analysis of financial results

for the six months ended 31 December 2014

FIRSTRAND

CONTENTS

FIRSTRAND

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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

INTRODUCTION

This report covers the unaudited condensed financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months to 31 December 2014. The primary results and accompanying commentary are presented on a normalised basis as the group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed consolidated income statement, statement of comprehensive income, statement of financial position, statement of cash flows and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 14 and 15. Detailed reconciliations of normalised to IFRS results are provided on pages 30 to 38. Commentary is based on normalised results, unless indicated otherwise.

Jaco van Wyk, CA(SA), supervised the preparation of the condensed consolidated financial results.

Financial highlights

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
Normalised earnings (R million)	**9 993**	8 691	15	18 663
Diluted normalised earnings per share (cents)	**177.3**	154.2	15	331.0
Normalised net asset value per share (cents)*	**1 519.6**	1 342.9	13	1 447.2
Dividend per ordinary share (cents)	**93.0**	77.0	21	174.0
Normalised ROE (%)	**24.0**	23.4		24.2

* *Including reissue of 35 million FirstRand shares.*

The group consists of a portfolio of leading financial services franchises: First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, the instalment finance business and Ashburton Investments, the group's recently-established investment management business. The FCC franchise represents group-wide functions.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Earnings attributable to ordinary equityholders	**10 304**	8 839	17	18 440
Headline earnings	**9 901**	8 807	12	18 671
Normalised earnings	**9 993**	8 691	15	18 663
Normalised net asset value	**85 241**	75 714	13	81 590
Normalised net asset value per share (cents)	**1 519.6**	1 342.9	13	1 447.2
Average normalised net asset value	**83 416**	74 205	12	77 143
Normalised earnings per share (cents)				
– Basic	**177.3**	154.2	15	331.0
– Diluted	**177.3**	154.2	15	331.0
Normalised ROE (%)	**24.0**	23.4		24.2
Ordinary dividend (cents per share)	**93.0**	77.0	21	174.0
Dividend cover (times)	**1.9**	2.0		1.9
Non-cumulative non-redeemable (NCNR) B preference dividend* – paid (cents per share)	**348.5**	320.3	9	640.6
Capital adequacy**				
Capital adequacy ratio (%)	**16.5**	16.2		16.7
Tier 1 ratio (%)	**14.7**	14.8		14.8
Common Equity Tier 1 (CET1) ratio (%)	**13.8**	13.7		13.9
Market performance				
Market capitalisation	**281 881**	202 346	39	229 746
Price earnings ratio (times)	**14.3**	11.6		12.3
Price-to-book ratio (times)	**3.3**	2.7		2.8
Share price (closing – rand)	**50.57**	35.89	41	40.75

* *75.56% of FNB prime lending rate.*
** *Includes unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Profit for the period (refer page 16)	**11 131**	9 430	18	19 786
Non-controlling interests	**(674)**	(447)	51	(1 058)
NCNR preference shareholders	**(153)**	(144)	6	(288)
Earnings attributable to ordinary equityholders	**10 304**	8 839	17	18 440
Adjusted for:	**(403)**	(32)	>100	231
Loss on disposal of investment securities and other investments of a capital nature	**–**	1		27
Gain on disposal of available-for-sale assets	**(227)**	(66)		(69)
Gain on disposal of investments in associates	**–**	–		(61)
Gain on disposal of investments in subsidiaries	**(188)**	(12)		(18)
(Gain)/loss on the disposal of property and equipment	**(11)**	12		32
Impairment of goodwill	**–**	–		128
Impairment of assets in terms of IAS 36	**–**	11		151
Other	**1**	(1)		–
Tax effects of adjustments	**–**	20		26
Non-controlling interests adjustments	**22**	3		15
Headline earnings	**9 901**	8 807	12	18 671

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Headline earnings	**9 901**	8 807	12	18 671
Adjusted for:	**92**	(116)	(>100)	(8)
Total return swap and IFRS 2 liability remeasurement	**(144)**	(146)	(1)	(198)
IFRS 2 share-based payment expense	**75**	12	>100	182
Treasury shares*	**49**	63	(22)	97
IAS 19 adjustment	**(54)**	(53)	2	(104)
Private equity subsidiary realisations	**166**	8	>100	15
Normalised earnings	**9 993**	8 691	15	18 663

* *Includes FirstRand shares held for client trading activities.*

OVERVIEW OF RESULTS

INTRODUCTION

During the period under review the local economy remained subdued with weak global growth, structural constraints and sluggish domestic demand resulting in low levels of economic activity.

Although the US continued to pick up momentum, other major developed and emerging economies struggled and this weakness was reflected in downward pressure on commodity prices and slowing growth in the economies of South Africa's main export partners.

Local industries were unable to take full advantage of exchange rate weakness due to ongoing electricity shortages which have kept production capacity constrained. Domestic demand remains negatively impacted by low levels of business and consumer confidence, weak real disposable income growth, sluggish household credit extension and interest rate tightening.

Low global growth and falling commodity prices have also impacted some of the economies in the sub-Saharan Africa region although the Indian economy continued to pick up momentum.

OVERVIEW OF RESULTS

Against this challenging backdrop, FirstRand produced good results for the six months to 31 December 2014, achieving normalised earnings of R9.99 billion, an increase of 15% on the comparative period and a normalised ROE of 24.0%.

Despite the deteriorating operating environment, all three operating franchises continued to grow profits and produce ROEs significantly above targets.

FNB produced ongoing topline growth and strong profitability on the back of sustained momentum in both non-interest revenue (NIR) and net interest income (NII) with good growth emanating from both advances and deposits. WesBank grew new business volumes despite the subdued local retail credit cycle, with the MotoNovo business in the UK generating excellent profitability in both rand and GBP terms. RMB's solid growth in profits was underpinned by a very strong performance from the private equity portfolio which compensated for the reduced contribution from the investment banking division which as expected, rebased to more normalised levels following a number of years of very strong growth. In addition, RMB strengthened provisions given its current exposures to oil and gas, and mining and metals.

The table below shows a breakdown of sources of normalised earnings.

Sources of normalised earnings

	Six months ended 31 December				% change	Year ended 30 June	
R million	**2014**	**% composition**	**2013***	**% composition**		**2014***	**% composition**
FNB	**5 731**	**58**	4 920	57	16	9 819	53
RMB	**2 520**	**25**	2 354	27	7	5 507	30
WesBank	**1 623**	**16**	1 497	17	8	3 013	16
FCC (including Group Treasury) and other**	**272**	**3**	64	1	>100	612	3
NCNR preference dividend	**(153)**	**(2)**	(144)	(2)	6	(288)	(2)
Normalised earnings	**9 993**	**100**	8 691	100	15	18 663	100

* *December 2013 and June 2014 franchise earnings have been restated to include return on capital earned and portion of group costs which were previously disclosed as part of FCC earnings. This restatement is applicable to all segment reporting in the analysis booklet.*

** *Includes FirstRand Limited (company).*

The group's income statement benefited from an increase of 16% in NII. This was driven mainly by ongoing increases in advances, and solid growth from both retail and corporate deposits. Asset margins declined, impacted by mix changes, pricing pressure on certain products and higher liquidity costs.

Total NIR increased 11% year-on-year, with another strong contribution from FNB which grew its NIR 10%. This was driven by the retail and commercial segments and certain of the subsidiaries in the rest of Africa as FNB continued to benefit from specific strategies to grow fee and commission income, drive customers onto electronic platforms, grow the rest of Africa customer base (up 12%) and generate good momentum in cross-sell (up from 2.27 to 2.38).

The group's NIR also benefited from continued growth from RMB's global markets franchise, 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, boosted by a significant realisation profit in excess of R700 million.

WesBank's NIR increased 14%, slightly ahead of new business volumes (up 13%) and once again benefiting from a strong performance in the full maintenance rental book and insurance portfolios.

Overall operating cost growth was 12% for the period, reflecting variable staff costs directly related to higher levels of profitability and continuing investment in infrastructure and operating footprint, particularly in the rest of Africa, and increased regulatory requirements.

NPLs remain a mixed picture. Residential mortgages and FNB personal loans showed significant decreases of 17% and 25% respectively, which continues to reflect the effectiveness of workout strategies and disciplined origination strategies. However continued strong book growth resulted in an increase in NPLs in FNB's business subsegment and the rest of Africa portfolio. Higher NPLs in VAF, WesBank loans and other retail also reflects strong book growth in the current and prior financial periods with corporate NPLs increasing on the back of specific counterparties.

The group's coverage ratios increased year-on-year and the performing book coverage ratios have increased further since June 2014. This reflects a worsening credit environment, the change in NPL mix, higher portfolio overlays and increased specific impairments in RMB's core lending book on the back of mining and metals exposures. The total direct exposures to cross-border oil and gas counters comprise approximately 2% of the RMB corporate and investment banking (CIB) lending book, and less than 1% of FirstRand's advances book. The group has evaluated these exposures as part of its interim credit review processes, and despite no defaults in the portfolio, created overlays given the uncertainty on the outlook for oil prices in the current cycle. Against this analysis, 0.2% of FirstRand's total advances book is considered higher risk and the group is currently comfortable with the provisions against these exposures.

Portfolio impairments were driven by increasing levels of arrears in VAF and WesBank personal loans, as well as strong book growth. The group continues to exercise prudence on the back of deteriorating macroeconomic indicators increasing portfolio overlays across the group. The total performing book coverage ratio increased from 97 bps in the prior year to 107 bps (June 2014: 106 bps).

Other than the increased risk in the corporate lending book, the rest of the group's portfolios are trending in line with expectations.

OVERVIEW OF OPERATING FRANCHISES

The group's vision is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. FirstRand seeks to achieve this with two parallel growth strategies which are executed through its portfolio of operating franchises within a framework set by the group. The growth strategies are:

- 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
- 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.

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
- acquisitions where it makes commercial sense.

Below is a brief overview of the financial and operational performance of each franchise.

FNB

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

FNB financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**5 731**	4 920	16	9 819
Normalised profit before tax	**8 470**	7 248	17	14 459
Total assets	**332 850**	308 439	8	323 114
Total liabilities	**324 756**	296 634	9	309 154
NPLs (%)	**2.82**	3.55		3.14
Credit loss ratio (%)	**0.87**	0.95		0.85
ROE (%)	**40.7**	37.2		37.6
ROA (%)	**3.47**	3.25		3.18
Cost-to-income ratio (%)	**53.1**	53.8		54.8
Advances margin (%)	**3.64**	3.75		3.68

Segment results

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Retail	**4 962**	4 335	14	8 557
FNB Africa	**1 047**	838	25	1 629
Commercial	**2 461**	2 075	19	4 273
Total FNB	**8 470**	7 248	17	14 459

FNB produced an excellent performance for the period, increasing pre-tax profits 17%, driven by strong growth in both NII and NIR and a decrease in local bad debts, particularly in residential mortgages and personal loans.

This performance reflects FNB's primary strategy to grow and retain core transactional accounts, drive cross-sell into the customer base (up 2% on the comparative period), apply disciplined origination strategies and provide innovative savings products to attract deposits.

FNB's NII increased 15% driven by growth in both advances (+11%) and deposits (+13%). The lending businesses – residential mortgages in particular – performed as expected with slightly above market advances growth and bad debt levels continuing to decline. The bad debt charge for FNB dropped to 0.87% of advances, while preserving overall provisioning levels. Deposit and advances growth came from the following segments.

Segment analysis of advances and deposit growth

	Six months ended 31 December 2014			
	Deposit growth		**Advances growth**	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**14**	**18.1**	**7**	**15.0**
FNB Africa	**9**	**3.6**	**19**	**7.0**
Commercial	**14**	**17.8**	**19**	**8.3**

In terms of advances, residential mortgages grew 5% and card increased 22% with particularly good growth coming from the private clients and wealth customer bases. Personal loans grew 4%, reflecting adjustments in appetite and cautious credit extension, especially in the mass segment.

FNB's overall NPLs decreased 12% and continued to benefit from the proactive workout strategies in residential mortgages. Credit card NPLs reduced, with excellent levels of post write-off recoveries continuing. NPLs in the personal loans portfolio also reduced as a consequence of strict origination and focused collections activities. In terms of other retail (e.g. overdraft and revolving credit), NPLs increased following strong book growth in previous periods, credit appetite adjustments were implemented and provisions bolstered. Overall provisioning levels for FNB have remained conservative reflecting appropriate management overlays.

FNB's NIR increased 10% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic transactional volumes up 14%. Customers continue to migrate to electronic channels with ADT deposits increasing 11%, whilst branch-based deposits decreased 18%. The success of FNB's electronic migration strategy is also reflected in exceptionally strong growth in online transactions (up 15%), banking app (up 67%) and mobile (up 27%). FNB's strategy to drive card as a transactional product also resulted in 17% growth in turnover, underpinned by good growth in new active credit card accounts of 8%.

FNB's overall operating expenditure increased 11%, reflecting ongoing investment in its operating footprint, particularly in the rest of Africa (costs up 18%). The business however continues to deliver positive operating jaws.

FNB's African subsidiaries performed well, growing pre-tax profits 25%. Namibia and Swaziland in particular generated significantly higher profits on the back of balance sheet growth, improved margins and increased transactional volumes. Zambia, Mozambique and Tanzania continued to invest in footprint and product rollout.

FNB produced an ROE of 40.7%, which remains well above hurdle rates, despite ongoing investment in platforms and new territories.

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business continues to benefit from its strategy to generate more income from client-driven activities, which is anchored around a risk appetite framework designed to effectively manage the trade-offs between earnings volatility, profit growth and returns. This strategy, coupled with steady investment returns and a growing focus on originating asset management products, is delivering a high quality and sustainable earnings profile.

RMB financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**2 520**	2 354	7	5 507
Normalised profit before tax	**3 569**	3 313	8	7 688
Total assets	**409 505**	374 931	9	390 209
Total liabilities	**401 435**	367 491	9	380 107
ROE (%)	**21.2**	24.0		25.8
ROA (%)	**1.23**	1.27		1.45
Credit loss ratio (%)	**0.61**	0.30		0.21
Cost-to-income ratio (%)	**43.1**	46.3		45.0

Divisional performance

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Investment banking	**3 243**	3 066	6	7 159
– Global Markets	**1 113**	1 012	10	1 991
– IBD	**1 510**	1 701	(11)	4 083
– Private Equity	**1 172**	444	>100	1 208
– Other RMB	**(552)**	(91)	>100	(123)
Corporate banking	**326**	247	32	529
Total RMB	**3 569**	3 313	8	7 688

RMB corporate and investment banking produced solid results for the period, given the challenging operating environment, growing pre-tax profits 8% to R3.6 billion and generating a satisfactory ROE of 21.2%. This performance was underpinned by an improved contribution from corporate and transactional activities, strong results from the global markets franchise, particularly in the rest of Africa, and excellent profitability from the private equity portfolio. In addition cost management remains a key focus and is reflected in the 4% increase in costs.

The Investment Banking division (IBD) delivered a robust operational performance given the very high base created in previous years. However, provisions against certain oil and gas, and mining and metals exposures in the core lending book impacted the results. This is considered prudent action given the current macro pressures in those sectors. Asset margins were impacted by increased funding and liquidity costs, and competitive pricing.

IBD continued to benefit from growth in bespoke term lending resulting from client balance sheet restructures. Advisory income remained resilient on the back of the franchise's market leadership position.

The Global Markets division delivered a solid performance for the period growing profits 10%. This was achieved in spite of challenging market conditions, lower levels of volatility, a decrease in commodity prices and increased competitive pressures, and was driven by a strong performance from the domestic interest-rate and rest of Africa currency activities. Structuring activities benefited from a number of large-scale deals, although market activity was generally subdued in the wake of ABIL being placed under curatorship.

Private Equity produced excellent growth with profits for the period growing to R1.17 billion. The division continues to benefit from the quality and diversity of its portfolio, reporting strong equity-accounted earnings and solid income from investment subsidiaries. Earnings were positively impacted by a significant realisation, however, despite this realisation the unrealised value of the portfolio increased to R4.3 billion (June 2014: R3.9 billion).

The Corporate and Transactional Banking division achieved profit growth of 32% to R326 million as it begins to see the benefits of strategies put in place to derive value from the transactional banking platform. The business also benefited from targeted coverage initiatives, increased demand for trade and working capital products and higher deposit balances. A particular corporate exposure resulted in an increase in credit impairments.

RMB Resources reported a loss of R353 million for the period with both the equity and debt portfolios under pressure as a result of sharply declining commodity prices and the inability of counterparties to raise further funds to advance projects. The portfolio continues to be closely monitored, however, stress is expected to persist on the back of negative macros in the resources sector.

Also included in Other RMB are losses from the legacy portfolio, which were contained to R44 million, as well as platform investments.

WesBank

WesBank represents the group's activities in asset-based finance in the retail, commercial and corporate segments of South Africa and asset-based motor finance through 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 and dealer groups, and strong point-of-sale presence.

WesBank financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**1 623**	1 497	8	3 013
Normalised profit before tax	**2 282**	2 149	6	4 315
Total assets	**180 693**	157 273	15	170 194
Total liabilities	**177 045**	155 079	14	166 137
NPLs (%)	**3.01**	2.67		2.86
Credit loss ratio (%)	**1.37**	1.25		1.35
ROE (%)	**23.7**	28.3		26.5
ROA (%)	**1.81**	1.95		1.88
Cost-to-income ratio (%)	**42.6**	43.0		43.3
Net interest margin (%)	**4.75**	5.10		5.05

WesBank delivered a resilient performance despite its sensitivity to the local retail credit cycle. Solid growth in new business volumes underpinned a 6% increase in profits to R2.3 billion; an ROE of 23.7% and an ROA of 1.81%. These results reflect the strength of WesBank's franchise, disciplined credit origination and effective sales channels.

