**Outstanding options (millions)**
	7.85 – 10.48	0.43	41.1
	10.49 – 14.46	0.43	0.1
			41.2
Total options and share awards – in the money (millions)			41.2
Total options and share awards – out of the money (millions)			–
Total options and share awards (millions)			41.2
Value of Group loans to share option trust at the beginning of the year (R million)			268
Value of Group loans to share option trust at the end of the year (R million)			–
Number of participants			1 119

	2013		
	FirstRand black employee scheme		
Options and share awards outstanding	**Range of exercise prices (rand)***	**Weighted average remaining life (years)**	**Outstanding options (millions)**
	12.05 – 14.00	1.50	50.8
	14.01 – 16.56	1.50	2.1
	16.57 – 19.89	1.50	36.7
	19.90 – 24.60	1.50	16.5
			106.1
Total options – in the money and share awards (millions)			106.1
Total options – out of the money (millions)			–
Total options and share awards (millions)			106.1
Value of Group loans to share option trust at the beginning of the year (R million)			1 793
Value of Group loans to share option trust at the end of the year (R million)			1 715
Number of participants			11 106

* *Some share appreciation rights granted are subject to other vesting conditions that are highly unlikely to be achieved.*

** *The employees are awarded these shares; there is therefore no strike price associated with the awards made under the conditional or forfeitable share plans.*

2013		
FirstRand black non-executive directors scheme (FSR shares)		
Range of exercise prices (rand)	**Weighted average remaining life (years)**	**Outstanding options (millions)**
12.05 – 14.00	1.50	8.5
16.57 – 19.89	1.50	1.0
		9.5
		9.5
		–
		9.5
		213
		205
		10

2013			
Conditional share plan**		**Forfeitable share plan****	
Weighted average remaining life (years)	**Outstanding options (millions)**	**Weighted average remaining life (years)**	**Outstanding options (millions)**
0.29	45.6	–	–
1.28	44.6	–	–
2.27	32.0	–	–
2.90	0.4	–	–
4.00	0.3	–	–
	122.9		–
	122.9		–
	–		–
	122.9		–
	–		(8)
	–		–
	2 333		–

32 CASH FLOW INFORMATION

R million	2014	2013
32.1 Reconciliation of operating profit before income tax to cash generated from operating activities		
Operating profit before tax	**26 255**	20 716
Adjusted for:		
– Depreciation, amortisation and impairment charges	**2 460**	2 946
– Impairment of advances	**5 252**	4 807
– Share of profit of associates after tax net of dividends	**(240)**	108
– Share of profit of joint ventures after tax net of dividends	**(16)**	(164)
– Movement in provisions and employee liabilities	**4 342**	3 302
– Loss on disposal of property and equipment	**32**	77
– Loss on disposal of investment securities and other investments	**27**	13
– Gain on disposal of subsidiaries	**(14)**	(58)
– Gain on remeasuring retained interest in subsidiaries disposed of	**(4)**	(5)
– Gain on disposal of associates	**(893)**	(445)
– Fair value gains on investment properties held for fair value through profit or loss	**–**	(7)
– Deferred expenses and income	**(504)**	(381)
– Share-based payment expense	**1 645**	1 114
– Net fair value gains on financial assets through profit or loss	**(4 887)**	(2 230)
– Accruals	**253**	1 057
– Present value adjustments	**(158)**	(177)
– Dividends paid	**(8 957)**	(6 495)
– Dividends paid to non-controlling interests	**(630)**	(650)
– (Gains)/losses relating to foreign currency translations	**(85)**	35
– Reclassification from other comprehensive income in respect of available-for-sale assets and cash flow hedges	**544**	735
Cash generated from operating activities	**24 422**	24 298
32.2 Cash receipts from customers		
Interest income	**49 419**	42 628
Fee and commission income	**22 049**	20 233
Trading and other income	**5 161**	3 106
Premium income less claims	**49**	(123)
Cash receipts from customers	**76 678**	65 844
32.3 Cash paid to customers, suppliers and employees		
Interest expense	**(19 554)**	(17 613)
Other operating expenses	**(26 849)**	(22 580)
Cash paid to customers, suppliers and employees	**(46 403)**	(40 193)
32.4 Dividends paid		
Charged to retained earnings	**(8 957)**	(6 495)
Total dividends paid	**(8 957)**	(6 495)

32 CASH FLOW INFORMATION continued

R million	2014	2013
32.5 Increase/(decrease) in income-earning assets		
Liquid assets and trading securities	**14 364**	(8 191)
Advances	**(88 994)**	(75 945)
Increase in income-earning assets	**(74 630)**	(84 136)
32.6 Increase/(decrease) in deposits and other liabilities		
Deposits	**69 597**	86 950
Creditors (net of debtors)	**1 583**	(364)
Employee liabilities	**(4 321)**	(3 379)
Other	**1 938**	(3 312)
Increase in deposits and other liabilities	**68 797**	79 895
32.7 Taxation paid		
Tax payable at beginning of the year	**(247)**	(7)
Other*	**26**	50
Charge to income statement	**(5 591)**	(4 117)
Tax payable at year end	**238**	247
Deferred tax	**(360)**	(1 071)
Indirect tax	**(777)**	(744)
Total taxation paid	**(6 711)**	(5 642)

* *Other includes acquisitions/disposals of subsidiaries, customer tax adjustments and foreign withholding tax.*

33 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.*

Other contingencies

The Group is exposed to various actual or potential claims.

Legal proceedings

	2014	2013
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.

33 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

33 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

34 COLLATERAL PLEDGED AND HELD

34.1 Collateral pledged and held

The following liabilities have been secured by the Group pledging either its own or borrowed financial assets, except for the short trading positions which are covered by borrowed securities only:

R million	2014	2013
Short trading positions	**5 442**	2 991
Creditors and accruals	**–**	128
Total deposits	**29 682**	38 894
– Deposits under repurchase agreements	**21 713**	31 359
– Deposits in securities lending transactions*	**6 303**	6 414
– Other secured deposits	**1 666**	1 121
Other	**990**	3 016
Total	**36 114**	45 029

* *Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.*

The Group pledges assets under the following terms and conditions:

- mandatory reserve deposits are held with the central bank in accordance with statutory requirements. These deposits are not available to finance the Group's day-to-day operations.
- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options.
- collateral in the form of cash and other investment securities is pledged when the Group borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.

Assets pledged to secure the above liabilities consist of the following:

R million	2014	2013
Cash and cash equivalents	**877**	949
Advances	**109**	260
Investment securities and other investments – held under repurchase agreements	**11 132**	16 228
Investment securities and other investments – other	**1 627**	1 205
Other	**–**	2 083
Total assets pledged	**13 745**	20 725

34 COLLATERAL PLEDGED AND HELD continued

34.2 Collateral held

Collateral the Group holds that it has the ability to sell or repledge in the absence of default by the owner of the collateral:

R million	2014 Fair value	2014 Fair value of collateral sold or repledged	2013 Fair value	2013 Fair value of collateral sold or repledged
Cash and cash equivalents	**6 641**	**–**	10 846	–
Investment securities and other investments – other*	**39 114**	**22 271**	47 466	24 833
Total collateral pledged	**45 755**	**22 271**	58 312	24 833

* *The current and prior year amount excludes securities lending transactions where securities are obtained as collateral for securities lent, this is in line with developing industry practice.*

When the Group takes possession of collateral that is not cash or not readily convertible into cash, the Group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount.

Where the Group is unable to obtain the pre-set sale amount in an auction, the Group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

The table below sets out the reconciliation of collateral taken possession of and recognised on the statement of financial position:

R million	Notes	2014 Property	2014 Equipment	2014 Total
Opening balance		**156**	**–**	**156**
Additions		**4**	**–**	**4**
Disposals		**(44)**	**–**	**(44)**
Closing balance	10	**116**	**–**	**116**

R million	Notes	2013 Property	2013 Equipment	2013 Total
Opening balance		103	29	132
Additions		207	–	207
Disposals		(154)	(29)	(183)
Closing balance	10	156	–	156

35 LOANS AND RECEIVABLES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

Certain instruments designated at fair value through profit or loss also meet the definition for classification as loans and receivables in terms of IAS 39 i.e. unquoted debt instruments. The table below contains details on the change in credit risk attributable to these instruments.

	2014					
			Change in fair value			
			Of mitigating instruments		Due to credit risk	
R million	**Carrying value**	**Mitigated credit risk***	**Current period**	**Cumulative**	**Current period**	**Cumulative**
Included in advances	**183 711**	**2 573**	**–**	**(11)**	**524**	**(2 306)**
Included in investment securities and other investments	**14 557**	**–**	**–**	**–**	**(31)**	**(81)**
Included in non-recourse investments	**17 752**	**–**	**–**	**–**	**–**	**–**
Total	**216 020**	**2 573**	**–**	**(11)**	**493**	**(2 387)**

	2013					
			Change in fair value			
			Of mitigating instruments		Due to credit risk	
R million	**Carrying value**	**Mitigated credit risk***	**Current period**	**Cumulative**	**Current period**	**Cumulative**
Included in advances	157 053	1 885	(235)	(613)	(980)	(2 761)
Included in investment securities and other investments	24 659	–	–	–	(50)	(50)
Included in non-recourse investments	17 551	–	–	–	–	–
Total	199 263	1 885	(235)	(613)	(1 030)	(2 811)

* *The notional amount by which any credit derivatives or similar instruments mitigate the maximum exposure to credit risk. Losses are indicated with brackets.*

Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk for investment securities and advances. This is due to the differing inherent credit risk of these instruments.