The table below shows the relative performance period-on-period of WesBank's activities.

Breakdown of profit contribution by activity*

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
VAF				
– Local retail	**1 012**	1 019	(1)	1 876
– International (MotoNovo)	**429**	293	46	651
– Corporate and commercial	**211**	254	(17)	619
Personal loans	**630**	583	8	1 169
Total WesBank	**2 282**	2 149	6	4 315

* *Refer to additional segmental disclosure on page 72.*

Strong new business volumes and profit growth continued in the MotoNovo business and personal loans also performed well within credit expectations at this point in the cycle. New business across all of WesBank's retail portfolios reflects a good risk profile with systemic tightening continuing in credit appetite for higher-risk segments. New business production increased 13% year-on-year with personal loans and MotoNovo origination volumes up 9% and 92%, respectively. Local retail VAF's performance continues to reflect the pressures facing consumers, with advances flat year-on-year (up 10% after adjusting for a new associate). WesBank's rest of Africa new business grew 15% year-on-year (these figures are reported under FNB Africa).

As expected interest margins are trending down mainly due to higher funding and liquidity costs, the mix change between fixed and floating rate business and pricing pressure.

As anticipated, bad debts have trended upward but remain within through-the-cycle thresholds and WesBank remains well provided at this point in the cycle. Credit origination remains within risk tolerances and appetite, and regular scorecard adjustments are made.

NPLs as a percentage of advances are up 13% year-on-year, but remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement. This conservative treatment is in line with group practice with 51% of NPLs currently under debt review (compared to 47% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when they went into debt review. In addition to the increase in retail customers in debt review, corporate NPLs also increased given stress in certain counterparties.

NIR, including income from associates, increased 14% year-on-year, reflective of the growth in the advances book, insurance income and in rental assets.

Total operating costs are up 9% reflecting increases in depreciation and maintenance costs relating to the full maintenance rental assets (these costs are a function of growth of the portfolio and nature of the underlying book) and costs associated with a number of strategic investment initiatives. Core operating costs, however, remained in line with inflation, increasing 5%.

Ashburton Investments

The group's investment management franchise, Ashburton Investments, continues to execute on its organic strategy.

Operationally the business is still in build mode, particularly in terms of platforms, systems and skills. The introduction of the LISP platform to the group's internal channels continued to generate good volumes of customer migration. Cumulative growth in AUM, excluding conduits, has been strong, increasing 30% since inception of the business in June 2013 (year-on-year 14%). Profitability is tracking in line with expectations given the current level of investment.

Ashburton Investments is benefiting from the product generation capabilities of RMB and 26% of assets are now represented by alternative products.

The relative contribution to the group's normalised earnings mix and growth rates from types of income and business units are shown in the table below.

Segment analysis of normalised earnings

	Six months ended 31 December				% change	Year ended 30 June
R million	**2014**	**% contri-bution**	**2013**	**% contri-bution**		**2014**
Retail banking	**5 401**	**54**	4 740	55	14	9 309
FNB	**3 959**		3 426			6 742
WesBank	**1 442**		1 314			2 567
Commercial banking	**1 953**	**20**	1 677	19	16	3 523
FNB	**1 772**		1 494			3 077
WesBank	**181**		183			446
Corporate and investment banking	**2 520**	**25**	2 354	27	7	5 507
RMB	**2 520**		2 354			5 507
Other	**119**	**1**	(80)	(1)	(>100)	324
NCNR preference shares	**(153)**		(144)			(288)
FCC (including Group Treasury) and consolidation adjustments	**272**		64			612
Normalised earnings	**9 993**	**100**	8 691	100	15	18 663

CAPITAL POSITION

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**13.8**	**14.7**	**16.5**

* *Excludes the bank-specific individual capital requirement.*
** *Includes unappropriated profits.*

The group has maintained its very strong capital position. Capital planning is undertaken on a three-year forward-looking basis and the level and composition of capital is determined taking into account business unit organic growth plans and stress-testing scenario outcomes. In addition, the group considers external issues that could impact capital levels, which include regulatory changes (particularly Basel III), macroeconomic conditions and future outlook.

Recently the Basel Committee on Banking Supervision (BCBS) issued a number of consultative documents that may impact the capital levels:

- a revised set of standardised approaches for credit and operational risk; and
- a capital floor based on the revised standardised approach for internal ratings-based (IRB) accredited banks.

The capital floor aims to address variability in capital for banks using the IRB approaches and to enhance comparability across jurisdictions. These consultative documents are still under discussion and the impact of the standardised capital floor cannot yet be determined as the BCBS has not yet clarified the proposed calibration and implementation timeline.

In addition, the Financial Stability Board issued for consultation a set of principles on the adequacy of loss-absorbing and recapitalisation capacity of global systemically important banks (G-SIBs) at the end of 2014. These were developed in consultation with the BCBS and will, once finalised, form a new minimum standard for the total loss-absorbing capacity and composition of a bank's capital structure. The group is participating in the quantitative impact study to assess the potential effect of the new standard. It remains uncertain whether this standard will be implemented for South African banks.

The group is of the view that, given its current high levels of capital, it is well positioned to absorb these increased regulatory requirements, however, it is fair to say that the absolute impact on capital levels and composition remains unclear.

DIVIDEND STRATEGY

Given the uncertainty around regulatory changes, the challenging operating environment and expected demand for capital, the group believes its current dividend strategy remains appropriate. As previously stated it considers the level of payout within a range of 1.8 x to 2.2 x and assesses the appropriateness of this on an annual basis. The group has, therefore, decided to keep its interim dividend cover at 1.9 x for the six months to December 2014.

PROSPECTS

In the medium term GDP growth in South Africa is expected to gradually increase, but remain below trend due to both demand weakness and supply side constraints, particularly with regards to power. If the US recovery continues as expected, the SARB may have to increase rates, which will place further pressure on the South African consumer.

Whilst the group currently does not expect rates to move in the second half of its financial year to 30 June 2015, economic headwinds are increasing and growth in the system remains very subdued. High levels of indebtedness remain in certain segments of the consumer market, which means advances growth should stay at current levels and corporate activity is unlikely to pick up significantly. The marked fall in the oil price in recent months, however, could provide impetus for a downtrend in consumer inflation.

The group believes its franchises have the appropriate strategies in place to produce resilient operational performances against this difficult economic backdrop. The strength of its balance sheet and the quality of its diverse income streams should allow FirstRand to continue to deliver sustainable and superior returns to shareholders.

MATURITY OF FIRSTRAND'S BEE TRANSACTION

On 31 December 2014, the staff and director components of FirstRand's 2005 Black Economic Empowerment (BEE) transaction matured. This resulted in participants receiving a net benefit valued at R5.4 billion from the vesting of 107.5 million FirstRand ordinary shares and R560 million from the vesting of 17.8 million MMI Holdings Limited (MMI) shares. The shares were held by the FirstRand Black Employee Trust, the FirstRand Black Non-executive Directors Trust and the Staff Assistance Trust (the trusts) after purchasing the FirstRand shares in the market in 2005 and receiving the MMI shares pursuant to the unbundling of MMI in 2010.

To facilitate the wind-up of the trusts on maturity of the transaction, the group bought back 63 million FirstRand shares from the trusts. The group also obtained 11 million MMI shares held by the trusts (collectively, the share buy-back). The share buy-back enabled the trusts to return capital contributions and the vesting of the net proceeds with the residual beneficiary.

To reinstate the normalised NAV, which was reduced by the share buy-back, the group reissued 35 million ordinary shares on 20 January 2015.

On the same day, the group offered 67 million FirstRand and 24 million MMI ordinary shares on behalf of the beneficiaries to settle tax obligations and to deliver cash value to the beneficiaries who elected to sell their shares. While the group facilitated the sale, the election was made by the beneficiaries and the full proceeds on the sale of these shares were for the account of the beneficiaries.

The offers were made by way of an accelerated bookbuild process to qualifying institutional investors only and were successfully placed. The ordinary shares were delivered and the new shares listed on the JSE on 28 January 2015.

From an economic perspective, the reissue of the 35 million shares formed an integral part of the BEE unwind transaction and, as such, has been included in the group's normalised share capital, and NAV and related ratios at 31 December 2014.

The financial effect of the unwind was a decrease in normalised EPS of 3c per share, largely due to the IAS 19 expense of R158 million relating to the MMI shares held by the staff trusts (included in the R174 million adjustment – refer page 133), and an increase in normalised NAV of R227 million or 11.7c per share. Refer to pages 132 and 133 for more detailed financial information.

BASIS OF PRESENTATION

FirstRand prepares its condensed consolidated financial results in accordance with:

- recognition and measurement requirements of IFRS;
- presentation and disclosure requirements of IAS 34;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council; and
- the requirements of the Companies Act 71 of 2008 applicable to summary financial statements.

The results are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The accounting policies applied in the preparation of the condensed interim consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. The following standards and interpretations, which did not have any effect on the group's accounting policies, earnings or financial position, were effective for the first time in the current financial period:

- *IAS 19 Employee Benefits Defined Benefit Plans – Employee Contributions (IAS 19);*
- *IAS 32 Financial Instruments: Presentation – Amendment to Offsetting Financial Assets and Financial Liabilities (IAS 32);*
- *IAS 39 Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting Amendment (IAS 39);*
- *IFRS 10 Consolidated Financial Statements – Investment Entities amendment (IFRS 10); and*
- *IFRIC 21 Levies (IFRIC 21).*

The condensed consolidated interim results for the six months ended 31 December 2014 have not been audited or independently reviewed by the group's external auditors.

The group believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies. Details of the nature of these adjustments and the reasons therefore can be found on pages 14 and 15.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, as defined in *IAS 10 Events After the Reporting Period*, occurring between 31 December 2014 and the date of authorisation of the results announced.

BOARD CHANGES

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

Mr Jurie Johannes Human Bester retired at the conclusion of the 2014 annual general meeting and did not offer himself for re-election.

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors have declared a gross cash dividend totalling 93 cents per ordinary share out of income reserves for the six months ended 31 December 2014.

Ordinary dividends

	Six months ended 31 December	
Cents per share	**2014**	**2013**
Interim (declared 6 March 2015)	93.0	77.0

The salient dates for the interim dividend are as follows:

Finalisation date – ordinary dividend and interim results announcement on SENS	Tuesday 10 March 2015
Last day to trade cum-dividend	Friday 20 March 2015
Shares commence trading ex-dividend	Monday 23 March 2015
Record date	Friday 27 March 2015
Payment date	Monday 30 March 2015

Share certificates may not be dematerialised or re-materialised between Monday 23 March 2015 and Friday 27 March 2015, both days inclusive.

The interim dividend of 93 cents per share carries a STC credit of 4.29048 cents per share. Shareholders who are exempt from Dividend Withholding Tax (DWT) will receive the full 93 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 in account the STC credit.

For South African shareholders who are subject to DWT, the net interim dividend after deducting 15% tax will be 79.69357 cents per share.

The issued share capital on the declaration date was 5 609 488 001 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

Cents per share	B preference shares
Period:	
26 February 2013 – 26 August 2013	**320.3**
27 August 2013 – 24 February 2014	**320.3**
25 February 2014 – 25 August 2014	**341.1**
26 August 2014 – 23 February 2015	**348.5**

LL Dippenaar	**SE Nxasana**	**C Low**
Chairman	CEO	Company secretary

9 March 2015

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.

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 were 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 were held in various share trusts. In addition to the 2005 grants, the staff share trusts received MMI shares pursuant to the unbundling of MMI. These schemes all vested on 31 December 2014 and the black non-executive directors and black staff received the FirstRand and MMI shares due to them.

IFRS 10 Consolidated Financial Statements required certain of these share trusts to be consolidated by the group. The FirstRand shares held by the staff share trusts were, therefore, treated as treasury shares. MMI shares held by the staff share trusts were treated as available-for-sale equity investments. On vesting all the assets and liabilities in the trusts were employed in the vesting of the shares and the wind-up of the trusts.

From an IFRS perspective the following expenses were recognised for the period from 1 July 2014 until the vesting date:

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

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

- historically FirstRand shares held by staff share schemes were treated as issued to parties external to the group and loans to share trusts were recognised as external loans. As these trusts have now been unwound this adjustment is no longer required;
- the IFRS 2 expense is reversed; and
- the IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

In order to facilitate the unwind of the trusts, the group acquired 63 million FirstRand shares from the trusts. In order to reinstate normalised NAV, 35 million of these shares were offered for issue on 20 January 2015. From an economic perspective, the reissue of the 35 million shares formed an integral part of the BEE unwind transaction and as such, the impact of the reissue has been taken into account for purposes of calculating normalised results.

For additional information on the impact of the BEE vesting and unwind please refer to pages 11 to 12 and 132 to 133.

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 within RMB on a fair value basis in terms of IFRS. As a result, the margin and credit impairments on these advances are 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 *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 results 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 to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share 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 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 *Circular 2/2013 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 3. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Net interest income before impairment of advances	**17 489**	14 673	19	29 878
Impairment of advances	**(2 704)**	(2 294)	18	(5 252)
Net interest income after impairment of advances	**14 785**	12 379	19	24 626
Non-interest revenue	**18 791**	17 192	9	36 150
Income from operations	**33 576**	29 571	14	60 776
Operating expenses	**(19 339)**	(17 047)	13	(35 448)
Net income from operations	**14 237**	12 524	14	25 328
Share of profit of associates after tax	**405**	247	64	670
Share of profit of joint ventures after tax	**332**	113	>100	257
Income before tax	**14 974**	12 884	16	26 255
Indirect tax	**(491)**	(465)	6	(878)
Profit before tax	**14 483**	12 419	17	25 377
Income tax expense	**(3 352)**	(2 989)	12	(5 591)
Profit for the period	**11 131**	9 430	18	19 786
Attributable to				
Ordinary equityholders	**10 304**	8 839	17	18 440
NCNR preference shareholders	**153**	144	6	288
Equityholders of the group	**10 457**	8 983	16	18 728
Non-controlling interests	**674**	447	51	1 058
Profit for the period	**11 131**	9 430	18	19 786
Earnings per share (cents)				
– Basic	**187.8**	161.1	17	336.2
– Diluted	**187.8**	159.6	18	332.7
Headline earnings per share (cents)				
– Basic	**180.5**	160.5	12	340.4
– Diluted	**180.5**	159.1	13	336.8

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – IFRS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Profit for the period	**11 131**	9 430	18	19 786
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(141)**	70	(>100)	363
Losses arising during the period	**(368)**	(265)	39	(109)
Reclassification adjustments for amounts included in profit or loss	**172**	364	(53)	613
Deferred income tax	**55**	(29)	(>100)	(141)
Available-for-sale financial assets	**(113)**	(40)	>100	(82)
Gains/(losses) arising during the period	**170**	(19)	(>100)	(82)
Reclassification adjustments for amounts included in profit or loss	**(227)**	(66)	>100	(69)
Deferred income tax	**(56)**	45	(>100)	69
Exchange differences on translating foreign operations	**378**	396	(5)	346
Gains arising during the period	**378**	396	(5)	346
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(65)**	3	(>100)	131
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(136)**	(20)	>100	(82)
Losses arising during the period	**(140)**	(25)	>100	(157)
Deferred income tax	**4**	5	(20)	75
Other comprehensive income for the period	**(77)**	409	(>100)	676
Total comprehensive income for the period	**11 054**	9 839	12	20 462
Attributable to				
Ordinary equityholders	**10 231**	9 225	11	19 086
NCNR preference shareholders	**153**	144	6	288
Equityholders of the group	**10 384**	9 369	11	19 374
Non-controlling interests	**670**	470	43	1 088
Total comprehensive income for the period	**11 054**	9 839	12	20 462

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**
ASSETS			
Cash and cash equivalents	**53 507**	49 546	60 756
Derivative financial instruments	**39 325**	44 221	39 038
Commodities	**6 271**	6 894	7 904
Accounts receivable	**7 389**	7 349	8 159
Current tax asset	**1 042**	618	131
Advances	**721 529**	635 443	685 926
Investment securities and other investments	**123 879**	127 281	119 107
Investments in associates	**5 723**	5 295	5 847
Investments in joint ventures	**1 536**	998	1 205
Property and equipment	**15 724**	14 300	14 495
Intangible assets	**1 110**	1 181	1 047
Reinsurance assets	**436**	396	408
Post-employment benefit asset	**5**	3	5
Investment properties	**432**	458	419
Deferred income tax asset	**417**	432	862
Non-current assets and disposal groups held for sale	**223**	16	226
Total assets	**978 548**	894 431	945 535
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**512**	5 532	5 442
Derivative financial instruments	**42 959**	48 836	41 659
Creditors and accruals	**14 630**	10 256	13 437
Current tax liability	**382**	438	369
Deposits	**801 698**	727 032	768 234
Provisions	**767**	655	797
Employee liabilities	**7 100**	4 998	7 441
Other liabilities	**7 325**	4 591	6 586
Policyholder liabilities under insurance contracts	**533**	662	540
Deferred income tax liability	**893**	1 185	796
Tier 2 liabilities	**10 380**	8 127	11 983
Liabilities directly associated with disposal groups held for sale	**–**	–	34
Total liabilities	**887 179**	812 312	857 318
Equity			
Ordinary shares	**57**	55	55
Share premium	**6 407**	5 571	5 531
Reserves	**77 147**	69 115	74 928
Capital and reserves attributable to ordinary equityholders	**83 611**	74 741	80 514
NCNR preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group	**88 130**	79 260	85 033
Non-controlling interests	**3 239**	2 859	3 184
Total equity	**91 369**	82 119	88 217
Total equity and liabilities	**978 548**	894 431	945 535

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2014**	**2013**	**2014**
Cash flows from operating activities			
Cash receipts from customers	**42 732**	36 774	76 678
Cash paid to customers, suppliers and employees	**(25 576)**	(22 382)	(46 403)
Dividends received	**1 636**	1 890	3 734
Dividends paid	**(5 660)**	(4 588)	(8 957)
Dividends paid to non-controlling interests	**(398)**	(360)	(630)
Cash generated from operating activities	**12 734**	11 334	24 422
Increase in income-earning assets	**(39 767)**	(28 875)	(74 630)
Increase in deposits and other liabilities	**25 973**	25 987	68 797
Taxation paid	**(4 072)**	(3 273)	(6 711)
Net cash (utilised by)/generated from operating activities	**(5 132)**	5 173	11 878
Net cash outflow from investing activities	**(1 371)**	(3 335)	(4 190)
Net cash (outflow)/inflow from financing activities	**(857)**	(1 626)	4 343
Net (decrease)/increase in cash and cash equivalents	**(7 360)**	212	12 031
Cash and cash equivalents at the beginning of the period	**60 756**	48 565	48 565
Cash and cash equivalents disposed of through disposal of subsidiaries	**–**	326	(11)
Effect of exchange rate changes on cash and cash equivalents	**111**	443	179
Transfer to non-current assets held for sale	**–**	–	(8)
Cash and cash equivalents at the end of the period	**53 507**	49 546	60 756
Mandatory reserve balances included above*	**20 069**	17 005	17 322

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

FLOW OF FUNDS ANALYSIS

	December 2014 vs June 2014	December 2013 vs June 2013	June 2014 vs June 2013
R million	**6-month movement**	**6-month movement**	**12-month movement**
Sources of funds			
Capital account movement (including profit and reserves)	**3 706**	2 981	9 182
Working capital movement	**309**	(2 666)	3 590
Derivatives positions	**(3 917)**	6 425	4 341
Investments	**1 848**	(2 550)	(4 475)
Deposits and long-term liabilities	**31 861**	30 008	75 066
Advances	**(35 603)**	(34 378)	(84 861)
Total	**(1 796)**	(180)	2 843
Application of funds			
Cash and cash equivalents	**7 249**	(981)	(12 191)
Investment securities and other investments	**(5 453)**	1 161	9 348
Total	**1 796**	180	(2 843)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2013	55	5 609	**5 664**	(569)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	(38)	**(38)**	–	–
Total comprehensive income for the period	–	–	**–**	(20)	70
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2013	55	5 571	**5 626**	(589)	170
Balance as at 1 July 2014	55	5 531	**5 586**	(651)	461
Share movements relating to the unwind of the staff share trust*	1	873	**874**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	1	3	**4**	–	–
Total comprehensive income for the period	–	–	**–**	(136)	(141)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2014	57	6 407	**6 464**	(787)	320

* *Shares previously treated as treasury shares.*

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**
3 173	518	1 999	126	60 607	**65 954**	**4 519**	**2 896**	**79 033**
(499)	–	–	(9)	(27)	**(535)**	**–**	**(28)**	**(563)**
–	–	–	–	(4 444)	**(4 444)**	**–**	**(360)**	**(4 804)**
–	–	–	–	–	**–**	**(144)**	**–**	**(144)**
–	–	–	11	(11)	**–**	**–**	**–**	**–**
–	–	–	–	(234)	**(234)**	**–**	**(119)**	**(353)**
–	–	–	–	5	**5**	**–**	**–**	**(33)**
–	(40)	372	4	8 839	**9 225**	**144**	**470**	**9 839**
(15)	–	–	–	(841)	**(856)**	**–**	**–**	**(856)**
2 659	478	2 371	132	63 894	**69 115**	**4 519**	**2 859**	**82 119**
2 783	436	2 352	270	69 277	**74 928**	**4 519**	**3 184**	**88 217**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**(72)**	**(72)**
(521)	–	–	12	(981)	**(1 490)**	**–**	**(3)**	**(1 493)**
–	–	–	–	(5 507)	**(5 507)**	**–**	**(398)**	**(5 905)**
–	–	–	–	–	**–**	**(153)**	**–**	**(153)**
–	–	–	(1)	1	**–**	**–**	**–**	**–**
–	–	–	–	(23)	**(23)**	**–**	**(142)**	**(165)**
–	–	–	–	1	**1**	**–**	**–**	**5**
–	(112)	369	(53)	10 304	**10 231**	**153**	**670**	**11 054**
(2 207)	–	–	–	1 214	**(993)**	**–**	**–**	**(993)**
55	324	2 721	228	74 286	**77 147**	**4 519**	**3 239**	**91 369**

detailed financial analysis

The analysis of the financial results is based on normalised earnings. A detailed reconciliation between IFRS and normalised results is set out on pages 30 to 38.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Earnings performance				
Normalised earnings contribution by franchise	**9 993**	8 691	15	18 663
FNB	**5 731**	4 920	16	9 819
RMB	**2 520**	2 354	7	5 507
WesBank	**1 623**	1 497	8	3 013
FCC (including Group Treasury) and other	**272**	64	>100	612
NCNR preference dividend	**(153)**	(144)	6	(288)
Attributable earnings – IFRS (refer page 16)	**10 304**	8 839	17	18 440
Headline earnings	**9 901**	8 807	12	18 671
Normalised earnings	**9 993**	8 691	15	18 663
Normalised net asset value	**85 241**	75 714	13	81 590
Normalised net asset value per share (cents)	**1 519.6**	1 342.9	13	1 447.2
Tangible normalised net asset value	**84 131**	74 533	13	80 543
Tangible normalised net asset value per share (cents)	**1 499.8**	1 322.0	13	1 428.6
Average normalised net asset value	**83 416**	74 205	12	77 143
Market capitalisation	**281 881**	202 346	39	229 746
Normalised earnings per share (cents)				
– Basic	**177.3**	154.2	15	331.0
– Diluted	**177.3**	154.2	15	331.0
Earnings per share (cents)				
– Basic	**187.8**	161.1	17	336.2
– Diluted	**187.8**	159.6	18	332.7
Headline earnings per share (cents)				
– Basic	**180.5**	160.5	12	340.4
– Diluted	**180.5**	159.1	13	336.8
Ordinary dividend per share (cents)	**93.0**	77.0	21	174.0
NCNR B preference dividend* paid (cents per share)	**348.5**	320.3	9	640.6
Capital adequacy**				
Capital adequacy ratio (%)	**16.5**	16.2		16.7
Tier 1 ratio (%)	**14.7**	14.8		14.8
CET1 ratio (%)	**13.8**	13.7		13.9
Balance sheet				
Normalised total assets	**980 176**	895 401	9	946 609
Loans and advances (net of credit impairment)	**721 529**	635 443	14	685 926
Ratios and key statistics				
ROE (%)	**24.0**	23.4		24.2
Return on assets (%)	**2.07**	1.97		2.06
Price earnings ratio (times)	**14.3**	11.6		12.3
Price-to-book ratio (times)	**3.3**	2.7		2.8
Dividend cover (times)	**1.9**	2.0		1.9
Average loan-to-deposit ratio (%)	**91.5**	88.6		89.6
Diversity ratio (%)	**46.9**	47.7		48.8
Credit impairment charge	**3 086**	2 445	26	5 519
NPLs as % of advances	**2.44**	2.56		2.33
Credit loss ratio (%)	**0.86**	0.77		0.84
Specific coverage ratio (%)	**40.8**	40.2		40.8
Total impairment coverage ratio (%)	**83.4**	77.3		85.4
Performing book coverage ratio (%)	**1.07**	0.97		1.06
Cost-to-income ratio (%)	**50.8**	51.9		51.1
Effective tax rate (%)	**23.2**	23.8		21.4
Number of employees	**39 508**	38 026	4	38 542

* *75.56% of FNB prime lending rate.*
** *Includes unappropriated profits.*

CONDENSED CONSOLIDATED INCOME STATEMENT – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Net interest income before impairment of advances	**19 048**	16 397	16	33 362
Impairment of advances	**(3 086)**	(2 445)	26	(5 519)
Net interest income after impairment of advances	**15 962**	13 952	14	27 843
Non-interest revenue*	**16 114**	14 478	11	30 692
Income from operations	**32 076**	28 430	13	58 535
Operating expenses*	**(18 233)**	(16 282)	12	(33 276)
Net income from operations	**13 843**	12 148	14	25 259
Share of profit of associates and joint ventures after tax	**742**	487	52	1 065
Income before tax	**14 585**	12 635	15	26 324
Indirect tax	**(491)**	(465)	6	(878)
Profit before tax	**14 094**	12 170	16	25 446
Income tax expense	**(3 274)**	(2 891)	13	(5 448)
Profit for the period	**10 820**	9 279	17	19 998
Non-controlling interests	**(674)**	(444)	52	(1 047)
NCNR preference shareholders	**(153)**	(144)	6	(288)
Normalised earnings attributable to ordinary equityholders of the group	**9 993**	8 691	15	18 663

* *December 2013 results have been restated for the presentation of the portion of staff costs relating to the remeasurement of the share-based payment liability as a result of the share price changes. These were previously included in operating expenses and are now included in NIR.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Profit for the period	**10 820**	9 279	17	19 998
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(141)**	70	(>100)	363
Losses arising during the period	**(368)**	(265)	39	(109)
Reclassification adjustments for amounts included in profit or loss	**172**	364	(53)	613
Deferred income tax	**55**	(29)	(>100)	(141)
Available-for-sale financial assets	**4**	(120)	(>100)	(186)
Losses arising during the year	**(77)**	(99)	(22)	(186)
Reclassification adjustments for amounts included in profit or loss	**137**	(66)	(>100)	(69)
Deferred income tax	**(56)**	45	(>100)	69
Exchange differences on translating foreign operations	**378**	396	(5)	346
Gains arising during the period	**378**	396	(5)	346
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(65)**	3	(>100)	131
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(82)**	33	(>100)	22
(Losses)/gains arising during the period	**(65)**	49	(>100)	(12)
Deferred income tax	**(17)**	(16)	6	34
Other comprehensive income for the period	**94**	382	(75)	676
Total comprehensive income for the period	**10 914**	9 661	13	20 674
Attributable to:				
Ordinary equityholders	**10 091**	9 050	12	19 309
NCNR preference shareholders	**153**	144	6	288
Equityholders of the group	**10 244**	9 194	11	19 597
Non-controlling interests	**670**	467	43	1 077
Total comprehensive income for the period	**10 914**	9 661	13	20 674

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**
ASSETS			
Cash and cash equivalents	**53 507**	49 546	60 756
Derivative financial instruments	**39 325**	44 221	39 038
Commodities	**6 271**	6 894	7 904
Accounts receivable	**8 999**	7 334	8 141
Current tax asset	**994**	570	83
Advances	**721 529**	635 443	685 926
Investment securities and other investments	**123 948**	126 682	118 495
Loans to share trusts	**–**	1 651	1 759
Investments in associates	**5 723**	5 295	5 847
Investments in joint ventures	**1 533**	979	1 198
Property and equipment	**15 724**	14 300	14 495
Intangible assets	**1 110**	1 181	1 047
Reinsurance assets	**436**	396	408
Post-employment benefit asset	**5**	3	5
Investment properties	**432**	458	419
Deferred income tax asset	**417**	432	862
Non-current assets and disposal groups held for sale	**223**	16	226
Total assets	**980 176**	895 401	946 609
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**512**	5 532	5 442
Derivative financial instruments	**42 959**	48 836	41 659
Creditors and accruals	**14 630**	10 256	13 437
Current tax liability	**380**	435	367
Deposits	**801 698**	727 032	768 234
Provisions	**767**	655	797
Employee liabilities	**7 100**	4 998	7 441
Other liabilities	**7 325**	4 591	6 586
Policyholder liabilities under insurance contracts	**533**	662	540
Deferred income tax liability	**893**	1 185	796
Tier 2 liabilities	**10 380**	8 127	11 983
Liabilities directly associated with disposal groups held for sale	**–**	–	34
Total liabilities	**887 177**	812 309	857 316
Equity			
Ordinary shares	**56**	56	56
Share premium	**8 073**	7 083	7 083
Reserves	**77 112**	68 575	74 451
Capital and reserves attributable to ordinary equityholders	**85 241**	75 714	81 590
NCNR preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group	**89 760**	80 233	86 109
Non-controlling interests	**3 239**	2 859	3 184
Total equity	**92 999**	83 092	89 293
Total equity and liabilities	**980 176**	895 401	946 609

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – NORMALISED

for the period ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2013	56	7 083	**7 139**	(459)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) reserves	–	–	**–**	–	–
Changes in ownership interest in subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	33	70
Vesting of share-based payment reserve	–	–	**–**	–	–
Balance as at 31 December 2013	56	7 083	**7 139**	(426)	170
Balance as at 1 July 2014	56	7 083	**7 139**	(437)	461
Movements relating to the unwind of the share trusts	–	990	**990**	–	–
Net share movement relating to the unwind of the share trusts and vesting of shares**	–	(639)	**(639)**	–	–
Shares issued to participants and bought back from unconsolidated trusts#	1	873	**874**	–	–
Share owned by consolidated trusts†	(1)	(1 512)	**(1 513)**	–	–
Other reserve movements relating to the unwind of the share trusts	–	–	**–**	–	–
Reallocation of share-based payment reserve relating to the share trust unwind	–	–	**–**	–	–
Reissue 35 million shares	–	1 629	**1 629**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(82)	(141)
Vesting of share-based payment reserve	–	–	**–**	–	–
Balance as at 31 December 2014	56	8 073	**8 129**	(519)	320

* *Headline and normalised earnings adjustments are reflected in the movement in other reserves.*

** *The unwind of the share trusts resulted in a net reduction in issued shares of 63 million shares. The 63 million shares are the number of shares bought back from all of the trusts and represents the difference between the 151 million shares owned by the consolidated trusts, the 92 million shares vested with the participants and the 4 million shares bought from the unconsolidated trust.*

\# *Relates to the 92 million shares which vested with participants of the consolidated trusts less the 4 million shares bought back from the unconsolidated trust based on the original cost of R9.98 per share.*

† *Relates to the 151 million shares that were owned by the consolidated trusts previously reported as externally issued, based on the original cost of R9.98 per share.*

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**
3 054	363	1 999	280	60 220	**65 557**	**4 519**	**2 896**	**80 111**
(511)	–	–	(9)	145*	**(375)**	**–**	**(25)**	**(400)**
–	–	–	–	(4 567)	**(4 567)**	**–**	**(360)**	**(4 927)**
–	–	–	–	–	**–**	**(144)**	**–**	**(144)**
–	–	–	11	(11)	**–**	**–**	**–**	**–**
–	–	–	–	(234)	**(234)**	**–**	**(119)**	**(353)**
–	–	–	–	–	**–**	**–**	**–**	**–**
–	(120)	372	4	8 691	**9 050**	**144**	**467**	**9 661**
(15)	–	–	–	(841)	**(856)**	**–**	**–**	**(856)**
2 528	243	2 371	286	63 403	**68 575**	**4 519**	**2 859**	**83 092**
2 482	177	2 352	424	68 992	**74 451**	**4 519**	**3 184**	**89 293**
375	142	–	–	(74)	**443**	**–**	**–**	**1 433**
–	–	–	–	–	**–**	**–**	**–**	**(639)**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**–**	**(1 513)**
–	142	–	–	301	**443**	**–**	**–**	**443**
375	–	–	–	(375)	**–**	**–**	**–**	**–**
–	–	–	–	–	**–**	**–**	**–**	**1 629**
–	–	–	–	–	**–**	**–**	**(72)**	**(72)**
(596)	–	–	12	(766)*	**(1 350)**	**–**	**(3)**	**(1 353)**
–	–	–	–	(5 507)	**(5 507)**	**–**	**(398)**	**(5 905)**
–	–	–	–	–	**–**	**(153)**	**–**	**(153)**
–	–	–	(1)	1	**–**	**–**	**–**	**–**
–	–	–	–	(23)	**(23)**	**–**	**(142)**	**(165)**
–	–	–	–	–	**–**	**–**	**–**	**–**
–	5	369	(53)	9 993	**10 091**	**153**	**670**	**10 914**
(2 207)	–	–	–	1 214	**(993)**	**–**	**–**	**(993)**
54	324	2 721	382	73 830	**77 112**	**4 519**	**3 239**	**92 999**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 December 2014

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	**19 048**	–	–	(62)	17
Impairment of advances	**(3 086)**	–	–	–	–
Net interest income after impairment of advances	**15 962**	–	–	(62)	17
Non-interest revenue	**16 114**	–	573	240	(17)
Income from operations	**32 076**	–	573	178	–
Operating expenses	**(18 233)**	(75)	(573)	(1)	–
Net income from operations	**13 843**	(75)	–	177	–
Share of profit of associates after tax	**405**	–	–	–	–
Share of profit of joint ventures after tax	**337**	–	–	(5)	–
Income before tax	**14 585**	(75)	–	172	–
Indirect tax	**(491)**	–	–	–	–
Profit before tax	**14 094**	(75)	–	172	–
Income tax expense	**(3 274)**	–	–	–	–
Profit for the period	**10 820**	(75)	–	172	–
Attributable to:					
Non-controlling interests	**(674)**	–	–	–	–
NCNR preference shareholders	**(153)**	–	–	–	–
Ordinary equityholders of the group	**9 993**	(75)	–	172	–
Headline and normalised earnings adjustments	**–**	75	–	(172)	–
Normalised earnings	**9 993**	–	–	–	–