The methods used are:

Advances

The change in the credit risk is the difference between the fair value of the advances based on the original credit spreads (as determined using the Group's credit spread pricing matrix) and the fair value of the advances based on the most recent credit spreads. The Group uses its own annual credit review process to determine if there has been a change in the credit rating or LGD of the counterparty.

Investment securities and other investments

The change in fair value for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk.

The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.

36 FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS

	2014			
			Change in fair value due to credit risk	
R million	**Fair value**	**Contractually payable at maturity**	**Current period**	**Cumulative**
Deposits	**86 392**	**85 221**	**–**	**–**
Non-recourse deposits	**18 370**	**18 404**	**–**	**–**
Other liabilities	**3 505**	**3 485**	**–**	**–**
Tier 2 liabilities	**1 030**	**1 054**	**(8)**	**9**
Total	**109 297**	**108 164**	**(8)**	**9**

	2013			
			Change in fair value due to credit risk	
R million	**Fair value**	**Contractually payable at maturity**	**Current period**	**Cumulative**
Deposits	85 658	92 299	–	–
Non-recourse deposits	19 225	21 880	–	–
Other liabilities	2 023	2 227	–	–
Tier 2 liabilities	1 049	1 045	6	18
Total	107 955	117 451	6	18

Losses are indicated with brackets.

The current and cumulative change in fair value that is attributable to credit risk of financial liabilities designated at fair value through profit or loss is determined with reference to changes in the mark-to-market yields of own issued bonds.

37 TRANSFERS AND DERECOGNITION OF FINANCIAL ASSETS

In the normal course of business the Group enters into transactions in terms of which it transfers financial assets directly to third parties or to structured entities. Financial assets are transferred when the Group has either transferred its contractual right to receive cash flows from the financial asset, or it has assumed an obligation to pay over all the cash flows from the financial asset to another entity in such a way that the transaction meets the definition of a pass through arrangement in terms of IAS 39. Where the transfer of the financial asset qualifies for derecognition, these transfers may give rise to the partial or full derecognition of the financial asset concerned.

- No derecognition occurs when the Group transfers financial assets in such a way that it retains substantially all the risks and rewards of ownership of the transferred asset. The entire transferred financial asset will continue to be recognised on the statement of financial position of the Group. The majority of transferred financial assets of the Group that do not qualify for derecognition are debt securities transferred under repurchase agreements or lent under securities lending agreements. Disclosures relating to these transferred financial assets that are not derecognised in their entirety are included under point 37.1 below.
- Partial derecognition occurs when the Group transfers financial assets in such a way that it neither transfers nor retains substantially all the risks and rewards of ownership but still controls the transferred financial assets. These financial assets are recognised on the statement of financial position to the extent of the Group's continuing involvement. This excludes the full derecognition of part of a larger financial asset as is detailed below. Disclosures relating to these transferred financial assets that are partially derecognised are included under point 37.1 below.
- Full derecognition occurs when the Group has transferred a financial asset and it either transfers substantially all the risks and rewards of ownership, or it neither retains nor transfers substantially all the risks and rewards of ownership but loses control of the financial asset. Where the financial asset qualifies for full derecognition, the Group derecognises the entire transferred financial asset. The transfer may however result in the Group obtaining a new asset or assuming a new liability that continues to expose the Group to the derecognised financial asset (for example a servicing asset or liability). Full derecognition includes the derecognition of a specific and identifiable portion of a financial asset where all the risks and rewards of ownership of that part are transferred for example 90% of all the cash flows or interest payments of a financial asset. This is not partial derecognition as is detailed above. The majority of transferred financial assets of the Group that qualify for full derecognition are outright sales, loan syndications and securitisation transactions. Disclosures relating to the continuing involvement in derecognised financial assets to which the Group is still exposed are included under point 37.2 below.

37.1 Transferred financial assets that are not derecognised in their entirety

Repurchase agreements

The Group enters into repurchase agreements in terms of which the Group sells investment securities to an external counterparty in exchange for cash and agrees to repurchase the investment securities at a specified price at a specified future date. The Group retains substantially all the risks and rewards of ownership of the transferred investment securities in these transactions. The transferred investment securities continue to be recognised in full by the Group (investment securities and other investments) and a financial liability (deposits) is recognised for the cash received. The counterparty's only recourse is to the transferred investment securities that are subject to the repurchase agreement. The Group remains exposed to all the underlying risks on the repurchase agreements. The risks include counterparty, interest rate, currency, prepayment and other price risks.

Investment securities and other investments of the Group with a carrying amount of R11 132 million (2013: R16 228 million) have been transferred in terms of repurchase transactions. Associated liabilities with a carrying amount of R10 509 million (2013: R16 146 million) have been recognised for cash received from counterparties and have been included in deposits. Both the transferred investments and related deposits are designated at fair value through profit or loss.

Securities lending transactions

The Group enters into securities lending transactions in terms of which the Group lends investment securities that it owns to external counterparties in exchange for cash collateral. The cash collateral is provided by the counterparty as security for the return of the securities. The investment securities that are lent, continue to be recognised in full as the Group retains substantially all the risks and rewards of ownership of these investment securities and the derecognition criteria are not met. A financial liability is recognised for the cash collateral received from the counterparty. The Group's only recourse in respect to the return of the securities it has lent is to the cash collateral held and as such, the Group generally requires cash collateral in excess of the fair value of the securities lent. The Group remains exposed to all the underlying risks of the transferred investment securities. The risks include counterparty, investment, equities price, currency and other price risks.

During the current year, the Group did not enter into any securities lending transactions in terms of which it lent securities recognised on its statement of financial position.

37.2 Transferred financial assets that are derecognised in their entirety

During the current year, the Group did not enter into any transactions in terms of which transferred financial assets were derecognised in their entirety and the Group retained exposure to the transferred assets.

38 FAIR VALUE MEASUREMENTS

38.1 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.

38 FAIR VALUE MEASUREMENTS continued

38.1 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 38.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

38.2 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.

38 FAIR VALUE MEASUREMENTS continued

38.2 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

38 FAIR VALUE MEASUREMENTS continued

38.2 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

38 FAIR VALUE MEASUREMENTS continued

38.2 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.*

38 FAIR VALUE MEASUREMENTS continued

38.2 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

38 FAIR VALUE MEASUREMENTS continued

38.2 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

38 FAIR VALUE MEASUREMENTS continued

38.2 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 and details will be provided in the relevant notes i.e. note 42 for IFRS 3 transactions and note 22 for IFRS 5 transactions. 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.

38 FAIR VALUE MEASUREMENTS continued

38.2 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.

38 FAIR VALUE MEASUREMENTS continued

38.2 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.

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments

38.3.1 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

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.1 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

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.2 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.

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.2 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.

38 FAIR VALUE MEASUREMENTS continued

38.3 Additional disclosures for level 3 financial instruments continued

38.3.3 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

38 FAIR VALUE MEASUREMENTS continued

38.4 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.

38 FAIR VALUE MEASUREMENTS continued

38.5 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

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS

In accordance with IAS 32 the Group offsets financial assets and financial liabilities and presents the net amount in the statement of financial position only if there is both a legally enforceable right to offset and there is an intention to settle the amounts on a net basis or to realise the asset and settle the liability simultaneously. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the Group's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNA or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

	2014		
	Financial instruments subject to offsetting agreements, MNA and similar agreements		
		Amounts where offsetting is applied	
R million	**Gross amount**	**Amounts set-off**	**Net amount reported in the statement of financial position***
Assets			
Derivatives	**42 909**	**7 990**	**34 919**
Reverse repurchase, securities borrowing and similar arrangements	**42 761**	**13 908**	**28 853**
Other advances	**2 163**	**2 163**	**–**
Total	**87 833**	**24 061**	**63 772**
Liabilities			
Derivatives	**44 887**	**7 990**	**36 897**
Repurchase, securities lending and similar arrangements	**34 120**	**13 908**	**20 212**
Other deposits	**2 471**	**2 163**	**308**
Total	**81 478**	**24 061**	**57 417**

* *The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements but no offsetting has been applied.*

** *The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a Group wide level, the amount of collateral included in this table could increase.*

\# *The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set-off or MNA.*

2014				
Financial instruments subject to offsetting agreements, MNA and similar agreements				
Amounts where offsetting is not applied				
Financial instruments subject to MNA and similar agreements	Financial collateral**	Net amount	Financial instruments not subject to set-off or MNA	Total statement of financial position#
28 519	1 996	4 404	4 119	39 038
202	28 651	–	4 458	33 311
–	–	–	652 615	652 615
28 721	30 647	4 404	661 192	724 964
28 519	239	8 139	4 762	41 659
202	20 010	–	7 804	28 016
–	–	308	739 910	740 218
28 721	20 249	8 447	752 476	809 893