* *Includes FirstRand shares held for client trading activities.*

Fair value annuity income (lending)	IAS 19 adjustment	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(1 514)	–	–	–	–	**17 489**
382	–	–	–	–	**(2 704)**
(1 132)	–	–	–	–	**14 785**
1 132	–	(188)	204	733	**18 791**
–	–	(188)	204	733	**33 576**
–	75	–	–	(532)	**(19 339)**
–	75	(188)	204	201	**14 237**
	–	–	–	–	**405**
–	–	–	–	–	**332**
–	75	(188)	204	201	**14 974**
–	–	–	–	–	**(491)**
–	75	(188)	204	201	**14 483**
–	(21)	–	–	(57)	**(3 352)**
–	54	(188)	204	144	**11 131**
–	–	22	(22)	–	**(674)**
–	–	–	–	–	**(153)**
–	54	(166)	182	144	**10 304**
–	(54)	166	(182)	(144)	**(311)**
–	–	–	–	–	**9 993**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

for the period ended 31 December 2013

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	16 397	–	–	(64)	(114)
Impairment of advances	(2 445)	–	–	–	–
Net interest income after impairment of advances	13 952	–	–	(64)	(114)
Non-interest revenue	14 478	–	456	(11)	114
Income from operations	28 430	–	456	(75)	–
Operating expenses	(16 282)	(12)	(456)	–	–
Net income from operations	12 148	(12)	–	(75)	–
Share of profit of associates after tax	386	–	–	–	–
Share of profit of joint ventures after tax	101	–	–	12	–
Income before tax	12 635	(12)	–	(63)	–
Indirect tax	(465)	–	–	–	–
Profit before tax	12 170	(12)	–	(63)	–
Income tax expense	(2 891)	–	–	–	–
Profit for the period	9 279	(12)	–	(63)	–
Attributable to:					
Non-controlling interests	(444)	–	–	–	–
NCNR preference shareholders	(144)	–	–	–	–
Ordinary equityholders of the group	8 691	(12)	–	(63)	–
Headline and normalised earnings adjustments	–	12	–	63	–
Normalised earnings	8 691	–	–	–	–

* *Includes FirstRand shares held for client trading activities.*

Fair value annuity income (lending)	IAS 19 adjustment	Private equity subsidiary realisations	Impairment of goodwill and other assets	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(1 546)	–	–	–	–	–	14 673
151	–	–	–	–	–	(2 294)
(1 395)	–	–	–	–	–	12 379
1 534	–	(8)	–	65	564	17 192
139	–	(8)	–	65	564	29 571
–	74	–	(11)	1	(361)	(17 047)
139	74	(8)	(11)	66	203	12 524
(139)	–	–	–	–	–	247
–	–	–	–	–	–	113
–	74	(8)	(11)	66	203	12 884
–	–	–	–	–	–	(465)
–	74	(8)	(11)	66	203	12 419
–	(21)	–	–	(20)	(57)	(2 989)
–	53	(8)	(11)	46	146	9 430
–	–	–	–	(3)	–	(447)
–	–	–	–	–	–	(144)
–	53	(8)	(11)	43	146	8 839
–	(53)	8	11	(43)	(146)	(148)
–	–	–	–	–	–	8 691

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2014

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	33 362	–	–	(127)	(247)
Impairment of advances	(5 519)	–	–	–	–
Net interest income after impairment of advances	27 843	–	–	(127)	(247)
Non-interest revenue	30 692	–	1 314	32	247
Income from operations	58 535	–	1 314	(95)	–
Operating expenses	(33 276)	(182)	(1 314)	(3)	–
Net income from operations	25 259	(182)	–	(98)	–
Share of profit of associates after tax	809	–	–	–	–
Share of profit of joint ventures after tax	256	–	–	1	–
Income before tax	26 324	(182)	–	(97)	–
Indirect tax	(878)	–	–	–	–
Profit before tax	25 446	(182)	–	(97)	–
Income tax expense	(5 448)	–	–	–	–
Profit for the year	19 998	(182)	–	(97)	–
Attributable to:					
Non-controlling interests	(1 047)	–	–	–	–
NCNR preference shareholders	(288)	–	–	–	–
Ordinary equityholders of the group	18 663	(182)	–	(97)	–
Headline and normalised earnings adjustments	–	182	–	97	–
Normalised earnings	18 663	–	–	–	–

* *Includes FirstRand shares held for client trading activities.*

Fair value annuity income (lending)	IAS 19 adjustment	Private equity subsidiary realisations	Impairment of goodwill and other assets	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(3 110)	–	–	–	–	–	29 878
267	–	–	–	–	–	(5 252)
(2 843)	–	–	–	–	–	24 626
2 982	–	(20)	–	89	814	36 150
139	–	(20)	–	89	814	60 776
–	145	–	(279)	–	(539)	(35 448)
139	145	(20)	(279)	89	275	25 328
(139)	–	–	–	–	–	670
–	–	–	–	–	–	257
–	145	(20)	(279)	89	275	26 255
–	–	–	–	–	–	(878)
–	145	(20)	(279)	89	275	25 377
–	(41)	1	–	(26)	(77)	(5 591)
–	104	(19)	(279)	63	198	19 786
–	–	4	–	(15)	–	(1 058)
–	–	–	–	–	–	(288)
–	104	(15)	(279)	48	198	18 440
–	(104)	15	279	(48)	(198)	223
–	–	–	–	–	–	18 663

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

R million	Normalised	Treasury shares*	Reissue of shares	IFRS
ASSETS				
Cash and cash equivalents	**53 507**	–	–	**53 507**
Derivative financial instruments	**39 325**	–	–	**39 325**
Commodities	**6 271**	–	–	**6 271**
Accounts receivable	**8 999**	19	(1 629)	**7 389**
Current tax asset	**994**	48	–	**1 042**
Advances	**721 529**	–	–	**721 529**
Investment securities and other investments	**123 948**	(69)	–	**123 879**
Loans to share trusts	**–**	–	–	**–**
Investments in associates	**5 723**	–	–	**5 723**
Investments in joint ventures	**1 533**	3	–	**1 536**
Property and equipment	**15 724**	–	–	**15 724**
Intangible assets	**1 110**	–	–	**1 110**
Reinsurance assets	**436**	–	–	**436**
Post-employment benefit asset	**5**	–	–	**5**
Investment properties	**432**	–	–	**432**
Deferred income tax asset	**417**	–	–	**417**
Non-current assets and disposal groups held for sale	**223**	–	–	**223**
Total assets	**980 176**	1	(1 629)	**978 548**
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	**512**	–	–	**512**
Derivative financial instruments	**42 959**	–	–	**42 959**
Creditors and accruals	**14 630**	–	–	**14 630**
Current tax liability	**380**	2	–	**382**
Deposits	**801 698**	–	–	**801 698**
Provisions	**767**	–	–	**767**
Employee liabilities	**7 100**	–	–	**7 100**
Other liabilities	**7 325**	–	–	**7 325**
Policyholder liabilities under insurance contracts	**533**	–	–	**533**
Deferred income tax liability	**893**	–	–	**893**
Tier 2 liabilities	**10 380**	–	–	**10 380**
Liabilities directly associated with disposal groups held for sale	**–**	–	–	**–**
Total liabilities	**887 177**	2	–	**887 179**
Equity				
Ordinary shares	**56**	1	–	**57**
Share premium	**8 073**	(37)	(1 629)	**6 407**
Reserves	**77 112**	35	–	**77 147**
Capital and reserves attributable to ordinary equityholders	**85 241**	(1)	(1 629)	**83 611**
NCNR preference shares	**4 519**	–	–	**4 519**
Capital and reserves attributable to equityholders of the group	**89 760**	(1)	(1 629)	**88 130**
Non-controlling interests	**3 239**	–	–	**3 239**
Total equity	**92 999**	(1)	(1 629)	**91 369**
Total equity and liabilities	**980 176**	1	(1 629)	**978 548**

* *FirstRand shares held for client trading activities.*

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2013

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	49 546	–	49 546
Derivative financial instruments	44 221	–	44 221
Commodities	6 894	–	6 894
Accounts receivable	7 334	15	7 349
Current tax asset	570	48	618
Advances	635 443	–	635 443
Investment securities and other investments	126 682	599	127 281
Loans to share trusts	1 651	(1 651)	–
Investments in associates	5 295	–	5 295
Investments in joint ventures	979	19	998
Property and equipment	14 300	–	14 300
Intangible assets	1 181	–	1 181
Reinsurance assets	396	–	396
Post-employment benefit asset	3	–	3
Investment properties	458	–	458
Deferred income tax asset	432	–	432
Non-current assets and disposal groups held for sale	16	–	16
Total assets	895 401	(970)	894 431
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 532	–	5 532
Derivative financial instruments	48 836	–	48 836
Creditors and accruals	10 256	–	10 256
Current tax liability	435	3	438
Deposits	727 032	–	727 032
Provisions	655	–	655
Employee liabilities	4 998	–	4 998
Other liabilities	4 591	–	4 591
Policyholder liabilities under insurance contracts	662	–	662
Deferred income tax liability	1 185	–	1 185
Tier 2 liabilities	8 127	–	8 127
Liabilities directly associated with disposal groups held for sale	–	–	–
Total liabilities	812 309	3	812 312
Equity			
Ordinary shares	56	(1)	55
Share premium	7 083	(1 512)	5 571
Reserves	68 575	540	69 115
Capital and reserves attributable to ordinary equityholders	75 714	(973)	74 741
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	80 233	(973)	79 260
Non-controlling interests	2 859	–	2 859
Total equity	83 092	(973)	82 119
Total equity and liabilities	895 401	(970)	894 431

* *Includes FirstRand shares held for client trading activities and BEE share schemes.*

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	60 756	–	60 756
Derivative financial instruments	39 038	–	39 038
Commodities	7 904	–	7 904
Accounts receivable	8 141	18	8 159
Current tax asset	83	48	131
Advances	685 926	–	685 926
Investment securities and other investments	118 495	612	119 107
Loans to share trusts	1 759	(1 759)	–
Investments in associates	5 847	–	5 847
Investments in joint ventures	1 198	7	1 205
Property and equipment	14 495	–	14 495
Intangible assets	1 047	–	1 047
Reinsurance assets	408	–	408
Post-employment benefit asset	5	–	5
Investment properties	419	–	419
Deferred income tax asset	862	–	862
Non-current assets and disposal groups held for sale	226	–	226
Total assets	946 609	(1 074)	945 535
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 442	–	5 442
Derivative financial instruments	41 659	–	41 659
Creditors and accruals	13 437	–	13 437
Current tax liability	367	2	369
Deposits	768 234	–	768 234
Provisions	797	–	797
Employee liabilities	7 441	–	7 441
Other liabilities	6 586	–	6 586
Policyholder liabilities under insurance contracts	540	–	540
Deferred income tax liability	796	–	796
Tier 2 liabilities	11 983	–	11 983
Liabilities directly associated with disposal groups held for sale	34	–	34
Total liabilities	857 316	2	857 318
Equity			
Ordinary shares	56	(1)	55
Share premium	7 083	(1 552)	5 531
Reserves	74 451	477	74 928
Capital and reserves attributable to ordinary equityholders	81 590	(1 076)	80 514
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the group	86 109	(1 076)	85 033
Non-controlling interests	3 184	–	3 184
Total equity	89 293	(1 076)	88 217
Total equity and liabilities	946 609	(1 074)	945 535

* *Includes FirstRand shares held for client trading activities and BEE share schemes.*

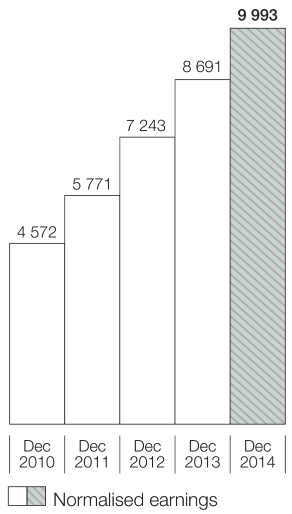
OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

Normalised earnings

R million

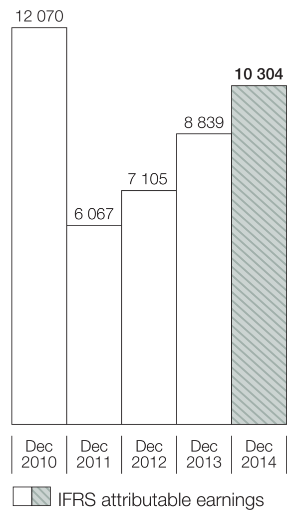
CAGR 22%



IFRS attributable earnings

R million

CAGR (4%)

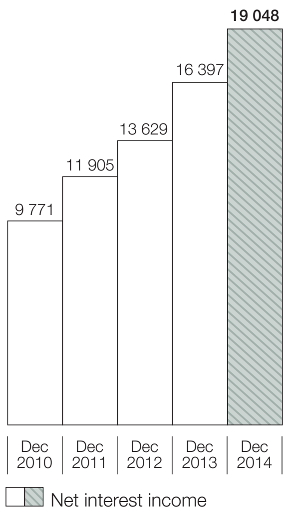


Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 16%

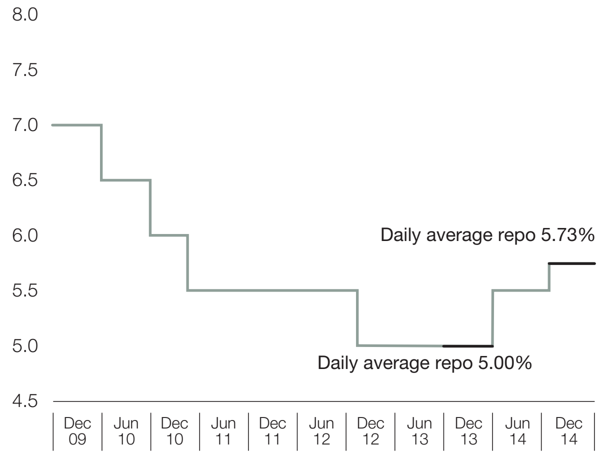
Net interest income
R million

CAGR 18%



Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Repo rate
%



Note: R131 billion = average endowment book for the period. Rates were higher by 73 bps on average in the period, which translates into a positive endowment impact of approximately R482 million for the period.

Margin cascade table

Percentage of average interest-earning banking assets	%
December 2013 normalised margin	**5.13**
Capital and deposit endowment	**0.14**
Advances	**(0.03)**
– Change in balance sheet mix	**0.01**
– Asset pricing	**(0.04)**
Liabilities	**(0.04)**
– Change in balance sheet mix (deposits)	**0.01**
– Change in balance sheet mix (capital)	**–**
– Term funding cost	**(0.04)**
– Deposit pricing	**(0.01)**
Group Treasury and other movements	**0.06**
– MTM on term issuance in professional funding	**0.07**
– Other accounting mismatches and interest rate risk hedges	**(0.01)**
December 2014 normalised margin	**5.26**

Segmental analysis of net interest income before impairment of advances

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
FNB	**10 634**	9 255	15	19 001
Retail	**6 015**	5 413	11	10 997
– Residential mortgages	**1 715**	1 762	(3)	3 418
– Card	**868**	717	21	1 517
– Personal loans	**1 085**	1 120	(3)	2 216
– Retail other	**2 347**	1 814	29	3 846
Commercial	**2 925**	2 448	19	5 146
FNB Africa	**1 694**	1 394	22	2 858
RMB	**2 805**	2 770	1	5 382
Investment banking	**2 413**	2 426	(1)	4 668
Corporate banking	**392**	344	14	714
WesBank	**4 329**	3 975	9	8 213
FCC (including Group Treasury) and other*	**1 280**	397	>100	766
Net interest income	**19 048**	16 397	16	33 362

* *Other includes FirstRand company and consolidation adjustments.*

Key drivers

- Robust advances growth and a marginal increase in certain asset margins at FNB. Repricing benefits in card, overdrafts and commercial overdrafts were, however, offset by lower margins in commercial and residential mortgages. Lower margins were primarily due to increased term funding and liquidity costs.
- WesBank's margins were affected by a change in fixed *vs* floating rate new business written, an increase in liquidity costs, as well as pricing pressure.
- Investment banking advances were negatively impacted by higher term funding and liquidity costs.
- Higher capital levels.
- Positive endowment benefit resulting from the 50 bps increase in rate in January 2014 and a further 25 bps increase in rates in July 2014.
- Positive mark-to-market movements of R245 million on fair value term funding instruments relating to the widening of term funding spreads in the reporting period, which will pull to par over the duration of these instruments.
- Increased dollar funding carry costs associated with dollar excess liquidity, primarily due to the rand devaluation period-on-period.

Average balance sheet

		December 2014			December 2013		
R million	Notes	Average balance	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate				**9.23**			8.50
Balances with central banks		**21 705**	**–**	**–**	17 070	–	–
Cash and cash equivalents		**20 042**	**218**	**2.16**	20 793	210	2.01
Liquid assets		**50 878**	**1 916**	**7.47**	52 093	1 783	6.79
Loans and advances to customers	1	**625 574**	**30 986**	**9.83**	544 084	25 427	9.27
Interest-earning assets		**718 199**	**33 120**	**9.15**	634 040	27 420	8.58
INTEREST-BEARING LIABILITIES							
Average JIBAR				**5.99**			5.14
Deposits due to customers	2	**(431 589)**	**(8 051)**	**3.70**	(377 966)	(6 146)	3.23
Group Treasury funding		**(223 199)**	**(6 910)**	**6.14**	(197 593)	(5 486)	5.51
Interest-bearing liabilities		**(654 788)**	**(14 961)**	**4.53**	(575 559)	(11 632)	4.01
ENDOWMENT AND TRADING BOOK							
Other assets*		**176 090**	**889**	**1.00**	163 990	609	0.74
Other liabilities**		**(145 415)**	**–**	**–**	(143 710)	–	–
NCNR preference shareholders		**(4 519)**	**–**	**–**	(4 519)	–	–
Equity		**(89 567)**	**–**	**–**	(74 242)	–	–
Endowment and trading book		**(63 411)**	**889**	**(2.78)**	(58 481)	609	(2.06)
Total interest-bearing liabilities, endowment and trading book		**(718 199)**	**(14 072)**	**3.89**	(634 040)	(11 023)	3.45
Net interest margin on average interest-earning assets		**718 199**	**19 048**	**5.26**	634 040	16 397	5.13

Interest income represents gross interest received on assets, and interest expense the gross interest paid on liabilities.

* *Includes preference share advances and trading assets.*

** *Includes trading liabilities.*

Note 1 – Margin analysis on loans and advances to customers

	December 2014		December 2013**	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.23**		8.50
Advances				
Retail – secured	**295 062**	**2.75**	269 183	2.93
Residential mortgages	**172 417**	**1.73**	164 831	1.85
VAF	**122 645**	**4.19**	104 352	4.65
Retail – unsecured	**49 421**	**12.47**	41 777	12.79
Card	**16 746**	**9.00**	13 914	8.76
Personal loans	**22 212**	**17.09**	20 324	17.29
– FNB loans	**12 801**	**15.22**	12 741	15.60
– WesBank loans	**9 411**	**19.64**	7 583	20.12
Overdrafts	**10 463**	**8.20**	7 539	8.12
Corporate and commercial	**239 443**	**2.36**	199 167	2.67
FNB commercial	**49 843**	**3.70**	42 683	3.76
– Mortgages	**13 939**	**2.42**	11 960	2.73
– Overdrafts	**20 436**	**4.92**	17 851	4.91
– Term loans	**15 468**	**3.24**	12 872	3.12
WesBank corporate	**37 734**	**2.85**	33 880	3.11
RMB investment banking	**149 655**	**1.78**	119 942	2.19
RMB corporate banking	**2 211**	**2.57**	2 662	1.60
FNB Africa	**41 648**	**4.61**	33 957	5.48
Total advances*	**625 574**	**3.49**	544 084	3.75

Loans and advances margins are calculated using total net interest as a percentage of gross advances before impairments. Average balances are daily averages for FNB and WesBank and monthly averages for RMB.

* *Assets under agreements to resell and preference share advances are excluded from loans and advances to customers.*

** *2013 margins have been restated for segment changes.*

Margin analysis on loans and advances and deposits to customers is based on net interest income as a percentage of average advances/deposits. Net interest income is calculated as the difference between the client rate (earned or paid) and the funds transfer pricing rate (earned or paid by Group Treasury). The average margin is, therefore, net of funds transfer pricing.

The group operates a transfer pricing framework that incorporates liquidity cost benefits and risks into products pricing, including any regulatory costs and performance measurement for all significant business activities on- and off-balance sheet, thereby aligning liquidity risk-taking incentives of individual business units within the liquidity risk exposure this activity creates for the group as a whole.

Where fixed rate commitments are undertaken (i.e. fixed-rate loans or fixed deposits), then the transfer pricing will also include the interest rate transfer price.

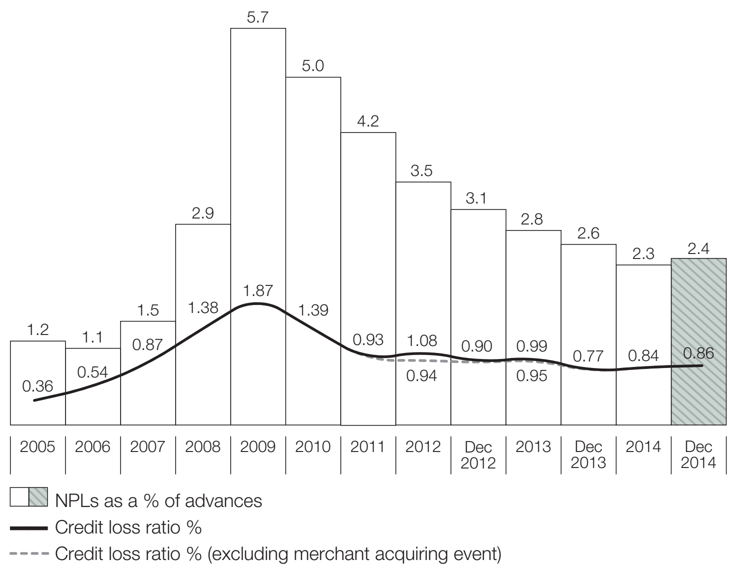
Note 2 – Margin analysis on deposits due to customers

	December 2014		December 2013*	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.23**		8.50
Deposits				
Retail	**129 059**	**2.80**	115 506	2.53
Current and savings	**44 357**	**5.41**	39 915	4.66
Call	**4 027**	**3.38**	3 986	3.02
Money market	**27 700**	**1.64**	26 065	1.63
Term	**52 975**	**1.17**	45 540	1.13
Commercial	**139 446**	**2.55**	125 659	2.30
Current and savings	**53 245**	**4.85**	48 277	4.26
Call	**34 314**	**1.29**	29 048	1.29
Money market	**19 103**	**1.94**	18 071	1.83
Term	**32 784**	**0.51**	30 263	0.43
Corporate and investment banking	**116 406**	**0.68**	100 747	0.68
Current and savings	**47 003**	**1.24**	38 703	1.22
Call	**35 351**	**0.46**	30 953	0.35
Term	**34 052**	**0.12**	31 091	0.34
FNB Africa	**46 678**	**2.63**	36 054	2.45
Total deposits	**431 589**	**2.13**	377 966	1.95

Average balances are daily averages for FNB and WesBank and monthly averages for RMB.
Institutional funding is excluded from deposits due to customers.
* *2013 margins have been restated for segment changes.*

CREDIT HIGHLIGHTS

NPLs and impairment history



The table below summarises key information on advances, NPLs and impairments in the credit portfolio.

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Total gross advances*	**736 523**	648 254	14	699 826
NPLs	**17 970**	16 564	8	16 281
NPLs as a % of advances	**2.44**	2.56		2.33
Impairment charge – total	**3 086**	2 445	26	5 519
Impairment charge as a % of average advances	**0.86**	0.77		0.84
Total impairments*	**14 994**	12 811	17	13 900
– Portfolio impairments	**7 665**	6 152	25	7 259
– Specific impairments	**7 329**	6 659	10	6 641
Implied loss given default (coverage)**	**40.8**	40.2		40.8
Total impairments coverage ratio#	**83.4**	77.3		85.4
Performing book coverage ratio†	**1.07**	0.97		1.06

* *Includes cumulative credit fair value adjustments.*
** *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*
# *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*
† *Portfolio impairments as a percentage of the performing book.*

Credit impairments increased 26%.

Overall NPLs increased 8%. Strong book growth resulted in an increase in NPLs in other retail, the FNB Africa portfolio and WesBank personal loans. The worsening commodity cycle resulted in higher NPLs in the corporate portfolio.

The increased impairment coverage ratio reflects the change in NPL mix, higher portfolio impairments and increased specific impairments. Portfolio impairments were driven by increasing levels of arrears in VAF and WesBank loans and strong book growth, and in RMB, by the oil and gas, and mining and metals sectors. Portfolio overlays increased on the back of deteriorating macroeconomic indicators. The total performing book coverage ratio increased from 97 bps in the prior period to 107 bps (June 2014: 106 bps).

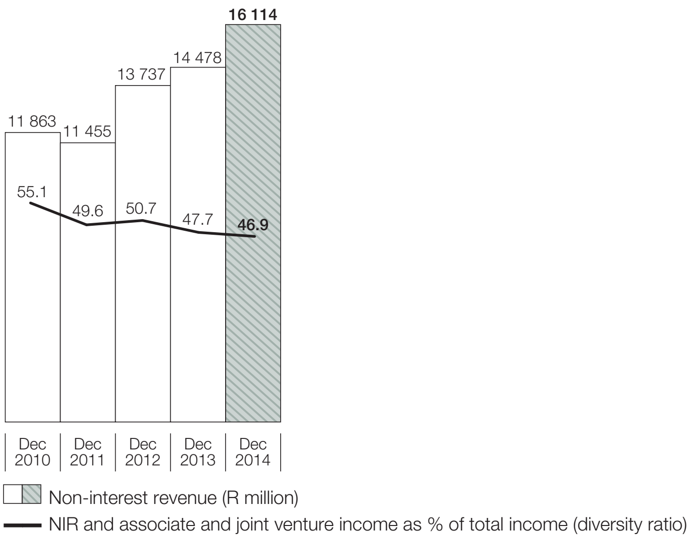
Key drivers

- A 17% reduction in residential mortgage NPLs, reflecting lower levels of new inflows on the back of disciplined origination strategies, continued high curing rates of defaulted accounts and the effectiveness of workout strategies.
- A reduction of 25% in FNB loans NPLs, reflecting tightening credit criteria and more conservative origination strategies.
- Increased NPLs in other retail, VAF and WesBank personal loans, impacted by a combination of strong book growth in the current and prior financial periods and the worsening credit cycle.
- NPLs in RMB's Investment Banking division increased primarily due to the impact of the adverse commodity cycle on certain counters.
- Increased NPLs in business banking, impacted by strong book growth.
- Higher NPL levels in FNB Africa, reflecting in part, strong book growth as well as cyclical pressures in certain of the subsidiaries.
- Post write-off recoveries of R940 million, primarily driven by card and personal loans (unsecured retail lending), and VAF.

NON-INTEREST REVENUE – UP 11%

Non-interest revenue and diversity ratio

NIR CAGR 8%



Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Analysis of non-interest revenue

		Six months ended 31 December		% change	Year ended 30 June
R million	**Notes**	**2014**	**2013**		**2014**
Fee and commission income	1	**12 939**	11 801*	10	23 663
Fair value income	2	**1 308**	1 656	(21)	3 899
Investment income	3	**875**	318	>100	1 184
Other non-interest revenue		**992**	703	41	1 946
– Consolidated private equity income		**146**	154	(5)	289
– Other		**846**	549*	54	1 657
Total non-interest revenue		**16 114**	14 478	11	30 692

* *Income of R80 million, previously included in insurance income, was reallocated from fee and commission income to other non-interest revenue in December 2013.*

NIR growth was underpinned by ongoing strategies to grow volumes and a robust performance from investing activities, underpinned by a significant realisation in the private equity portfolio. Fee and commission income represents 80% of total NIR.

Note 1 – Fee and commission income – up 10%

R million	Six months ended 31 December 2014	Six months ended 31 December 2013	% change	Year ended 30 June 2014
Bank commission and fee income	**11 724**	10 503	12	20 698
– Card commission	**1 991**	1 715	16	3 407
– Cash deposit fees	**1 071**	1 017	5	1 969
– Commission on bills, drafts and cheques	**895**	813	10	1 658
– Bank charges	**7 767**	6 958	12	13 664
Knowledge-based fees	**419**	519	(19)	1 183
Management and fiduciary fees	**695**	517	34	1 238
Insurance income	**1 354**	1 282*	6	2 688
Other non-bank commission	**548**	629	(13)	1 236
Gross fee and commission income	**14 740**	13 450	10	27 043
Fee and commission expenditure	**(1 801)**	(1 649)	9	(3 380)
Total fee and commission income	**12 939**	11 801	10	23 663

* *Income of R80 million, previously included in insurance income, was reallocated from fee and commission income to other non-interest revenue in December 2013.*

Key drivers

- FNB grew fee and commission income 10%, underpinned by an 12% increase in transaction volumes, an increase in the active account base (Africa 12%) and product cross-sell.
- Total electronic volumes increased 14%, while manual volumes decreased 1%.

	Increase in certain transaction volumes %
Mobile financial	**27**
Internet banking	**15**
Debit card	**20**
Cheque card	**16**
Banking app	**67**
ADT/ATM cash deposits	**11**

- WesBank's NIR growth of 14% was driven by new business volume growth of 13% and a strong contribution from the full maintenance rental book.
- The group's asset management activities continue to deliver strong fee growth, supported by 30% growth in assets under management since inception (year-on-year 14%) excluding conduits.
- Resilient levels of knowledge-based fee income, albeit down from the high base in the comparative period, reflecting:
  - improved levels of debt and equity capital market fees on the back of a number of significant transactions;
  - more subdued M&A deal flow, resulting directly from significantly reduced levels of corporate activity; and
  - reduced levels of structuring and origination fees given the high base in the comparative period.

Note 2 – Fair value income – down 21%

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Client execution and flow	**732**	1 001	(27)	2 055
Markets	**381**	331	15	986
Other	**195**	324	(40)	858
Total	**1 308**	1 656	(21)	3 899

Key drivers

- Hedging and structuring results were down on lower volumes and some bespoke once-off large transactions executed in the comparative period.
- RMB's client-execution revenues remained robust and were driven mainly by currency-related facilitation in the rest of Africa, notably Nigeria, Zambia and Mozambique, as well as the established businesses in Botswana and Namibia. South African revenue growth remained muted due to increased competition, compressed margins and lower volumes compared to the high base in the comparative period.
- Interest rate risk income was positively impacted by the derivatives and repo desks in response to the SARB keeping interest rates unchanged in September 2014.
- The group's net TRS fair value income decreased by R144 million during the period despite the 41% increase in the FirstRand share price. The share price increase was offset by a smaller number of shares being hedged through the TRS and the vesting of the majority of the equity-settled schemes resulting in increased volatility in the share-based payment expense.

Note 3 – Investment income – up >100%

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Private equity realisations and dividends received	**598**	10	>100	371
Profit on realisation of private equity investments	**578**	10	>100	347
Dividends received	**17**	–	–	–
Other private equity income	**3**	–	–	24
Other income from investments	**277**	308	(10)	813
Profit on assets held against employee liabilities	**(12)**	279	(>100)	230
RMB resources	**(75)**	(20)	>100	(12)
Other investment income	**364**	49	>100	595
Total investment income	**875**	318	>100	1 184

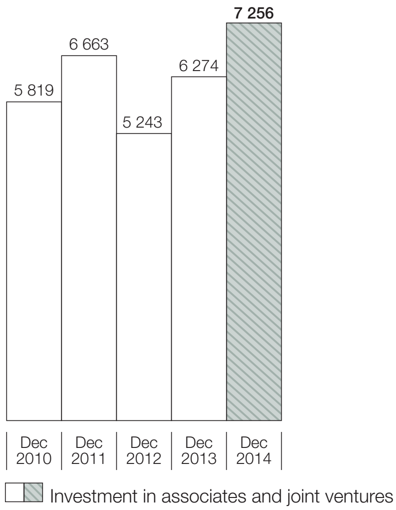
Key drivers

- Strong investment realisation profits, including a significant realisation profit of more than R700 million before tax and minorities, partly recognised in investment income and equity-accounted earnings.
- An increase in the loss incurred by the RMB resources portfolio, given current market conditions in the junior mining sector and the significant decrease in commodity prices.
- Negative performance from the group's ELI asset portfolio due to negative market movements and tax payments.
- Other investment income was positively impacted by realisations of investments outside the private equity portfolio.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 52%

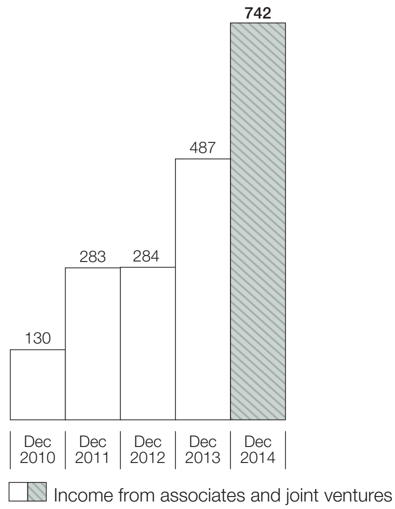
Investment in associates and joint ventures

R million



Income from associates and joint ventures

R million



Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Share of profits from associates and joint ventures

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Private equity associates and joint ventures	**682**	455	50	992
Operational performance	**672**	441	52	1 113
Reversal of impairments/(impairments)	**10**	14	(29)	(121)
WesBank associates	**160**	140	14	214
Toyota Financial Services (Pty) Ltd	**98**	95	3	185
Other	**62**	45	38	29
Other operational associates and joint ventures	**143**	87	64	299
RMB Morgan Stanley (Pty) Ltd	**66**	38	74	90
Other	**77**	49	57	209
Share of profits from associates and joint ventures before tax	**985**	682	44	1 505
Tax on profits from associates and joint ventures	**(243)**	(195)	25	(440)
Share of profits from associates and joint ventures after tax	**742**	487	52	1 065

Key drivers

- An excellent performance from RMB's private equity associates and joint ventures, driven by:
  - resilient underlying operational performances across most sectors;
  - the impact of new income streams relating to investments made over the last three years; and
  - a realisation of an underlying investment held by a joint venture.
- The contribution from WesBank's associates increased 14% due to a solid performance by established associates.

TOTAL INCOME FROM PRIVATE EQUITY ACTIVITIES (RMB DIVISION AND OTHER PRIVATE EQUITY-RELATED ACTIVITIES)

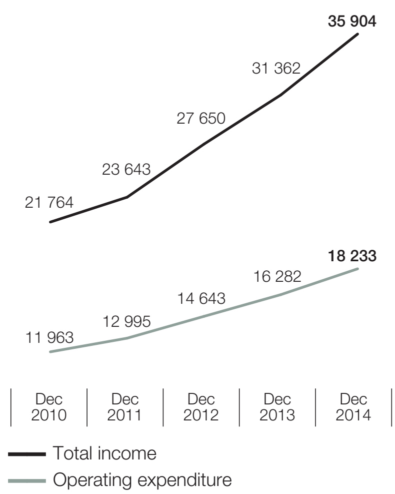
RMB earns private equity-related income primarily from its Private Equity division. However, other divisions within RMB also engage in or hold private equity-related investments (as defined in *Circular 02/2013 Headline Earnings*), which are not reported as part of the division's results. The underlying nature of the various private equity-related income streams are reflected below.