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS continued

	2013		
	Financial instruments subject to offsetting agreements, MNA and similar agreements		
		Amounts where offsetting is applied	
R million	**Gross amount**	**Amounts set-off**	**Net amount reported in the statement of financial position***
Assets			
Derivatives	56 216	8 179	48 037
Reverse repurchase, securities borrowing and similar arrangements	46 379	10 098	36 281
Other advances	2 861	2 861	–
Total	105 456	21 138	84 318
Liabilities			
Derivatives	57 689	8 179	49 510
Repurchase, securities lending and similar arrangements	40 311	10 098	30 213
Other deposits	3 294	2 861	433
Total	101 294	21 138	80 156

* *The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements but no offsetting has been applied.*

** *The financial collateral included in the table above is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a Group wide level, the amount of collateral included in this table could increase.*

\# *The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set-off or MNA.*

2013				
Financial instruments subject to offsetting agreements, MNA and similar agreements				
Amounts where offsetting is not applied				
Financial instruments subject to MNA and similar agreements	**Financial collateral****	**Net amount**	**Financial instruments not subject to set-off or MNA**	**Total statement of financial position#**
39 543	3 029	5 465	4 240	52 277
1 179	35 102	–	4 281	40 562
–	–	–	560 503	560 503
40 722	38 131	5 465	569 024	653 342
39 543	726	9 241	3 498	53 008
1 179	29 034	–	7 560	37 773
–	–	433	658 829	659 262
40 722	29 760	9 674	669 887	750 043

39 FINANCIAL INSTRUMENTS SUBJECT TO OFFSETTING, MASTER NETTING ARRANGEMENTS AND SIMILAR AGREEMENTS continued

Details of the offsetting and collateral arrangements

Derivative assets and liabilities

The Group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount being payable by one party to the other. In certain circumstances, for example when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting).

The Group only offsets derivative financial assets and financial liabilities with a counterparty under ISDA agreements where the amounts are due on a single day and in the same currency. The Group's intention to settle these transactions on a net basis is evidenced by a past practice of settling similar transactions on a net basis. The remaining financial assets and financial liabilities (were amounts are not due on a single day and in the same currency) transacted under an ISDA agreement do not meet the IAS 32 requirements for offsetting. This is because they create a right of set-off that is only enforceable in the event of default, insolvency or bankruptcy of the Group or the counterparties. However, these amounts are included in the table above under the financial instruments subject to MNA and similar agreements column.

Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.

Repurchase, reverse repurchase and securities borrowing and lending transactions

The Group's repurchase, reverse repurchase and securities borrowing and lending transactions are covered by master agreements with netting terms similar to those of the ISDA MNA. These financial assets and financial liabilities with the same counterparty are only set-off in the statement of financial position if they are due on a single day, denominated in the same currency and the Group has the intention to settle these amounts on a net basis.

The Group receives and accepts collateral for these transactions in the form of cash and other investments and investment securities.

Other advances and deposits

The advances and deposits that are offset relate to transactions where the Group has a legally enforceable right to offset the amounts and the Group has the intention to settle the net amount.

40 SEGMENT INFORMATION

40.1 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.

40 SEGMENT INFORMATION continued

40.2 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 40.4.

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.

40 SEGMENT INFORMATION continued

40.2 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.

40 SEGMENT INFORMATION continued

40.2 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.

40 SEGMENT INFORMATION continued

40.3 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

40 SEGMENT INFORMATION continued

40.4 Reportable segments

R million	2014 FNB	2014 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)
– IAS19 adjustments	(104)
– Private equity subsidiary realisations	15
Normalised earnings from continuing operations	18 663

40 SEGMENT INFORMATION continued

40.4 Reportable segments continued

	2013	
R million	**FNB**	**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

	2013					
R million	**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)	Consolidation 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

41 SUBSIDIARIES

The Group is an integrated financial services group comprising banking and asset management operations. The majority of the Group's operations are in southern Africa with branches in India and London.

The Group's operations are conducted through its four significant wholly-owned subsidiaries:

- FirstRand Bank Limited (the Bank) – This is the entity through which the Group's banking operations are conducted. This entity has branches in India and London and representative offices in Angola and Kenya.
- FirstRand EMA Holdings Proprietary Limited (FREMA) – This is the holding company for the Group's operations in African and other emerging markets. This entity has investments in wholly-owned subsidiaries in Lesotho, Swaziland, Tanzania, Zambia, Nigeria and Mauritius. The entity also has a controlling stake in FNB Namibia, FNB Botswana and FNB Mozambique.
- Ashburton Investments Holdings Limited (Ashburton) – The Group conducts its asset management operations through Ashburton. The entity provides investment focused traditional and alternative investment solutions to individual and institutional investors and professional advisors.
- FirstRand Investment Holdings Proprietary Limited (FRIHL) – This entity is the holding company for the Group's other non-banking activities. This entity holds controlling interests and significant influence in a number of entities that undertake non-banking financial services and other activities. Investments held by FRIHL include RentWorks, RMB private equity, and RMB Stockbroking operations.

With the exception of immaterial private equity subsidiaries that have a year end of less than three months different from the Group, all subsidiaries in the Group provide audited information about their financial position and results of operations at 30 June each year. This information is used to compile the consolidated financial statements. For insignificant private equity subsidiaries that have a year end that is less than three months different to that of the Group the information in the latest audited financial statements is used to compile the consolidated financial statements.

The Group's banking subsidiaries are required to deposit funds with the central bank of the country in which they operate. These funds are not available for use in the Group's day-to-day operations and Group cannot access these funds. With the exception of the mandatory balances with central banks, there are no other significant restrictions on the ability to transfer cash or other assets to or from entities within the Group.

Refer to page 491 of the annual integrated report for additional information about the Group structure.

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES

42.1 Acquisitions of subsidiaries

R million	2014 Total	2014 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

R million	2013 Total	2013 RMB private equity	2013 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

42 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.

42.2 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**

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.2 Disposals of subsidiaries continued

R million	2014 Total	2014 RMB private equity	2014 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)**

R million	2013 Total	2013 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	–	–

42 ACQUISITION AND DISPOSAL OF SUBSIDIARIES continued

42.2 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.

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.

43 RELATED PARTIES

The Group defines related parties as:

(i) Subsidiaries;
(ii) Associate companies;
(iii) Joint ventures;
(iv) Entities that have significant influence over the Group. If an investor has significant influence over the Group that investor and its subsidiaries are related parties of the Group. The Group is FirstRand Limited and its subsidiaries;
(v) Post-employment benefit funds (pension funds);
(vi) Key management personnel, being the FirstRand Limited board of directors and the FirstRand executive committee;
(vii) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(viii) Entities controlled, jointly controlled or significantly influenced by an individual referred to in (vii) and (vii).

The principal shareholder of the FirstRand Group is RMB Holdings Limited, incorporated in South Africa.

43.1 Subsidiaries

Details of investment in subsidiaries are disclosed in note 41. Transactions between the Group and its subsidiaries have been eliminated on consolidation and are not disclosed in this note.

43.2 Associates and joint ventures

Details of investments in associates and joint venture companies are disclosed in note 14 and note 15.

During the year the Group, in the ordinary course of business, entered into various transactions with associates and joint ventures on the same terms as those arranged with third parties.

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below

	2014		
R million	**Groups that have significant influence over the Group and their subsidiaries**	**Associates**	**Joint ventures**
Advances			
Opening balance	1 237	5 205	3 706
Disposals of associates or joint ventures	–	(288)	–
Advanced during year	310	3 887	1 900
Repayments during year	(161)	(2 102)	(159)
Interest income	–	330	246
Exchange rate differences	–	55	1
Fair value movements during the year	102	144	75
Provision for impairment loss	–	(72)	(30)
Closing balance	1 488	7 159	5 739
Accounts receivable			
Opening balance	–	415	38
Raised during the year	–	611	65
Repayments during year	–	(404)	(66)
Closing balance	–	622	37
Derivative assets			
Notional amount	4	3 172	20 152
Fair value	–	47	82
Guarantees received	–	4	–
Deposits			
Opening balance	2	231	144
Disposals of associates or joint ventures	–	(87)	–
Received during year	165	1 189	149
Repayments during year	(171)	(1 024)	(263)
Interest expense	–	(5)	–
Closing balance	(4)	304	30
Accounts payable			
Opening balance	–	66	50
Raised during the year	–	443	(18)
Repayments during year	–	(459)	3
Closing balance	–	50	35
Derivative liabilities			
Notional amount	1	–	–
Commitments	–	104	–

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2014		
R million	**Groups that have significant influence over the Group and their subsidiaries**	**Associates**	**Joint ventures**
Interest received	**–**	**336**	**245**
Interest paid	**–**	**3**	**52**
Non-interest income	**20**	**32**	**1 169**
Operating expenses	**–**	**546**	**57**
Dividends received	**83**	**145**	**38**