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
RMB Private Equity division	**1 426**	619	>100	1 652
Income from associates and joint ventures	**682**	455	50	992
– Equity-accounted income*	**672**	441	52	1 113
– Impairments*	**10**	14	(29)	(121)
Realisations and dividends**	**595**	10	>100	347
Other investment property income**	**3**	–	–	24
Consolidated private equity income#	**146**	154	(5)	289
Other business units	**380**	31	>100	712
Income from associates and joint ventures	**52**	29	79	160
– Equity-accounted income*	**52**	29	79	160
Other investment income**	**328**	2	>100	552†
Private equity activities	**1 806**	650	>100	2 364
Tax on equity-accounted private equity investments	**(178)**	(156)	14	(334)
Private equity activities	**1 628**	494	>100	2 030

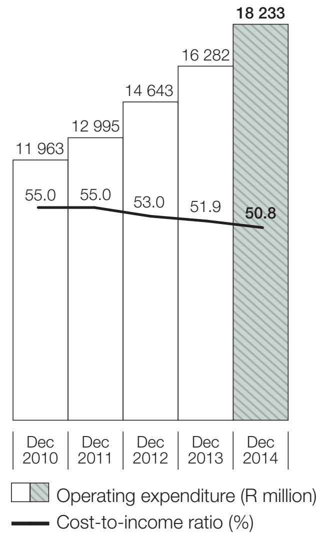
* *Refer to analysis of income from associates and joint ventures on page 51.*
** *Refer to investment income analysis on page 50.*
# *Refer to non-interest revenue analysis on page 47.*
† *Includes profits from an investment realisation reflected in IBD resulting from a debt-to-equity restructure in prior years.*

OPERATING EXPENSES – UP 12%

Operating jaws
R million



Operating efficiency



Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Operating expenses

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Staff expenditure	**10 774**	9 669	11	19 532
– Direct staff expenditure	**6 713**	6 034	11	12 076
– Other staff-related expenditure	**4 061**	3 635	12	7 456
Depreciation	**955**	938	2	1 928
Amortisation of other intangible assets	**48**	42	14	90
Advertising and marketing	**722**	767	(6)	1 376
Insurance	**40**	38	5	70
Lease charges	**651**	590	10	1 205
Professional fees	**757**	548	38	1 411
Audit fees	**118**	117	1	236
Computer expenses	**768**	700	10	1 564
Maintenance	**478**	401	19	741
Telecommunications	**185**	208	(11)	401
Cooperation agreements and joint ventures	**353**	410	(14)	865
Property	**458**	386	19	787
Business travel	**207**	178	16	355
Other expenditure	**1 719**	1 290	33	2 715
Total operating expenses	**18 233**	16 282	12	33 276

Key drivers

- Cost growth of 12% was driven by higher levels of variable costs associated with income generation and ongoing investment into infrastructure, capacity and expansion. Core cost growth was 10%.
- Staff costs increased 11%:

Description	% change	Reasons
Direct staff costs	11	Unionised increases of 8% for and a 4% increase in the staff complement across the group.
Variable staff costs	12	Directly related to higher levels of profitability
IFRS 2 share-based payment expenses	12	Reflects the increase in share price of the shares granted and the number of new cash-settled grants.

- Decrease of 14% in cooperation agreements and JV costs due to margin pressure and increased operating expenses incurred by the partners.
- The 38% growth in professional fees and 10% in computer expenses reflects increased spend on development, implementation and improvement projects related to various electronic platforms, both domestically and in the rest of Africa, as well as additional compliance-related projects during the year.
- Increase in property and maintenance expenses relate to recent new premises, associated maintenance costs and increased spend on footprint expansion in the rest of Africa.

DIRECT TAXATION – UP 13%

Key drivers

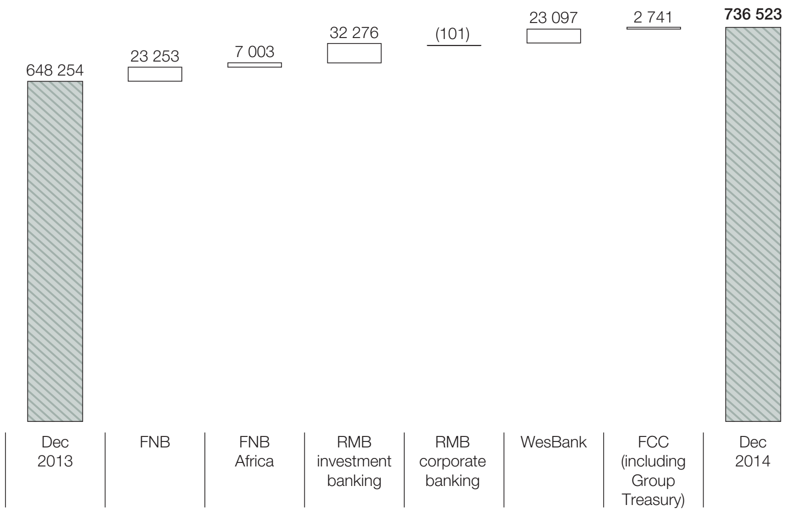
- Higher levels of profitability during the period.
- A change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income compared to the prior period.

ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
ASSETS				
Derivative financial instruments	**39 325**	44 221	(11)	39 038
Advances	**721 529**	635 443	14	685 926
Investment securities and other investments	**123 948**	126 682	(2)	118 495
Other assets	**95 374**	89 055	7	103 150
Total assets	**980 176**	895 401	9	946 609
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**801 698**	727 032	10	768 234
Short trading positions and derivative financial instruments	**43 471**	54 368	(20)	47 101
Other liabilities	**42 008**	30 909	36	41 981
Total liabilities	**887 177**	812 309	9	857 316
Total equity	**92 999**	83 092	12	89 293
Total equity and liabilities	**980 176**	895 401	9	946 609

Gross advances by franchise

R million



The group delivered strong advances growth. Although retail is moderating, robust growth continues in the commercial and corporate portfolios.

Advances – up 14%

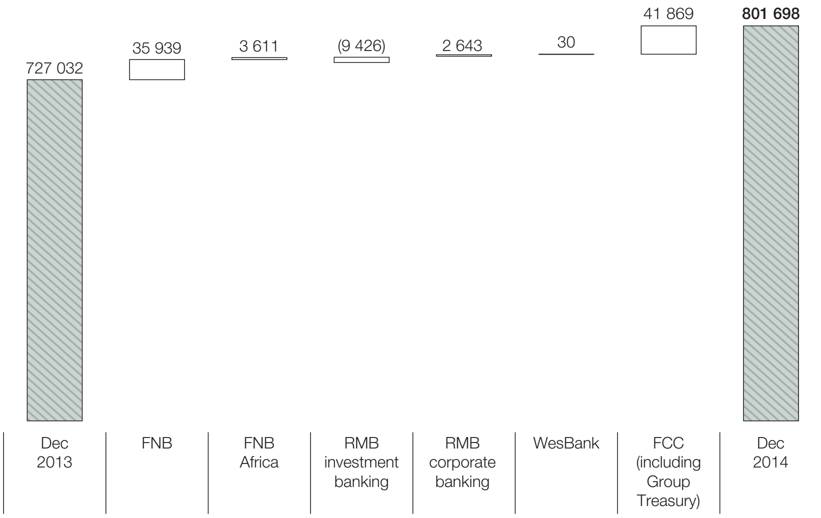
	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Normalised gross advances	**736 523**	648 254	14	699 826
Normalised impairment of advances	**(14 994)**	(12 811)	17	(13 900)
Normalised net advances	**721 529**	635 443	14	685 926

Portfolio/product	% change	Key drivers
FNB retail	**7**	
Residential mortgages	5	Growth of 16% in secured affordable housing, reflecting client demand.
		6% growth in FNB HomeLoans benefiting from improvement in new business volumes.
Card	22	Driven by targeted new client acquisition, client migration and an 8% increase in active accounts and increased utilisation.
Personal loans	4	Modest growth reflects conservative origination strategies and risk appetite, with consumer personal loans (including student loans) growing at 10% while mass market loans decreased 5%.
Other retail	38	Growth of 16% in overdrafts and in excess of 50% in revolving credit facilities, although growth has moderated from the comparative period, reflecting a reduction in risk appetite, slowing customer acquisition and competitive pressures.
FNB Africa	**19**	
Namibia	16	Driven primarily by growth in residential mortgages and VAF.
Botswana	14	Underpinned by residential mortgages, VAF and term loan product growth.
Mozambique and Zambia	>25	Resulted from new client acquisition and successful conversions of pipeline transactions in the commercial sector.
FNB commercial	**19**	Driven by new client acquisition in the business segment, resulting in a 23% growth in business banking advances, with continuing growth in commercial property finance, agriculture and overdraft product sets.
RMB investment banking core advances (excluding repos)	**20**	Growth from the African subsidiaries and cross-border lending as well as robust growth from the SA advances book, although total advances growth moderated to 5% on a rolling six-month basis.
WesBank	**15**	Strong growth in new business volumes of over 58% (in GBP terms) from MotoNovo but slower new business volumes of 9% from personal loans, impacting total advances growth levels.
		Growth in new business volumes moderated to 4% in SA retail secured reflecting the more constrained economic environment and a significant period-on-period slowdown in new vehicle sales.

DEPOSITS – UP 10%

Gross deposits by franchise

R million



Client franchise deposits grew 17% year-on-year, with institutional funding increasing marginally at 4%.

Key drivers

- FNB's deposits increased 13% with FNB SA operations producing 14% growth and FNB Africa 9%.
- Retail deposit growth of 14% supported by ongoing product innovation.
- Commercial deposit growth (14%) was assisted by new client acquisition and cross-sell.
- Growth in the rest of Africa was driven by increased footprint, new client acquisition and new products.
- Growth in deposit balances:

Product	%
Current accounts	**10**
Savings and transmission accounts	**13**
Fixed deposits	**13**
Notice accounts	**16**

- Group Treasury deposits increased on the back of foreign currency issuances, increased activity in the bond markets, Tier 2 issuances and a general increase in structured issuances in the SA market during the period .

segment report

SEGMENT REPORT
for the six months ended 31 December 2014

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	1 715	868	1 085	2 347	**6 015**	2 925	1 694	**10 634**
Impairment of advances	(55)	(16)	(415)	(493)	**(979)**	(154)	(205)	**(1 338)**
Net interest income after impairment of advances	1 660	852	670	1 854	**5 036**	2 771	1 489	**9 296**
Non-interest revenue	233	680	358	5 143	**6 414**	3 065	1 370	**10 849**
Income from operations	1 893	1 532	1 028	6 997	**11 450**	5 836	2 859	**20 145**
Operating expenses	(833)	(781)	(467)	(4 201)	**(6 282)**	(3 357)	(1 770)	**(11 409)**
Net income from operations	1 060	751	561	2 796	**5 168**	2 479	1 089	**8 736**
Share of profit of associates and joint ventures after tax	–	–	–	18	**18**	–	–	**18**
Income before tax	1 060	751	561	2 814	**5 186**	2 479	1 089	**8 754**
Indirect tax	(18)	(19)	(9)	(178)	**(224)**	(18)	(42)	**(284)**
Profit for the period before tax	1 042	732	552	2 636	**4 962**	2 461	1 047	**8 470**
Income tax expense	(292)	(205)	(155)	(738)	**(1 390)**	(689)	(383)	**(2 462)**
Profit for the period	750	527	397	1 898	**3 572**	1 772	664	**6 008**
Attributable to:								
Ordinary equityholders	750	527	397	1 898	**3 572**	1 772	387	**5 731**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	277	**277**
Profit for the period	750	527	397	1 898	**3 572**	1 772	664	**6 008**
Attributable earnings to ordinary shareholders	750	527	397	1 898	**3 572**	1 772	387	**5 731**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	750	527	397	1 898	**3 572**	1 772	387	**5 731**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings#	750	527	397	1 898	**3 572**	1 772	387	**5 731**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

Excludes the return on capital in African operations, and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings reported on page 76.

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
2 413	392	**2 805**	**4 329**	1 280	**19 048**	(1 559)	**17 489**
(662)	(56)	**(718)**	**(1 180)**	150	**(3 086)**	382	**(2 704)**
1 751	336	**2 087**	**3 149**	1 430	**15 962**	(1 177)	**14 785**
3 304	677	**3 981**	**1 736**	(452)	**16 114**	2 677	**18 791**
5 055	1 013	**6 068**	**4 885**	978	**32 076**	1 500	**33 576**
(2 566)	(708)	**(3 274)**	**(2 654)**	(896)	**(18 233)**	(1 106)	**(19 339)**
2 489	305	**2 794**	**2 231**	82	**13 843**	394	**14 237**
805	–	**805**	**160**	(241)	**742**	(5)	**737**
3 294	305	**3 599**	**2 391**	(159)	**14 585**	389	**14 974**
(51)	21	**(30)**	**(109)**	(68)	**(491)**	–	**(491)**
3 243	326	**3 569**	**2 282**	(227)	**14 094**	389	**14 483**
(908)	(91)	**(999)**	**(610)**	797	**(3 274)**	(78)	**(3 352)**
2 335	235	**2 570**	**1 672**	570	**10 820**	311	**11 131**
2 285	235	**2 520**	**1 623**	119	**9 993**	311	**10 304**
–	–	**–**	**–**	153	**153**	–	**153**
50	–	**50**	**49**	298	**674**	–	**674**
2 335	235	**2 570**	**1 672**	570	**10 820**	311	**11 131**
2 285	235	**2 520**	**1 623**	119	**9 993**	311	**10 304**
–	–	**–**	**–**	–	**–**	(403)	**(403)**
2 285	235	**2 520**	**1 623**	119	**9 993**	(92)	**9 901**
–	–	**–**	**–**	–	**–**	(144)	**(144)**
–	–	**–**	**–**	–	**–**	75	**75**
–	–	**–**	**–**	–	**–**	49	**49**
–	–	**–**	**–**	–	**–**	(54)	**(54)**
–	–	**–**	**–**	–	**–**	166	**166**
2 285	235	**2 520**	**1 623**	119	**9 993**	–	**9 993**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	42.8	50.5	32.4	56.0	**50.5**	56.0	57.8	**53.1**
Diversity ratio (%)	12.0	43.9	24.8	68.7	**51.7**	51.2	44.7	**50.5**
Credit loss ratio (%)	0.06	0.19	6.55	9.57	**0.92**	0.60	0.97	**0.87**
NPLs as a percentage of advances (%)	2.88	1.87	5.39	4.71	**3.04**	2.42	2.25	**2.82**
Consolidated income statement includes:								
Depreciation	(3)	(3)	(1)	(547)	**(554)**	(10)	(77)	**(641)**
Amortisation	–	–	–	(3)	**(3)**	–	(4)	**(7)**
Impairment charges	–	–	–	(2)	**(2)**	–	–	**(2)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	175 097	17 356	12 831	11 143	**216 427**	52 825	43 730	**312 982**
– Normal advances	175 097	17 356	12 831	11 143	**216 427**	52 825	43 730	**312 982**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
NPLs	5 037	324	691	525	**6 577**	1 278	986	**8 841**
Investment in associated companies	–	–	–	259	**259**	–	4	**263**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	152	1 490	1	148 031	**149 674**	148 638	44 116	**342 428**
Total assets	173 870	16 835	11 741	29 712	**232 158**	52 292	48 400	**332 850**
Total liabilities#	173 536	16 422	11 484	24 685	**226 127**	50 899	47 730	**324 756**
Capital expenditure	–	2	–	1 557	**1 559**	20	435	**2 014**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

Total liabilities are net of interdivisional balances.