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2013		
R million	**Groups that have significant influence over the Group**	**Associates**	**Joint ventures**
Advances			
Opening balance	1 211	5 606	912
Disposal of associates and joint ventures	–	(211)	–
Advanced during year	–	2 282	5 245
Repayments during year	(61)	(2 858)	(2 636)
Interest income	–	352	120
Exchange rate differences	–	32	–
Fair value movements during the year	87	44	31
Provision for impairment loss	–	(42)	33
Closing balance	1 237	5 205	3 705
Accounts receivable			
Opening balance	–	526	63
Disposal of associates and joint ventures	–	(117)	–
Raised during the year	–	308	126
Repayments during year	–	(302)	(151)
Closing balance	–	415	38
Derivative assets			
Notional amount	11	667	14 507
Fair value	–	18	79
Guarantees received	–	31	60
Deposits			
Opening balance	45	156	475
Disposal of associates and joint ventures	–	(83)	–
Received during year	216	4 562	111
Repaid during year	(260)	(4 406)	(443)
Interest expense	1	2	–
Closing balance	2	231	143
Accounts payable			
Opening balance	–	33	19
Raised during the year	–	442	219
Repayments during year	–	(410)	(188)
Closing balance	–	65	50
Derivative liabilities			
Notional amount	27	3	–
Commitments	–	94	–

43 RELATED PARTIES continued

43.3 Details of transactions with relevant related parties appear below continued

	2013		
R million	**Groups that have significant influence over the Group and their subsidiaries**	**Associates**	**Joint ventures**
Interest received	–	48	26
Non-interest income	92	–	10
Operating expenses	–	6	11

43 RELATED PARTIES continued

43.4 Key management personnel

R million	2014	2013
Total advances		
Opening balance	**47**	40
Advanced during the year	**225**	248
Repayments during the year	**(168)**	(245)
Interest earned	**3**	4
Closing balance	**107**	47
The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans.		
Total deposits		
Opening balance	**128**	211
Net withdrawals	**(31)**	(90)
Net interest and service cost	**4**	7
Closing balance	**101**	128
The amounts deposited by key management personnel are held in cheque and current accounts, savings accounts and other term accounts.		
Investments under the co-investment schemes		
Opening balance	**25**	23
Withdrawals	**(2)**	–
Net investment return credited	**19**	2
Closing Balance	**42**	25
Other fees		
Financial consulting fees and commissions	**4**	4
Rentals		
Periodically assets owned by related parties are rented to the Group on normal commercial terms (less than R500 000)		
Key management compensation		
Salaries and other short-term benefits	**197**	203
Share-based payments	**398**	225
Total	**595**	428
Deferred compensation included in the above and payable in FirstRand shares in October 2016	**279**	38
Post-employment benefit plan		
Details of transactions between the Group and the Group's post-employment benefit plan are listed below:		
Dividend income	**9**	2
Deposits held with the Group	**367**	309
Interest expenses	**16**	13

44 STRUCTURED ENTITIES

The Group uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Consolidated structured entities

The Group assesses whether it has control over these structured entities in terms of IFRS 10. Where the Group has control over a structured entity it is consolidated in terms of IFRS 10. Refer to note 45 for details on the assumptions applied.

Consolidated structured entities include securitisation vehicles, conduit vehicles and certain staff share trusts. For details on any financial or other support provided to the Group's securitisation and conduit vehicles refer to the *risk and capital management report* of this integrated annual report and notes 11 and 13, respectively. For details on loans to the Group's share trusts refer to note 31.

Other than the above the Group has not provided any additional financial or other support to these entities in the current year. The Group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

Interests in unconsolidated structured entities

In addition to the controlled structured entities the Group has financial interests in other structured entities that expose the Group to the variable income of those entities without resulting in control. The table below sets out the nature of those relationships and the impact of those relationships on the financial position and performance of the Group.

	2014	
	BEE share trusts	**Property finance transactions**
Nature of the relationship	The Group has established and provided financing to certain share trusts to enable them to acquire shares. The shares in these trusts are for the benefit of BEE participants and staff. The repayment of the funding is based on the performance of the underlying shares. The value of the assets in all of these trusts exceeded the value of the outstanding liabilities during the year. These entities will be wound up and the distributions made on 31 December 2014.	The Group owns the ordinary shares in structured entities that own properties. These properties serve as security for the loans raised to acquire the properties. External parties hold a right to these shares for a fixed price at a future date. The Group is therefore exposed to the variable income of the structured entity based on the value of the option compared to the value of the property in the entity.

Impact on statement of financial position

R million		
Advances	**244**	**–**
Investments and other securities	**942**	**119**
Maximum exposure to loss	**1 186**	**119**

During the current year the Group made a commitment to the FirstRand Staff Assistance Trust to grant a R5 million overdraft. The Group has not made any other commitments on behalf of these entities and has not provided any additional financial support to these entities in the current year. The Group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

The Group has also provided letters of credit to several external structured entities. None of these entities are consolidated by the Group, however, a subsidiary of the Group, FRIHL, does hold immaterial interests in some of these entities. In some cases the Group receives fees for the liquidity facilities provided. During the current year the Group received no fees for liquidity facilities provided to these entities nor were any assets transferred by the Group to these entities.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES

In preparing the financial statements, the Group makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year.

45.1 Credit impairment losses on loans and advances

The Group continuously assesses its credit portfolios for impairment. In determining whether an impairment loss should be recognised in the income statement, the Group makes judgments as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.

(a) Performing loans

The impairment provision on the performing portfolio is split into two parts:

(i) The first part consists of the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified. An incurred but not reported (IBNR) provision is calculated on this subsegment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators over an estimated loss emergence period.

Estimates of roll rates, loss ratios and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months.

(ii) The second part consists of the portfolio specific impairment (PSI) to reflect the decrease in estimated future cash flows for the subsegment of the performing portfolio where there is objective evidence of impairment. The decrease in future cash flows is primarily estimated based on analysis of historical loss and recovery rates for comparable subsegments of the portfolio.

The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) portfolio includes a judgemental review of individual industries for objective signs of distress.

(b) Non-performing loans

Retail loans are individually impaired if three or more instalments are due or unpaid, or if there is evidence before this that the customer is unlikely to repay his obligations in full. Commercial and wholesale loans are analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Refer to note 12 for a detailed analysis of the impairment of advances and the carrying amounts of the specific and portfolio provisions.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.2 Impairment of available-for-sale equity instruments

The Group determines that available-for-sale equity instruments are impaired and the impairment recognised in profit or loss when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the Group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

45.3 Income taxes

The Group is subject to direct tax in a number of jurisdictions. There may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. The Group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Refer to notes 4 and 21 for more information regarding the income tax expense and deferred income tax charges, assets and liabilities.

45.4 Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. The recoverable amount of the cash generating units (CGU) is the higher of the value-in-use or fair value less costs to sell. The value in use is calculated as the net present value of the discounted cash flows of the CGU. Details of the main assumptions applied in determining the net present value of the CGU are provided in note 17. Refer to note 38 for details on how the Group determined fair value.

45.5 Employee benefit liabilities

The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined on an actuarial basis using a number of assumptions. The assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.

The assumptions related to the expected return on plan assets are determined on a uniform basis, considering long-term historical returns, asset allocation and future estimations of long-term investment returns. The Group determines the appropriate discount rate at the end of each year, which represents the interest rate that should be used to determine the present value of the expected cash outflows required to settle the pension and post-employment medical obligations. In determining the appropriate discount rate, the Group considers the interest rate on high quality corporate bonds and government bonds that are denominated in the currency in which the benefits will be paid and that have terms to maturity approximating the terms of the related pension liability. The expected salary and pension increase rates are based on inflation rates, adjusted for salary scales and country specific conditions. The inflation rate used is a rate within the government's monetary policy target for inflation and is calculated as the difference between the yields on portfolios of fixed interest government bonds and a portfolio of index linked bonds of a similar term.

Additional information is provided in note 19.

45.6 Subsidiaries and controlled structured entities

When assessing whether or not control exists the Group considers all of the existing rights that it has as well as the existing rights that other investors have that result in the ability to direct the relevant activities of the investee. Only one party can have control over an investee, therefore if another investor has substantive rights that give them the current ability to direct the relevant activities of the investee then the Group cannot have control over the investee. When the Group assesses its rights specific consideration is given to the Group's holding of voting rights relative to the dispersion of holdings of other investors that hold voting rights. In instances where it is not immediately clear who has power over the investee the Group considers whether there is any evidence that it has the practical ability to direct the relevant activities of the investee unilaterally.

It is common business practice in many funding arrangements for the lender to have rights that allow it to restrict the borrower from undertaking activities that could significantly change its credit risk to the detriment of the lender. These rights are known as protective rights and are designed to protect the lender's interests and not to give the lender power over the relevant activities of the borrower. Where the Group has lending arrangements that contain protective rights these protective rights are not considered to give the Group the current ability to direct the relevant activities of the borrower.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.6 Subsidiaries and controlled structured entities continued

The Memorandum and Articles of Association or shareholders agreements for many companies include provisions that are designed to protect the rights of the non-controlling shareholders. These rights may require a certain percentage of votes to be received before certain decisions can be taken or they may require the non-controlling interests to approve certain decisions. The purpose of these rights is to protect the interests of the non-controlling shareholders and to ensure that the controlling shareholders don't act in a manner that prejudices the non-controlling shareholders. These rights are protective in nature and do not give the non-controlling shareholders power over the relevant activities of the entity. Where the Group is a non-controlling shareholder and has such rights, these rights alone are not considered sufficient to give the Group power over the relevant activities of the investee.

When voting rights do not have a significant effect on the investee's returns the investee is considered to be a structured entity. When assessing whether the Group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the Group has power over decisions that relate to activities that the entity was designed to conduct.

When assessing whether the Group has exposure or rights to variable returns and how variable those returns are the Group considers the substance of the agreement regardless of the legal form of the returns. For example, depending on the terms of the agreement, preference shares that the Group holds may give the Group rights to fixed dividends similar to an interest return or they may give the Group the right to participate in the residual profits of the investee.

The Group only considers substantive rights that it or other investors have in relation to an investee when assessing control. Substantive rights are those rights that the Group or other investors have the practical ability to exercise. Rights that are held by the Group in an agency capacity are not considered to be substantive rights. The Group considers the relationship between itself and the other investors when assessing whether it is acting as an agent, including the rights that another investor may have to remove the Group from the relationship, i.e. the ability that the other investors may have to replace the Group as an agent.

45.7 Structured entities

The Group sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection. The Group consolidates structured entities that it controls in terms of IFRS 10 as is set out under point 45.6 above.

For information on structured entities and any financial or other support provided to these entities, refer to note 44.

45.8 Investment funds

The Group acts as fund manager to a number of investment funds. Determining whether the Group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the Group in the fund (comprising any carried interests and expected management fees) and the investor's right to remove the fund manager. If the investors are able to remove the Group as fund manager by a simple majority and the Group's aggregate interest is not deemed to be significant, the Group does not consolidate the funds as it is merely acting as an agent for the investors.

45.9 Associates

The Group is presumed to have significant influence over an investee if it owns more than 20% of the voting rights and does not have control or joint control.

Significant influence may also arise from rights other than voting rights. These rights include, but are not limited to, the ability to appoint key management personnel and the ability to participate in the decision making processes of the investee.

The Group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee.

45 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS IN APPLYING ACCOUNTING POLICIES continued

45.10 Joint arrangements

The Group has joint control over an arrangement when the contractual agreements that establish the arrangement require unanimous consent of all parties sharing control for decisions that relate to directing the relevant activities of the arrangement. The Group considers all contractual provisions, explicit and implicit, when assessing whether joint control over the arrangement exists. An example of an implicit provision indicating joint control may be where an entity is established with two 50% shareholders and a 51% majority is required for decisions that relate to the relevant activities of the entity. In that case, although unanimous consent may not explicitly be mentioned in the contracts, it is implicit that both shareholders must agree on decisions that relate to the relevant activities of the entity and joint control implicitly exists in the contract.

The Group distinguishes protective rights afforded to debt financiers or non-controlling shareholders from the requirement for unanimous consent by looking at the substance of the contractual agreements. The contractual agreements that establish a joint arrangement may contain clauses which provide for the manner in which disputes are handled and arbitration dealt with. These clauses are designed to protect the parties sharing control in the event that unanimous consent cannot be reached and do not prevent an arrangement from being jointly controlled.

The Group classifies joint arrangements as either joint operations or joint ventures based on the substance of the arrangement and the Group's rights and obligations arising from the joint arrangement. When the Group has rights to the assets and assumes responsibility for the liabilities relating to the arrangement the Group classifies the arrangement as a joint operation. When the Group has rights to the net assets of the arrangement it is classified as a joint venture.

If the joint arrangement is not structured through a separate legal entity it is classified as a joint operation. When the joint arrangement is structured through a separate legal entity it is classified as a joint venture if the separate legal entity acquires assets in its own name and incurs obligations in its own name. If the Group has ownership rights in respect of assets acquired by the separate legal entity or has the obligation to settle the liabilities of the separate legal entity in its own name, then it is classified as a joint operation.

45.11 Revenue recognition

Management needs to apply judgement to determine whether the Group acts as a principal or agent in certain revenue generating transactions. If the Group acts as an agent, the gross economic benefits include amounts collected on behalf of the principal and do not result in increases in the equity of the Group. The amount collected on behalf of the principal is not recognised as the revenue of the Group, instead the Group recognises the fee or commission that it earns while acting as an agent as non-interest income.

An entity is acting as a principal when it has exposure to the significant risks and rewards associated with selling the goods or providing the services. The Group considers the following as indicators when assessing whether the Group is acting as a principal in a transaction:

- the Group has the primary responsibility of providing the goods or services;
- the Group carries the inventory risk;
- the Group has the ability to establish the price, either directly or indirectly; and
- the Group bears the customer's credit risk.

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The Group will comply with the following new standards and interpretations from the stated effective date:

		Effective date
IAS 16 (amended)	**Property, Plant and Equipment – Depreciation Method** IAS 16 was amended to clarify that a depreciation method that is based on revenue generated by an activity that is not appropriate. This is because such a method reflects the pattern of the generation of economic benefits that arise from the operation of the business of which an asset is part, rather than the pattern of consumption of an asset's expected future economic benefits. The amendment is not expected to have an impact on the Group as the Group does not apply a revenue-based depreciation approach.	Annual periods commencing on or after 1 January 2016
IAS 16 (amended)	**Property, Plant and Equipment – Bearer Plants** The amendment changes the financial reporting for bearer plants and indicates that bearer plants should be accounted for in the same way as property, plant and equipment because their operations are similar to that of manufacturing. Consequently, the amendment includes bearer plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment falls outside the scope of the Group's operations and will have no impact on the Group.	Annual periods commencing on or after 1 January 2016
IAS 19	**Employee Benefits** IAS 19 was amended to clarify the requirements relating to how contributions from employees or third parties that are linked to service should be attributed to periods of service. The amendment permits contributions that are independent of the number of years of service to be recognised as a reduction in the service cost in the period in which the service is rendered, instead of allocating the contributions to periods of service. Other contributions by employees or third parties that are not linked to service, should be attributed to periods of service using the plan's contribution formula or on a straight-line basis. The amendments have been assessed and are not expected to have a significant impact on the Group.	Annual periods commencing on or after 1 July 2014
IAS 27 (amended)	**Separate Financial Statements** Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries. If this exemption is applied, the amendments require an investment entity to account for its investment in a relevant subsidiary in the same way in its consolidated and separate financial statements (or to only provide separate financial statements if all subsidiaries are unconsolidated). The Group does not meet the definition of an investment entity and the exemption is not available to the Group and will have no impact on the results.	Annual periods commencing on or after 1 January 2014

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IAS 32	**Financial Instruments: Presentation** The amendments to IAS 32 clarify the existing requirements related to offsetting of financial assets and financial liabilities. The application guidance to the standard has been amended to clarify the practical application of the offsetting requirements. The amendments relate to presentation and will not have an impact on the net asset value or results of the Group. The Group has performed a preliminary assessment of the potential impact of the amendments and the results indicate that the effect is unlikely to result in significant changes in presentation for the Group.	Annual periods commencing on or after 1 January 2014
IAS 36 (amended)	**Impairment of Assets** IAS 36 was amended to reduce the circumstances in which the recoverable amount of assets or cash-generating units is required to be disclosed and clarifies the disclosures required. It also introduces an explicit requirement to disclose the discount rate used in determining impairment or impairment reversals where the recoverable amount, that is calculated based on fair value less costs of disposal, is determined using a present value technique. The amendment addresses disclosure in the annual financial statements and not recognition and measurement. The amendment will, therefore, have no impact on the Group's results but may result in additional disclosure.	Annual periods commencing on or after 1 January 2014
IAS 38	**Intangible Assets** IAS 38 is amended to introduce a rebuttable presumption that a revenue-based amortisation method for intangible assets is inappropriate for the same reasons as in IAS 16. There are limited circumstances when the presumption can be overcome. The amendment is not expected to have an impact on the Group as it does not apply a revenue-based amortisation approach.	Annual periods commencing on or after 1 January 2016
IAS 39 (amended)	**Financial Instruments: Recognition and Measurement** IAS 39 has been amended to clarify that there is no need to discontinue hedge accounting if a hedging derivative is novated, provided certain criteria are met. A novation indicates an event where the original parties to a derivative agree that one or more clearing counterparties replace their original counterparty to become the new counterparty to each of the parties. In order to apply the amendments and continue hedge accounting, novation to a central counterparty must happen as a consequence of a change in laws or regulations or the introduction of laws or regulations. The amendments have been assessed and are not expected to have a significant impact on the Group.	Annual periods commencing on or after 1 January 2014

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IAS 41 (amended)	**Agriculture** The amendment changes the financial reporting for bearer plants and indicates that bearer plants should be accounted for in the same way as property, plant and equipment because their operations are similar to that of manufacturing. Consequently, the amendment includes bearer plants within the scope of IAS 16, instead of IAS 41. The produce growing on bearer plants will remain within the scope of IAS 41. The amendment falls outside the scope of the Group's operations and will have no impact on the Group.	Annual periods commencing on or after 1 January 2016
IFRS 9	**Financial Instruments** IFRS 9 was issued in its entirety for the first time on 24 July 2014. The final version of the standard incorporates amendments to the classification and measurement guidance as well as the accounting requirements for the impairment of financial assets measured at amortised cost. These elements of the final standard are discussed in detail below: - The classification and measurement of financial instruments under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. - Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers the significant changes to the assets' credit risk and the expected loss that will arise in the event of default. - IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income. - The hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives rather than the 80%-125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and the deferral of costs of hedging. The Group have initiated a process to determine the impact of the standard on the Group's statement of financial position and performance. Until the process has been completed the Group is unable to quantify the expected impact.	Annual periods commencing on or after 1 January 2018