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
39.3	66.2	**43.1**	**42.6**	>100	**50.8**	–	**52.2**
63.0	63.3	**63.0**	**30.5**	(>100)	**46.9**	–	**52.8**
0.58	1.75	**0.61**	**1.37**	(0.04)	**0.86**	–	**0.76**
1.60	0.70	**1.58**	**3.01**	–	**2.44**	–	**2.45**
(52)	(2)	**(54)**	**(244)**	(16)	**(955)**	(50)	**(1 005)**
(6)	–	**(6)**	**(33)**	(2)	**(48)**	(2)	**(50)**
–	–	**–**	**(15)**	(8)	**(25)**	(9)	**(34)**
234 175	6 326	**240 501**	**177 322**	5 718	**736 523**	(3 753)	**732 770**
234 175	6 326	**240 501**	**161 755**	5 718	**720 956**	(3 753)	**717 203**
–	–	**–**	**15 567**	–	**15 567**	–	**15 567**
3 751	44	**3 795**	**5 334**	–	**17 970**	–	**17 970**
3 831	–	**3 831**	**1 633**	(4)	**5 723**	–	**5 723**
1 550	–	**1 550**	**–**	(17)	**1 533**	3	**1 536**
128 179	62 823	**191 002**	**50**	268 218	**801 698**	–	**801 698**
402 408	7 097	**409 505**	**180 693**	57 128	**980 176**	(1 628)	**978 548**
394 804	6 631	**401 435**	**177 045**	(16 059)	**887 177**	2	**887 179**
178	1	**179**	**670**	1	**2 864**	–	**2 864**

SEGMENT REPORT

for the six months ended 31 December 2013

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	1 762	717	1 120	1 814	**5 413**	2 448	1 394	**9 255**
Impairment of advances	(83)	(15)	(604)	(411)	**(1 113)**	(102)	(107)	**(1 322)**
Net interest income after impairment of advances	1 679	702	516	1 403	**4 300**	2 346	1 287	**7 933**
Non-interest revenue	178	707	445	4 654	**5 984**	2 775	1 082	**9 841**
Income from operations	1 857	1 409	961	6 057	**10 284**	5 121	2 369	**17 774**
Operating expenses	(794)	(708)	(447)	(3 798)	**(5 747)**	(3 030)	(1 505)	**(10 282)**
Net income from operations	1 063	701	514	2 259	**4 537**	2 091	864	**7 492**
Share of profit of associates and joint ventures after tax	2	–	–	16	**18**	–	1	**19**
Income before tax	1 065	701	514	2 275	**4 555**	2 091	865	**7 511**
Indirect tax	(19)	(18)	(17)	(166)	**(220)**	(16)	(27)	**(263)**
Profit for the period before tax	1 046	683	497	2 109	**4 335**	2 075	838	**7 248**
Income tax expense	(293)	(191)	(139)	(594)	**(1 217)**	(581)	(303)	**(2 101)**
Profit for the period	753	492	358	1 515	**3 118**	1 494	535	**5 147**
Attributable to:								
Ordinary equityholders	753	492	358	1 515	**3 118**	1 494	308	**4 920**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	227	**227**
Profit for the period	753	492	358	1 515	**3 118**	1 494	535	**5 147**
Attributable earnings to ordinary shareholders	753	492	358	1 515	**3 118**	1 494	308	**4 920**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	753	492	358	1 515	**3 118**	1 494	308	**4 920**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings#	753	492	358	1 515	**3 118**	1 494	308	**4 920**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

\# *Excludes the return on capital in African operations, and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings reported on page 76.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
2 426	344	2 770	3 975	397	16 397	(1 724)	14 673
(291)	(8)	(299)	(924)	100	(2 445)	151	(2 294)
2 135	336	2 471	3 051	497	13 952	(1 573)	12 379
2 908	615	3 523	1 527	(413)	14 478	2 714	17 192
5 043	951	5 994	4 578	84	28 430	1 141	29 571
(2 462)	(689)	(3 151)	(2 427)	(422)	(16 282)	(765)	(17 047)
2 581	262	2 843	2 151	(338)	12 148	376	12 524
519	–	519	140	(191)	487	(127)	360
3 100	262	3 362	2 291	(529)	12 635	249	12 884
(34)	(15)	(49)	(142)	(11)	(465)	–	(465)
3 066	247	3 313	2 149	(540)	12 170	249	12 419
(858)	(68)	(926)	(601)	737	(2 891)	(98)	(2 989)
2 208	179	2 387	1 548	197	9 279	151	9 430
2 175	179	2 354	1 497	(80)	8 691	148	8 839
–	–	–	–	144	144	–	144
33	–	33	51	133	444	3	447
2 208	179	2 387	1 548	197	9 279	151	9 430
2 175	179	2 354	1 497	(80)	8 691	148	8 839
–	–	–	–	–	–	(32)	(32)
2 175	179	2 354	1 497	(80)	8 691	116	8 807
–	–	–	–	–	–	(146)	(146)
–	–	–	–	–	–	12	12
–	–	–	–	–	–	63	63
–	–	–	–	–	–	(53)	(53)
–	–	–	–	–	–	8	8
2 175	179	2 354	1 497	(80)	8 691	–	8 691

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	40.9	49.7	28.6	58.6	**50.3**	58.0	60.8	**53.8**
Diversity ratio (%)	9.3	49.6	28.4	72.0	**52.6**	53.1	43.7	**51.6**
Credit loss ratio (%)	0.10	0.22	9.60	10.99	**1.12**	0.47	0.61	**0.95**
NPLs as a percentage of advances (%)	3.65	2.49	7.48	5.39	**3.87**	3.29	2.08	**3.55**
Consolidated income statement includes:								
Depreciation	(3)	(2)	(1)	(542)	**(548)**	(11)	(74)	**(633)**
Amortisation	–	–	–	(5)	**(5)**	(6)	(6)	**(17)**
Impairment charges	–	–	–	(1)	**(1)**	(10)	–	**(11)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	166 954	14 173	12 280	8 053	**201 460**	44 539	36 727	**282 726**
– Normal advances	166 954	14 173	12 280	8 053	**201 460**	44 539	36 727	**282 726**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
NPLs	6 089	353	919	434	**7 795**	1 465	765	**10 025**
Investment in associated companies	19	–	–	230	**249**	–	5	**254**
Investment in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	127	1 408	–	130 033	**131 568**	130 805	40 505	**302 878**
Total assets	165 500	13 616	11 003	25 990	**216 109**	44 228	48 102	**308 439**
Total liabilities#	164 501	12 967	10 480	24 071	**212 019**	42 159	42 456	**296 634**
Capital expenditure	1	2	–	975	**978**	20	150	**1 148**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

Total liabilities are net of interdivisional balances.

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
42.1	71.8	**46.3**	**43.0**	(>100)	**51.9**	–	**52.9**
58.6	64.1	**59.3**	**29.5**	>100	**47.7**	–	**54.5**
0.30	0.28	**0.30**	**1.25**	(0.03)	**0.77**	–	**0.73**
1.20	0.12	**1.17**	**2.67**	–	**2.56**	–	**2.57**
(55)	(4)	**(59)**	**(216)**	(30)	**(938)**	(67)	**(1 005)**
(5)	–	**(5)**	**(19)**	(1)	**(42)**	(2)	**(44)**
(1)	–	**(1)**	**–**	–	**(12)**	(3)	**(15)**
201 899	6 427	**208 326**	**154 225**	2 977	**648 254**	(3 199)	**645 055**
201 899	6 427	**208 326**	**142 593**	2 977	**636 622**	(3 199)	**633 423**
–	–	**–**	**11 632**	–	**11 632**	–	**11 632**
2 419	8	**2 427**	**4 112**	–	**16 564**	–	**16 564**
4 123	–	**4 123**	**934**	(16)	**5 295**	–	**5 295**
996	–	**996**	**–**	(17)	**979**	19	**998**
137 605	60 180	**197 785**	**20**	226 349	**727 032**	–	**727 032**
367 619	7 312	**374 931**	**157 273**	54 758	**895 401**	(970)	**894 431**
360 591	6 900	**367 491**	**155 079**	(6 895)	**812 309**	3	**812 312**
243	2	**245**	**327**	248	**1 968**	–	**1 968**

SEGMENT REPORT
for the year ended 30 June 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 418	1 517	2 216	3 846	**10 997**	5 146	2 858	**19 001**
Impairment of advances	(158)	(101)	(980)	(581)	**(1 820)**	(262)	(331)	**(2 413)**
Net interest income after impairment of advances	3 260	1 416	1 236	3 265	**9 177**	4 884	2 527	**16 588**
Non-interest revenue	480	1 296	848	9 045	**11 669**	5 569	2 273	**19 511**
Income from operations	3 740	2 712	2 084	12 310	**20 846**	10 453	4 800	**36 099**
Operating expenses	(1 573)	(1 400)	(888)	(8 004)	**(11 865)**	(6 146)	(3 107)	**(21 118)**
Net income from operations	2 167	1 312	1 196	4 306	**8 981**	4 307	1 693	**14 981**
Share of profit of associates and joint ventures after tax	2	–	–	27	**29**	–	1	**30**
Income before tax	2 169	1 312	1 196	4 333	**9 010**	4 307	1 694	**15 011**
Indirect tax	(36)	(38)	(33)	(346)	**(453)**	(34)	(65)	**(552)**
Profit for the period before tax	2 133	1 274	1 163	3 987	**8 557**	4 273	1 629	**14 459**
Income tax expense	(597)	(357)	(326)	(1 114)	**(2 394)**	(1 196)	(573)	**(4 163)**
Profit for the year	1 536	917	837	2 873	**6 163**	3 077	1 056	**10 296**
Attributable to:								
Ordinary equityholders	1 536	917	837	2 873	**6 163**	3 077	579	**9 819**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	477	**477**
Profit for the period	1 536	917	837	2 873	**6 163**	3 077	1 056	**10 296**
Attributable earnings to ordinary shareholders	1 536	917	837	2 873	**6 163**	3 077	579	**9 819**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 536	917	837	2 873	**6 163**	3 077	579	**9 819**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings#	1 536	917	837	2 873	**6 163**	3 077	579	**9 819**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

\# *Excludes the return on capital in African operations, and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings reported on page 76.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
4 668	714	**5 382**	**8 213**	766	**33 362**	(3 484)	**29 878**
(414)	(32)	**(446)**	**(2 081)**	(579)	**(5 519)**	267	**(5 252)**
4 254	682	**4 936**	**6 132**	187	**27 843**	(3 217)	**24 626**
7 117	1 230	**8 347**	**3 291**	(457)	**30 692**	5 458	**36 150**
11 371	1 912	**13 283**	**9 423**	(270)	**58 535**	2 241	**60 776**
(5 380)	(1 358)	**(6 738)**	**(5 069)**	(351)	**(33 276)**	(2 172)	**(35 448)**
5 991	554	**6 545**	**4 354**	(621)	**25 259**	69	**25 328**
1 237	–	**1 237**	**214**	(416)	**1 065**	(138)	**927**
7 228	554	**7 782**	**4 568**	(1 037)	**26 324**	(69)	**26 255**
(69)	(25)	**(94)**	**(253)**	21	**(878)**	–	**(878)**
7 159	529	**7 688**	**4 315**	(1 016)	**25 446**	(69)	**25 377**
(1 970)	(148)	**(2 118)**	**(1 208)**	2 041	**(5 448)**	(143)	**(5 591)**
5 189	381	**5 570**	**3 107**	1 025	**19 998**	(212)	**19 786**
5 126	381	**5 507**	**3 013**	324	**18 663**	(223)	**18 440**
–	–	**–**	**–**	288	**288**	–	**288**
63	–	**63**	**94**	413	**1 047**	11	**1 058**
5 189	381	**5 570**	**3 107**	1 025	**19 998**	(212)	**19 786**
5 126	381	**5 507**	**3 013**	324	**18 663**	(223)	**18 440**
–	–	**–**	**–**	–	**–**	231	**231**
5 126	381	**5 507**	**3 013**	324	**18 663**	8	**18 671**
–	–	**–**	**–**	–	**–**	(198)	**(198)**
–	–	**–**	**–**	–	**–**	182	**182**
–	–	**–**	**–**	–	**–**	97	**97**
–	–	**–**	**–**	–	**–**	(104)	**(104)**
–	–	**–**	**–**	–	**–**	15	**15**
5 126	381	**5 507**	**3 013**	324	**18 663**	–	**18 663**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Cost-to-income ratio (%)	40.3	49.8	29.0	62.0	**52.3**	57.4	60.5	**54.8**
Diversity ratio (%)	12.4	46.1	27.7	70.2	**51.5**	52.0	44.3	**50.7**
Credit loss ratio (%)	0.09	0.70	7.72	7.09	**0.90**	0.57	0.90	**0.85**
NPLs as a percentage of advances (%)	3.29	2.21	5.82	5.85	**3.47**	2.52	2.15	**3.14**
Consolidated income statement includes:								
Depreciation	(6)	(5)	(2)	(1 148)	**(1 161)**	(27)	(149)	**(1 337)**
Amortisation	–	–	–	(10)	**(10)**	(12)	(12)	**(34)**
Impairment charges	–	–	–	(7)	**(7)**	(10)	–	**(17)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	171 173	15 761	12 516	9 470	**208 920**	49 903	40 443	**299 266**
– Normal advances	171 173	15 761	12 516	9 470	**208 920**	49 903	40 443	**299 266**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
NPLs	5 625	348	729	554	**7 256**	1 259	871	**9 386**
Investment in associated companies	–	–	–	241	**241**	–	4	**245**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	129	1 349	25	138 172	**139 675**	138 262	44 460	**322 397**
Total assets	14 394	9 270	11 448	186 878	**221 990**	49 382	51 742	**323 114**
Total liabilities#	14 029	8 375	10 228	182 142	**214 774**	45 108	49 272	**309 154**
Capital expenditure	6	9	1	2 327	**2 343**	36	367	**2 746**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

Total liabilities are net of interdivisional balances.

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
41.3	69.9	**45.0**	**43.3**	(>100)	**51.1**	–	**52.9**
64.2	63.3	**64.0**	**29.9**	>100	**48.8**	–	**55.4**
0.20	0.55	**0.21**	**1.35**	0.09	**0.84**	–	**0.80**
0.95	0.09	**0.93**	**2.86**	–	**2.33**	–	**2.34**
(102)	(7)	**(109)**	**(434)**	(48)	**(1 928)**	(114)	**(2 042)**
(10)	–	**(10)**	**(44)**	(2)	**(90)**	(5)	**(95)**
(2)	–	**(2)**	**(12)**	(10)	**(41)**	(282)	**(323)**
221 764	6 442	**228 206**	**167 037**	5 317	**699 826**	(3 515)	**696 311**
221 764	6 442	**228 206**	**156 966**	5 317	**689 755**	(3 515)	**686 240**
–	–	**–**	**10 071**	–	**10 071**	–	**10 071**
2 105	6	**2 111**	**4 784**	–	**16 281**	–	**16 281**
4 172	–	**4 172**	**1 436**	(6)	**5 847**	–	**5 847**
1 214	–	**1 214**	**–**	(16)	**1 198**	7	**1 205**
124 930	69 222	**194 152**	**48**	251 637	**768 234**	–	**768 234**
383 083	7 126	**390 209**	**170 194**	63 092	**946 609**	(1 074)	**945 535**
373 661	6 446	**380 107**	**166 137**	1 918	**857 316**	2	**857 318**
289	4	**293**	**1 172**	41	**4 252**	–	**4 252**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Six months ended 31 December 2014				
	VAF				
	Retail		Corporate and		Total
R million	South Africa	MotoNovo	commercial	Personal loans	WesBank
NII before impairment of advances	**2 098**	**706**	**538**	**987**	**4 329**
Impairment of advances	**(505)**	**(111)**	**(177)**	**(387)**	**(1 180)**
Normalised profit before tax	**1 012**	**429**	**211**	**630**	**2 282**
Normalised earnings	**728**	**309**	**181**	**405**	**1 623**
Advances	**97 575**	**26 926**	**42 992**	**9 829**	**177 322**
– Normal advances	**97 244**	**11 690**	**42 992**	**9 829**	**161 755**
– Securitised advances	**331**	**15 236**	**–**	**–**	**15 567**
NPLs	**3 647**	**115**	**786**	**786**	**5 334**
Advances margin (%)	**3.76**	**6.00**	**2.85**	**19.64**	**4.75**
NPLs (%)	**3.74**	**0.43**	**1.83**	**8.00**	**3.01**
Credit loss ratio (%)	**1.04**	**0.90**	**0.87**	**8.15**	**1.37**

	Six months ended 31 December 2013				
	VAF				
	Retail		Corporate and		Total
R million	South Africa	MotoNovo	commercial	Personal loans	WesBank
NII before impairment of advances	2 078	500	565	832	3 975
Impairment of advances	(519)	(60)	(100)	(245)	(924)
Normalised profit before tax	1 019	293	254	583	2 149
Normalised earnings	734	211	183	369	1 497
Advances	93 822	17 049	35 133	8 221	154 225
– Normal advances	92 887	6 352	35 133	8 221	142 593
– Securitised advances	935	10 697	–	–	11 632
NPLs	2 839	71	682	520	4 112
Advances margin (%)	4.31	6.69	3.11	20.12	5.10
NPLs (%)	3.03	0.42	1.94	6.33	2.67
Credit loss ratio (%)	1.15	0.79	0.58	6.31	1.25

	Year ended 30 June 2014				
	VAF				
	Retail		Corporate and		Total
R million	South Africa	MotoNovo	commercial	Personal loans	WesBank
NII before impairment of advances	4 194	1 148	1 128	1 743	8 213
Impairment of advances	(1 209)	(135)	(135)	(602)	(2 081)
Normalised profit before tax	1 876	651	619	1 169	4 315
Normalised earnings	1 351	469	446	747	3 013
Advances	96 445	22 675	38 763	9 154	167 037
– Normal advances	95 864	13 185	38 763	9 154	156 966
– Securitised advances	581	9 490	–	–	10 071
NPLs	3 409	83	633	659	4 784
Advances margin (%)	4.24	6.34	2.77	20.51	5.05
NPLs (%)	3.53	0.37	1.63	7.20	2.86
Credit loss ratio (%)	1.32	0.75	0.37	7.32	1.35

balance sheet and return analysis

PERFORMANCE MEASUREMENT

The group aims to deliver sustainable returns to its shareholders and each business unit is evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, net income after capital charge (NIACC).

NIACC is embedded across the group, and, as a function of normalised earnings and the cost of capital, provides a clear indication of economic value added.

Targeted hurdle rates are set for business units and capital is allocated to each business unit based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements as well as Basel III.

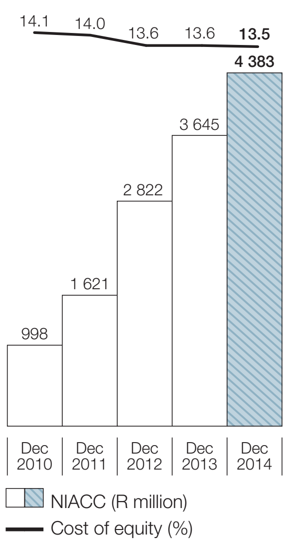
The group's NIACC increased largely due to the improvement in earnings and assisted by a marginal decrease in cost of equity, as illustrated in the table below.

NIACC and ROE

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings attributable to ordinary shareholders	**9 993**	8 691	15	18 663
Charge for capital*	**(5 610)**	(5 046)	11	(10 491)
NIACC**	**4 383**	3 645	20	8 172
Average ordinary shareholders' equity and reserves	**83 416**	74 205	12	77 143
ROE (%)	**24.0**	23.4		24.2
Cost of equity (%)	**13.5**	13.6		13.6
Return on average RWA	**3.41**	3.29		3.42

* *Capital charge based on cost of equity.*
** *NIACC = normalised earnings less (cost of equity x average ordinary shareholders' equity and reserves).*

NIACC and cost of equity



SHAREHOLDER VALUE CREATION

The group continues to achieve returns in excess of its cost of equity resulting in positive NIACC, despite the increased levels of capital required by recent regulatory changes and expansion initiatives.