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 10 (amended)	**Consolidated Financial Statements** Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries and instead require that an investment entity measures the investment in each eligible subsidiary at fair value through profit or loss in accordance with IFRS 9 or IAS 39. The Group does not meet the definition of an investment entity and as such the exemption is not available to the Group and will have no impact on the results.	Annual periods commencing on or after 1 January 2014
IFRS 11 (amended)	**Joint Arrangements** The IASB has issued an amendment to IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations that constitutes a business. The amendment indicates that the acquirer of an interest in a joint operation, in which the activity constitutes a business as stipulated in terms of IFRS 3, is required to apply all the principles on business combinations. The amendment is not expected to have an impact on the Group as the Group does not have any interests in joint operations.	Annual periods commencing on or after 1 January 2016
IFRS 12 (amended)	**Disclosure of Interests in Other Entities** Amendments issued in October 2012 provide investment entities an exemption from the consolidation of particular subsidiaries. If this exemption is applied, the amendments require additional disclosure about why the entity is considered an investment entity, details of the entity's unconsolidated subsidiaries, the nature of the relationship and certain transactions between the investment entity and its subsidiaries. The Group does not meet the definition of an investment entity and the exemption is not available to the Group and will have no impact on the results.	Annual periods commencing on or after 1 January 2014
IFRS 14	**Regulatory Deferral Accounts** IFRS 14 permits an entity which is a first-time adopter of IFRS to continue to account, with some limited changes, for regulatory deferral account balances in accordance with its previous GAAP, both on initial adoption of IFRS and in subsequent financial statements. The standard falls outside the scope of the Group's operations and will have no impact on the Group.	Annual periods commencing on or after 1 January 2016

46 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

		Effective date
IFRS 15	**Revenue** IFRS 15 provides a single, principle-based model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods on services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods on services. The new standard will also provide guidance for transactions that were not previously addressed comprehensively and improve guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The Group is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the Group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2017
IFRIC 21	**Levies** This interpretation provides guidance on when to recognise a liability for a levy imposed by a government, both for levies that are accounted for in accordance with IAS 37 and those where the timing and amount of the levy is certain. The interpretation identifies the obligating event for the recognition of a liability as the activity that triggers the payment of the levy in accordance with the relevant legislation. Guidance provided indicates that the liability is recognised progressively if the obligating event occurs over a period of time and if an obligation is triggered on reaching a minimum threshold, the liability is recognised when that minimum threshold is reached. The interpretation falls outside the scope of the Group's operations and will have no impact on the results.	Annual periods commencing on or after 1 July 2014
Annual Improvements	**Improvements to IFRS** The IASB issued the Annual Improvements 2010 – 2012 Cycle and the Annual Improvements 2011 – 2013 Cycle in December 2013, as its latest set of annual improvements to various accounting standards. The collection of amendments to IFRS is in response to six issues addressed during the 2010 – 2012 cycle and four issues addressed during the 2011 – 2013 cycle. The annual improvement project's aim is to clarify and improve accounting standards. The improvements include terminology and editorial changes which have a minimal effect on recognition and measurement. The amendments have been assessed and are not expected to have a significant impact on the Group.	Annual periods commencing on or after 1 July 2014

47 TRANSACTIONS INVOLVING THE LEGAL FORM OF A LEASE

The Group entered into an arrangement with a counterparty for the refurbishment of moveable assets, which are for the exclusive use of the counterparty. The duration of the arrangement is for 14 years and will conclude in May 2016. The transactions are a series of back to back leases, which, although the transactions are structured as leases, are in substance a financing arrangement. The arrangement also provides for a final balloon payment, which will be serviced through sinking fund deposits ceded to the Group, into which the counterparty is making payments and earning interest.

Fees received are recognised annually in non-interest income. During the current year the interest paid on the sinking fund deposits exceeded the interest earned on the leases, resulting in a net interest expense reflected in the income statement of R386 000 (2013: R2 million).

48 SUBSEQUENT EVENTS

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.

49 RISK DISCLOSURE

The risk disclosure has been disclosed as part of the *risk and capital management report*.

FirstRand company annual financial statements

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June

R million	Notes	2014	2013
Interest and similar income	2	**17**	19
Interest expense and similar charges	2	*****	*
Net interest income		**17**	19
Non-interest income	3	**8 713**	7 138
Income from operations		**8 730**	7 157
Operating expenses	4	**(150)**	(99)
Income before tax		**8 580**	7 058
Indirect tax	5.1	**(3)**	(1)
Profit before tax		**8 577**	7 057
Income tax expense	5.2	**(8)**	(19)
Profit for the year		**8 569**	7 038
Other comprehensive income		**–**	–
Total comprehensive income for the year		**8 569**	7 038
Attributable to:			
Ordinary equityholders of the company		**8 281**	6 744
NCNR preference shareholders		**288**	294
Total comprehensive income for the year		**8 569**	7 038

* *Less than R500 000.*

STATEMENT OF FINANCIAL POSITION
as at 30 June

R million	Notes	2014	2013
ASSETS			
Cash and cash equivalents	7	**55**	50
Accounts receivable	8	**1**	5
Investment in subsidiaries	9	**56 188**	56 783
Total assets		**56 244**	56 838
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**58**	52
Provisions	11	**8**	8
Current tax liability		**5**	14
Employee liabilities	12	**85**	61
Total liabilities		**156**	135
Equity			
Ordinary shares	14	**56**	56
Share premium	14	**7 082**	7 082
Reserves		**44 431**	45 046
Capital and reserves attributable to ordinary equityholders		**51 569**	52 184
NCNR preference shares	14	**4 519**	4 519
Total equity		**56 088**	56 703
Total equity and liabilities		**56 244**	56 838

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**
Balance as at 1 July 2012	56	7 082	**7 138**
Total comprehensive income for the year	–	–	**–**
Ordinary dividends	–	–	**–**
Preference dividends	–	–	**–**
Movement on other reserves	–	–	**–**
Balance as at 30 June 2013	56	7 082	**7 138**
Total comprehensive income for the year	–	–	**–**
Ordinary dividends	–	–	**–**
Preference dividends	–	–	**–**
Movement on other reserves	–	–	**–**
Balance as at 30 June 2014	56	7 082	**7 138**

Ordinary share capital and ordinary equityholders' funds					
Share-based payment reserve	**Capital redemption reserve**	**Retained earnings**	**Reserves attributable to ordinary equityholders**	**NCNR preference shareholders**	**Total equity**
2 044	1	42 636	**44 681**	**4 519**	**56 338**
–	–	6 744	**6 744**	**294**	**7 038**
–	–	(6 371)	**(6 371)**	**–**	**(6 371)**
–	–	–	**–**	**(294)**	**(294)**
10	–	(18)	**(8)**	**–**	**(8)**
2 054	1	42 991	**45 046**	**4 519**	**56 703**
–	–	8 281	**8 281**	**288**	**8 569**
–	–	(8 908)	**(8 908)**	**–**	**(8 908)**
–	–	–	**–**	**(288)**	**(288)**
29	–	(17)	**12**	**–**	**12**
2 083	1	42 347	**44 431**	**4 519**	**56 088**

STATEMENT OF CASH FLOWS
for the year ended 30 June

R million	Notes	2014	2013
Cash flows from operating activities			
Cash generated by operations	15.1	**8 643**	7 100
Working capital changes	15.2	**(43)**	(11)
Net cash flows from operating activities		**8 600**	7 089
Interest received		**17**	19
Interest paid		*****	*
Cash paid to employees		**(17)**	(45)
Taxation paid	15.3	**(20)**	(6)
Dividends paid	15.4	**(9 196)**	(6 665)
Net cash generated from operating activities		**(616)**	392
Cash flow from investing activities			
Increase in investment in subsidiaries		**(869)**	(259)
Proceeds on disposal of investment securities and other investments		**–**	387
Decrease/(increase) in loans to subsidiaries		**1 490**	(515)
Net cash outflow from investing activities		**621**	(387)
Net increase in cash and cash equivalents		**5**	5
Cash and cash equivalents at the beginning of the year		**50**	45
Cash and cash equivalents at the end of the year		**55**	50

* *Less than R500 000.*

NOTES TO THE ANNUAL FINANCIAL STATEMENTS
for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of FirstRand Limited (FirstRand) are prepared according to the same accounting policies used in preparing the consolidated financial statements of the Group other than accounting policy 3 which deals with consolidated financial statements. For detailed accounting policies refer to pages 260 to 280 of the 2014 annual integrated report.

2 INTEREST INCOME AND EXPENSE

	2014		
R million	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Interest and similar income			
Cash and cash equivalents	**16**	**–**	**16**
Interest on accounts receivable	**1**	**–**	**1**
Interest and similar income	**17**	**–**	**17**
Interest expense and similar charges			
Borrowed funds	**–**	*****	*****
Interest expense and similar charges	**–**	*****	*****

	2013		
R million	**Amortised cost**	**Non-financial assets and liabilities**	**Total**
Interest and similar income			
Cash and cash equivalents	17	–	17
Interest on accounts receivable	2	–	2
Interest and similar income	19	–	19
Interest expense and similar charges			
Borrowed funds	–	*	*
Interest expense and similar charges	–	*	*

* *Less than R500 000.*

3 NON-INTEREST INCOME

R million	2014	2013
Fees from subsidiaries	**24**	194
Other fees	**2**	1
Total fees and commission income	**26**	195
Gains less losses from investing activities		
Dividends received from subsidiaries-unlisted shares		
Ordinary dividends	**8 495**	6 728
Preference dividends	**192**	228
Dividends received from listed shares	*****	*
Fair value income on listed shares	*****	*
Other non-interest income		
Loss on investments of a capital nature excluding disposals of subsidiaries, associates or joint ventures	**–**	(13)
Total gains less losses from investing activities	**8 687**	6 943
Total non-interest income**	**8 713**	7 138

* *Less than R500 000.*
** *Non-interest income relates to non-financial instruments.*

4 OPERATING EXPENSES

R million	Notes	2014	2013
Directors remuneration*		**(24)**	(23)
Direct staff costs			
– Salaries, wages and allowances		**(48)**	(28)
– Contributions to employee benefit funds		**(3)**	(2)
– Share-based payment expense	12	**(47)**	(34)
– Social security levies		**(1)**	(1)
Travel		**(3)**	(2)
Operating lease charges			
– Property		**(1)**	(1)
– Furniture and equipment		**(1)**	(1)
Professional fees		**(2)**	(1)
Registrar fees		**(2)**	(2)
Stock exchange fees		**(1)**	(1)
Corporate memberships		**(5)**	(1)
Other		**(12)**	(2)
Total operating expenses		**(150)**	(99)

* *Disclosed as part of corporate governance report.*

5 INDIRECT AND INCOME TAX EXPENSE

R million	2014	2013
5.1 Indirect tax		
Value added tax	**(3)**	(1)
Total indirect tax	**(3)**	(1)
5.2 Income tax expense		
South African normal taxation		
Normal tax – current year	**(8)**	(19)
Total income tax expense	**(8)**	(19)

Tax rate reconciliation – South African normal tax

%	2014	2013
Standard rate of income tax	**28**	28
Total tax has been affected by:		
Dividends received	**(28)**	(28)
Effective rate of tax*	**–**	–

* *Less than 0.5%.*

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

Financial assets and financial liabilities are measured on an ongoing basis either at fair value or at amortised cost. The principal accounting policies on pages 267 to 272 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis:

		2014		
R million	**Notes**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**
ASSETS				
Cash and cash equivalents	7	**55**	**–**	**–**
Accounts receivable	8	**1**	**–**	**–**
Investment in subsidiaries	9	**–**	**–**	**–**
Total assets		**56**	**–**	**–**
LIABILITIES				
Creditors and accruals	10	**–**	**54**	**–**
Provisions	11	**–**	**–**	**–**
Current tax liability		**–**	**–**	**–**
Employee liabilities	12	**–**	**–**	**–**
Total liabilities		**–**	**54**	**–**

		2013		
R million	**Notes**	**Loans and receivables**	**Financial liabilities at amortised cost**	**Available-for-sale financial assets**
ASSETS				
Cash and cash equivalents	7	50	–	–
Accounts receivable	8	5	–	–
Investment in subsidiaries	9	–	–	–
Total assets		55	–	–
LIABILITIES				
Creditors and accruals	10	–	50	–
Provisions	11	–	–	–
Current tax liability		–	–	–
Employee liabilities	12	–	–	–
Total liabilities		–	50	–

2014			
Non-financial instruments	**Total carrying value**	**Current**	**Non-current**
–	**55**	**55**	**–**
–	**1**	**1**	**–**
56 188	**56 188**	**91**	**56 097**
56 188	**56 244**	**147**	**56 097**
4	**58**	**58**	**–**
8	**8**	**8**	**–**
5	**5**	**–**	**5**
85	**85**	**45**	**40**
102	**156**	**111**	**45**

2013			
Non-financial instruments	**Total carrying value**	**Current**	**Non-current**
–	50	50	–
–	5	5	–
56 783	56 783	1 581	55 202
56 783	56 838	1 636	55 202
2	52	52	–
8	8	8	–
14	14	–	14
61	61	53	8
85	135	113	22

7 CASH AND CASH EQUIVALENTS

R million	2014	2013
Money at call and short notice	**55**	50
Cash and cash equivalents	**55**	50

The carrying value for cash and cash equivalents approximates the fair value. Money at short notice constitutes amounts withdrawable in 32 days or less.

8 ACCOUNTS RECEIVABLE

R million	2014	2013
Other accounts receivable	**1**	5
Total accounts receivable	**1**	5
Analysis of accounts receivable:		
Financial	**1**	5
Total accounts receivable	**1**	5

At the reporting date all accounts receivables are considered to be neither past due nor impaired.

The carrying value of accounts receivable approximates the fair value.

9 INVESTMENT IN SUBSIDIARIES

	Nature of business	Principal place of business
FirstRand EMA Holdings Proprietary Limited Ordinary shares Non-redeemable preference shares	Financial services and products	Africa
FirstRand Bank Limited Ordinary shares	Banking services	South Africa
FirstRand Investment Holdings Proprietary Limited Ordinary shares	Investment holdings	South Africa
Ashburton Investment Holdings Limited Ordinary shares	Investment management	South Africa
Investment through equity settled share incentive scheme	Equity settled share incentive scheme	South Africa

9 INVESTMENT IN SUBSIDIARIES continued

			Investment of holding company			
			Amounts owing by/(to) subsidiaries		Shares at carrying amount	
	% Owner-ship	% Voting rights	2014 R million	2013 R million	2014 R million	2013 R million
FirstRand EMA Proprietary Limited						
Ordinary shares	100	100	**–**	–	**6 407**	5 538
NCNR preference shares	100	100	**–**	–	**3 000**	3 000
FirstRand Bank Limited						
Ordinary shares	100	100	**91**	727	**38 694**	38 694
FirstRand Investment Holdings Proprietary Limited						
Ordinary shares	100	100	**–**	854	**7 338**	7 338
Ashburton Investment Holdings Limited						
Ordinary shares	100	100	**–**	–	**259**	259
Total			**91**	1 581	**55 698**	54 829
Investment through equity settled share incentive scheme					**399**	373
Total interest in subsidiaries					**56 188**	56 783

10 CREDITORS AND ACCRUALS

R million	2014	2013
Unclaimed dividends	**46**	41
Accounts payable and accrued liabilities	**12**	11
Total creditors and accruals	**58**	52
Analysis of creditors and accruals:		
Financial	**54**	50
Non-financial	**4**	2
Total creditors and accruals	**58**	52

The carrying value of creditors and accruals approximates their fair value at year end.

11 PROVISIONS

R million	2014	2013
Audit fees		
Opening balance	**8**	8
Additional provisions created	**8**	8
Utilised during the year	**(8)**	(8)
Total audit fees	**8**	8
Total provisions	**8**	8

12 EMPLOYEE LIABILITIES

Staff-related provisions

The staff-related provision consists mainly of the provision for leave pay, staff bonuses and the liability relating to the MMI shares that the participants in the BEE schemes will receive. Further details of this scheme and the vesting conditions related to the scheme are provided in note 31 of the Group consolidated annual financial statements.

R million	2014	2013
Opening balance	**19**	17
Additional provisions created	**32**	14
Utilised during the year	**(15)**	(12)
Total staff-related provisions	**36**	19
Share-based payment liability		
For a detailed description of share option schemes and trusts in which FirstRand Limited participates refer to note 31 in the Group annual integrated report.		
Opening balance	**42**	28
Transfer between legal entities within the group	**11**	–
Share-based payment settlement (cash)	**(49)**	–
Income statement charge	**45**	14
Total share-based payment liability	**49**	42
Total employee liabilities	**85**	61
The income statement charge for share-based payments is as follows:		
FirstRand black non-executive directors' trust	**–**	3
FirstRand share appreciation right scheme	**45**	14
Conditional share plan	**2**	17
Total share-based payment expense	**47**	34

13 DIVIDENDS

R million	2014	2013
Ordinary dividends		
An interim dividend of 77.00 cents (5 March 2013: 55.00 cents) per share was declared on 3 March 2014 in respect of the six months ended 31 December 2013.	**4 341**	3 101
A final dividend of 81.00 cents (10 September 2013: 58.00 cents) per share was declared on 9 September 2013 in respect of the six months ended 30 June 2013.	**4 567**	3 270
Total ordinary dividends paid for the year	**8 908**	6 371
B preference shares		
An interim dividend of 320.30 cents (25 February 2013: 320.25 cents) per share was declared on 24 February 2014 in respect of the six months ended 31 December 2013.	**144**	144
A final dividend of 320.30 cents (27 August 2012: 333.08 cents) per share was declared on 26 August 2013 in respect of the six months ended 30 June 2013.	**144**	150
Total preference dividends paid for the year	**288**	294
A final ordinary dividend per share was declared on 8 September 2014 (10 September 2013)	**97.0**	81.0

14 SHARE CAPITAL AND SHARE PREMIUM

	2014	
	Number of ordinary shares	**Number of A preference shares#**
Authorised		
Number of shares	**6 001 688 450**	**198 311 550**
Issued – fully paid up**		
Ordinary shares		
Opening balance	**5 637 941 689**	**–**
Closing balance	**5 637 941 689**	**–**
B preference shares		
Opening balance	**–**	**–**
Closing balance	**–**	**–**
Total issued share capital and share premium – closing balance	**5 637 941 689**	**–**
Analysis of total issued share capital closing balance		
Ordinary issued share capital at end of year as above of 1 cent each	**5 637 941 689**	**–**
B variable rate NCNR preference shares of 1 cent each	**–**	**–**
Total issued share capital – closing balance	**5 637 941 689**	**–**
Disclosed on the face of the statement of financial position		
Ordinary share capital		
Ordinary share premium		
NCNR preference shares		
Total		

* *Less than R500 000.*
** *All issued share capital is fully paid up.*
# *The A variable rate cumulative convertible redeemable preference shares are not listed.*
† *The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of banks effective 23 May 2012.*
‡ *The C preference shares are variable rate convertible non-cumulative redeemable preference shares.*

2014				
Number of B preference shares†	Number of C preference shares‡	Ordinary share capital R million	Share premium R million	Total R million
100 000 000	100 000 000	–	–	–
–	–	56	7 082	7 138
–	–	56	7 082	7 138
45 000 000	–	*	4 519	4 519
45 000 000	–	*	4 519	4 519
45 000 000	–	56	11 601	11 657
–	–	56	7 082	7 138
45 000 000	–	*	4 519	4 519
45 000 000	–	56	11 601	11 657
				56
				7 082
				4 519
				11 657

14 SHARE CAPITAL AND SHARE PREMIUM continued

	2013	
	Number of ordinary shares	**Number of A preference shares#**
Authorised		
Number of shares	6 001 688 450	198 311 550
Issued – fully paid up**		
Ordinary shares		
Opening balance	5 637 941 689	–
Closing balance	5 637 941 689	–
B preference shares		
Opening balance	–	–
Closing balance	–	–
Total issued share capital and share premium – closing balance	5 637 941 689	–
Analysis of total issued share capital closing balance		
Ordinary issued share capital at end of year as above of 1 cent each	5 637 941 689	–
B variable rate NCNR preference shares of 1 cent each	–	–
Total issued share capital – closing balance	5 637 941 689	–
Disclosed on the face of the statement of financial position		
Ordinary share capital		
Ordinary share premium		
NCNR preference shares		
Total		

* *Less than R500 000.*
** *All issued share capital is fully paid up.*
# *The A variable rate cumulative convertible redeemable preference shares are not listed.*
† *The B preference shares are variable rate NCNR preference shares and are listed on the JSE. Dividends on the B preference shares are calculated at a rate of 75.5% of the prime lending rate of banks effective 23 May 2012.*
‡ *The C preference shares are variable rate convertible non-cumulative redeemable preference shares.*

R million	**2014**	**2013**
Redeemable preference shares		
Authorised		
100 million cumulative redeemable preference shares with a par value of R0.01 per share	**1**	1

2013				
Number of B preference shares†	Number of C preference shares‡	Ordinary share capital R million	Share premium R million	Total R million
100 000 000	100 000 000	–	–	–
–	–	56	7 082	7 138
–	–	56	7 082	7 138
45 000 000	–	*	4 519	4 519
45 000 000	–	*	4 519	4 519
45 000 000		56	11 601	11 657
–	–	56	7 082	7 138
45 000 000	–	*	4 519	4 519
45 000 000	–	56	11 601	11 657
				56
				7 082
				4 519
				11 657

15 CASH FLOW INFORMATION

	R million	2014	2013
15.1	**Cash generated by operations**		
	Income before tax	**8 580**	7 058
	Adjustment for non-cash items	**80**	48
	Loss on disposal of investment securities and other investments	**–**	13
	Interest received	**(17)**	(19)
	Interest paid	*****	*
	Cash generated by operations	**8 643**	7 100
15.2	**Working capital changes**		
	Decrease in accounts receivable	**4**	–
	Decrease in employee liabilities	**(53)**	(12)
	Increase in creditors and accruals	**6**	1
	Net working capital changes	**(43)**	(11)
15.3	**Taxation paid**		
	Tax payable at beginning of the year	**(14)**	–
	Charge to income statement	**(8)**	(19)
	Indirect tax paid	**(3)**	(1)
	Tax payable at the end of the year	**5**	14
	Taxation paid	**(20)**	(6)
15.4	**Dividends paid**		
	Ordinary dividends		
	Final dividend paid	**(4 567)**	(3 270)
	Interim dividend paid	**(4 341)**	(3 101)
	Ordinary dividends paid	**(8 908)**	(6 371)
	Preference dividends on B preference shares		
	Final dividend paid	**(144)**	(150)
	Interim dividends paid	**(144)**	(144)
	Preference dividends paid	**(288)**	(294)
	Total dividends paid	**(9 196)**	(6 665)

* *Less than R500 000.*

16 RELATED PARTIES

FirstRand defines related parties as:

(i) The parent company;
(ii) Subsidiaries;
(iii) Associate companies;
(iv) Joint ventures;
(v) Associates and joint ventures of the subsidiaries;
(vi) Groups that have significant influence over FirstRand Limited. If an investor has significant influence over the parent, it is a related party not only over the parent but also the subsidiaries. If an investor that has significant influence over the parent has subsidiaries, those subsidiaries are also related to FirstRand Limited;
(vii) Post-employment benefit funds (pension funds);
(viii) Key management personnel, being the FirstRand Limited board of directors;
(ix) Close family members of key management personnel (individual's spouse/domestic partner and children; domestic partner's children and dependants of individual or domestic partner); and
(x) Entities controlled, jointly controlled or significantly influenced by an individual referred to in (viii) and (ix).

The principal shareholder of the FirstRand Limited is RMB Holdings Limited, incorporated in South Africa.

During the current year FirstRand Limited did not directly enter into a transaction with its principal shareholder.

16.1 Subsidiaries

Details of interests in subsidiaries are disclosed in note 9.

Refer below for details on transactions with subsidiaries.

16.2 Details of transactions with relevant related parties appear below

	2014	
R million	**Entities that have significant influence over FirstRand Limited and their subsidiaries**	**Subsidiaries**
Interest received	**–**	**16**
Non-interest income	**–**	**24**
Dividends received	**–**	**8 687**
Dividends paid	**3 018**	**–**

	2013	
R million	**Entities that have significant influence over FirstRand Limited and their subsidiaries**	**Subsidiaries**
Interest received	–	17
Non-interest income	–	193
Dividends received	–	6 924
Dividends paid	2 159	–

17 CONTINGENT LIABILITIES

FirstRand Limited provides put options to holders of certain debt instruments issued by its subsidiaries. The term of put option determines that in the instance where the subsidiaries default on the terms of debt instrument agreements, the capital amount of the debt and any accrued dividend will be repaid by FirstRand. At 30 June 2014 and 30 June 2013 no instance of default by a subsidiary had occurred.

18 EVENTS AFTER THE REPORTING PERIOD

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.

19 RECLASSIFICATION OF PRIOR YEAR NUMBERS

During the current year there was no reclassifications made.

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 57 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.

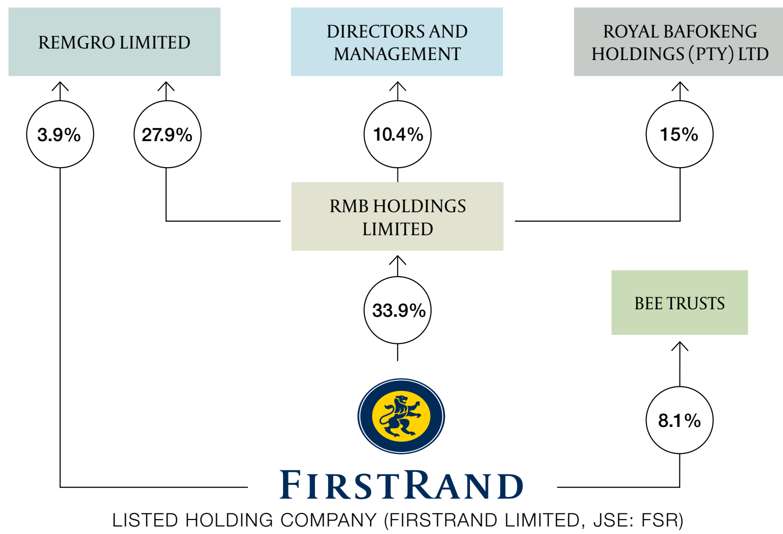
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised 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



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 91 to 107 of the annual integrated report.

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 from 2 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 89 of the report of the chairman of the directors' affairs and governance committee in the annual integrated report 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 annual integrated report 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.

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.

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