Decomposition of the ROE indicates that, although gearing levels are lower due to the implementation of Basel III, the group's focus on improving ROA delivered an increased ROE of 24.0% (2013: 23.4%).

The table below illustrates the improving trends in ROA and ROE.

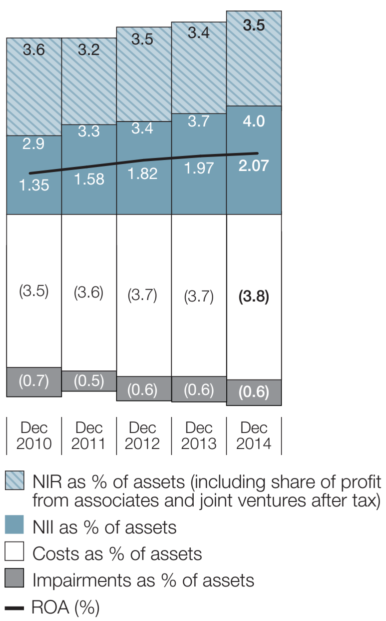
Historical analysis of ROA, gearing and ROE

	Six months ended 31 December					Year ended 30 June
	2014	**2013**	**2012**	**2011**	**2010***	**2014**
ROA (%)	**2.07**	1.97	1.82	1.58	1.35	2.06
Gearing**	**11.5**	11.9	12.2	12.4	13.3	11.8
ROE (%)	**24.0**	23.4	22.3	19.5	18.0	24.2

* *Comparatives prior to 2011 are for FirstRand Banking Group.*
** *Gearing = average total assets/average equity.*

ROA analysis

The following graph provides a high level summary of the drivers of returns over time.



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

FRANCHISE PERFORMANCE AND ROE

The group's performance measures are aligned to risk considerations and regulatory requirements.

The table below provides a summary of ROEs for the group's operating franchises, which all produced returns in excess of the cost of equity.

Normalised earnings and ROE

	Six months ended 31 December			Year ended 30 June
	2014		**2013**	**2014^**
R million	**Normalised earnings***	**ROE %**	**ROE %**	**ROE %**
FNB**	**5 696**	**40.7**	37.2	37.6
RMB#	**2 452**	**21.2**	24.0	25.8
WesBank	**1 591**	**23.7**	28.3	26.5
FCC†	**254**	**2.4**	0.2	2.4
FirstRand Limited	**9 993**	**24.0**	23.4	24.2
Total Africa‡	**811**	**21.6**	20.5	19.4

* *Includes the return on capital in African operations and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings reported in the segment report on pages 60 to 71.*
** *Includes FNB Africa and FNB's activities in India.*
\# *Includes RMB Africa.*
† *Includes Ashburton Investments.*
‡ *Reflects FNB's and RMB's combined operations in the legal entities in the rest of Africa.*
^ *The comparative ROEs were restated for the following:*
- *refinement of allocation of return on capital to franchises;*
- *refinement of allocation of FCC costs to franchises; and*
- *changes to capital allocation methodologies.*

ECONOMIC VIEW OF THE BALANCE SHEET

The balance sheet structure has remained largely unchanged year-on-year.

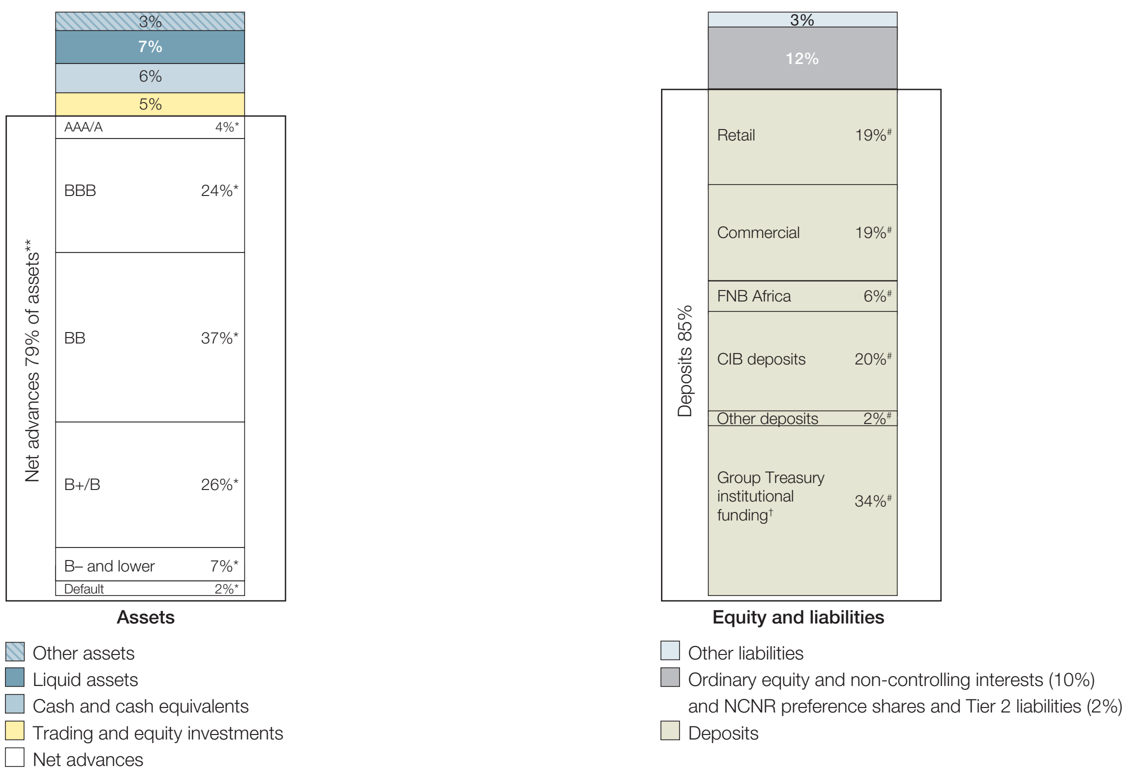
When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 79% of total assets. The composition of the net advances portfolio consists of retail secured (41%), retail unsecured (7%), corporate and commercial (46%) and FNB Africa and other (6%). Total NPLs were R17.97 billion (2.44% as a percentage of advances) with a credit loss ratio of 0.86% and 91% of advances are rated B or better.

Cash and cash equivalents and liquid assets represent 6% and 7% 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 private equity 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 has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 28 months in 2014.

The group's capital ratios remained strong with the CET1 ratio at 13.8%, Tier 1 ratio at 14.7% and total capital adequacy ratio at 16.5%. Gearing reduced to 11.5 times (December 2013: 11.9 times).

Economic view of the balance sheet as at 31 December 2014



* *Of net advances*
** *Rating segmentation has been redefined since June 2014*

\# *Of deposits*
† *Includes consolidation and IFRS adjustments*

Note: Non-recourse-, derivative-, securities lending- and short trading position assets and liabilities have been netted off.

CAPITAL

The group actively manages its capital base commensurate with its strategy and risk appetite. The optimal level and composition of capital is determined after taking into account:

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

PERIOD UNDER REVIEW

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above target ranges or levels across economic and business cycles. FirstRand remains appropriately capitalised under a range of normal and severe scenarios (including stress events), which includes ongoing regulatory developments and expansion initiatives in South Africa and the rest of Africa.

FirstRand operated above its targeted levels throughout the period under review. The group's internal targets have been revised to take into account end-state (2019) regulatory minimum requirements (including the capital conservation buffer) and various stakeholder constraints.

The board-approved targets and actual capital ratios at 31 December 2014 are summarised in the table below.

Capital adequacy position

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual			
– excluding unappropriated profits	**12.9**	**13.8**	**15.7**
– including unappropriated profits	**13.8**	**14.7**	**16.5**

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

The group aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

Following the implementation of the final leverage framework, greater emphasis has been placed on monitoring leverage for the group. FirstRand's current leverage ratio comfortably exceeds the regulatory minimum and internal target levels, as reflected in the table below.

Leverage position

%	Actual
Regulatory minimum*	4.0
Target	>5.0
Actual	**7.9**

* *Reflects the SARB minimum requirement; Basel minimum is 3%.*

Regulatory update

The BCBS issued a number of consultative documents during the period under review. These papers are at different stages of testing, finalisation and implementation, and will be incorporated in the BCBS quantitative impact studies. The group continues to participate in the quantitative impact studies to assess the effect of these consultative documents.

CAPITAL ADEQUACY

Composition of capital

The table below shows the composition of regulatory capital for the group.

Composition of capital

R million	31 December 2014	31 December 2013	30 June 2014
Supply of capital			
Excluding unappropriated profits			
CET1 capital	**77 492**	73 461	79 344
Tier 1 capital	**82 908**	79 083	84 647
Total qualifying capital and reserves	**93 912**	86 674	95 368
Including unappropriated profits			
CET1 capital	**82 500**	73 461	79 344
Tier 1 capital	**87 916**	79 083	84 647
Total qualifying capital and reserves	**98 920**	86 674	95 368
Demand of capital			
Credit risk	**405 625**	369 704	389 440
Counterparty credit risk	**11 501**	7 352	10 037
Operational risk	**101 120**	85 055	93 613
Market risk	**14 616**	11 246	13 118
Equity investment risk	**32 974**	31 174	34 128
Other assets*	**32 862**	30 879	32 110
Total RWA	**598 698**	535 410	572 446

* *Includes investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

Supply of capital

CET1 capital benefited from strong internal capital generation through earnings.

Given SARB guidance on the loss absorbency requirements for capital instruments, the group continues to focus on the most optimal capital mix and pricing, as well as monitoring the actual Tier 2 levels against targeted requirements. During the period under review the Basel II compliant FRB03 subordinated debt instrument (R1.7 billion) was redeemed.

Demand for capital

Overall movement in RWA can be attributed to the following:

- credit risk increased due to organic growth, model risk recalibrations and regulatory refinement;
- counterparty credit risk increased due to volume growth and refinement of internal methodologies;
- 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 advanced measurement and standardised approaches;
- market risk increased due to volume and mark-to-market movements; and
- equity investment risk decreased mainly due to the disposals of investments and foreign exchange movements.

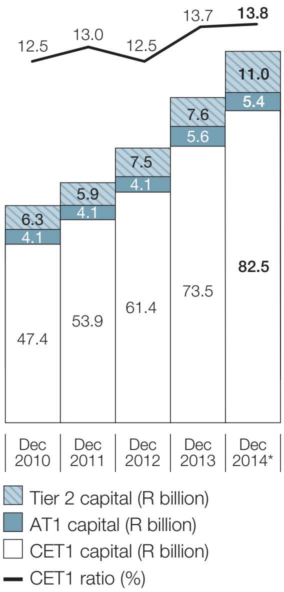
For more detail on the composition of capital and main features of capital instruments, refer to www.firstrand.co.za/investorcentre/pages/capitaldisclosures.aspx.

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

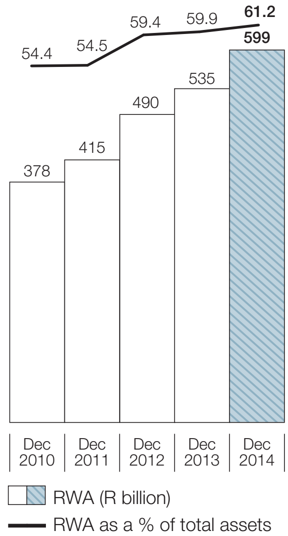
HISTORICAL OVERVIEW OF CAPITAL ADEQUACY

The graphs below show a historical overview of capital adequacy and RWA for the group.

Capital adequacy history



RWA history



* *Includes unappropriated profits.*

Capital adequacy position of the group, its regulated subsidiaries and the bank's 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 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 period under review, no restrictions were experienced on the repayment of such dividends or capital to the group.

The capital adequacy positions of the group, its regulated subsidiaries and the bank's foreign branches are set out below.

RWA and capital adequacy positions of the group, its regulated subsidiaries and the bank's foreign branches

	31 December 2014			31 December 2013	30 June 2014
	RWA R million	**Tier 1 %**	**Total capital adequacy %**	**Total capital adequacy %**	**Total capital adequacy %**
Basel III (SARB regulations)					
FirstRand*	**598 698**	**14.7**	**16.5**	16.2	16.7
FirstRand Bank South Africa*	**438 745**	**14.2**	**16.1**	15.7	16.1
FirstRand Bank London	**25 641**	**9.8**	**17.6**	13.2	19.0
FirstRand Bank India	**1 595**	**33.5**	**34.2**	32.7	31.8
Basel II (local regulations)					
FNB Namibia	**20 115**	**12.4**	**15.8**	15.7	17.1
FNB Mozambique	**3 125**	**14.8**	**15.1**	10.7	8.2
Basel I (local regulations)					
FNB Botswana	**15 107**	**15.1**	**20.3**	20.7	18.3
FNB Swaziland	**2 370**	**20.3**	**21.5**	25.3	22.3
FNB Lesotho	**691**	**13.1**	**16.0**	17.9	17.7
FNB Zambia	**4 181**	**21.6**	**25.9**	39.0	31.9
FNB Tanzania	**485**	**63.4**	**64.7**	39.0	>100
RMB Nigeria	**399**	**>100**	**>100**	>100	>100

* *Includes unappropriated profits.*

FUNDING AND LIQUIDITY

The group strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and 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 its 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.

The group improved its funding and liquidity profile, however, the current market conditions and regulatory requirements will require further increasing levels of available liquidity relative to the group's appetite.

At 31 December 2014, FirstRand Bank (FRB) exceeded the 60% minimum LCR requirement effective 1 January 2015, per the *pro forma* LCR issued by the BCBS and aligned to the SARB LCR measurement.

At 31 December 2014, FRB's available sources of liquidity per the BCBS LCR were R84 billion, with an additional R9 billion of management liquidity available.

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 are also making use of financial intermediaries that provide bulking and maturity transformation services with their cyclical cash surpluses. The 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:

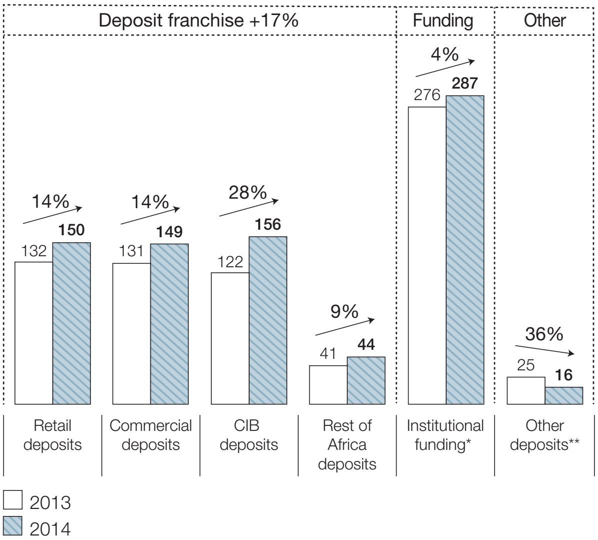
- the closed rand system where all rand transactions are cleared and settled in South Africa through registered banks and clearing institutions domiciled in South Africa;
- concentration of customer current accounts with the largest banks;
- the prudential exchange control framework in place in South Africa; and
- the low dependency of South African banks on foreign currency funding.

During the period under review, there has been increased liquidity demand by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations. In light of the structural features discussed above, focus is currently placed on achieving a risk-adjusted diversified funding profile which also supports the 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 67% of domestic funding liabilities at 31 December 2014. During the period 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 period, accessed capital markets. The group has frequently issued various capital and funding instruments within the 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



* *Includes CIB institutional funding and marketable debt securities.*
** *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

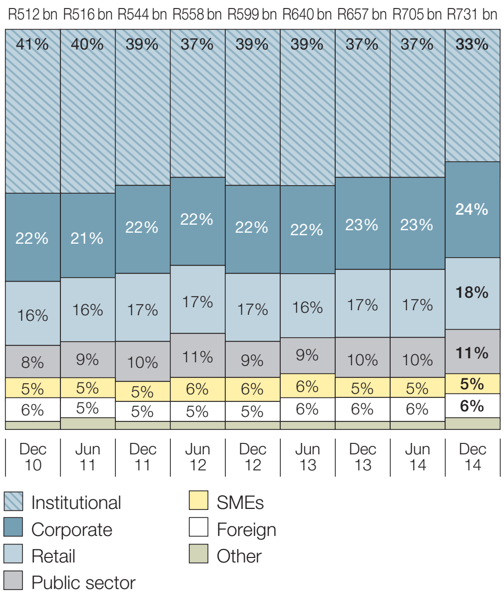
FRB, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from the deposit franchise in comparison to the South African aggregate, however, its funding profile also reflects the structural features described above. The table below provides an analysis of FRB's funding sources.

FirstRand Bank's funding sources

	As at 31 December 2014			
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**
Institutional funding	**33.4**	**11.1**	**8.0**	**14.3**
Deposit franchise	**66.6**	**50.7**	**6.5**	**9.4**
Corporate	**23.9**	**20.4**	**1.9**	**1.6**
Retail	**17.7**	**13.4**	**2.9**	**1.4**
SME	**5.2**	**4.6**	**0.4**	**0.2**
Government and parastatals	**10.5**	**9.0**	**1.0**	**0.5**
Foreign	**6.4**	**2.9**	**0.2**	**3.3**
Other	**2.9**	**0.4**	**0.1**	**2.4**
Total	**100.0**	**61.8**	**14.5**	**23.7**

FirstRand Bank's funding sources

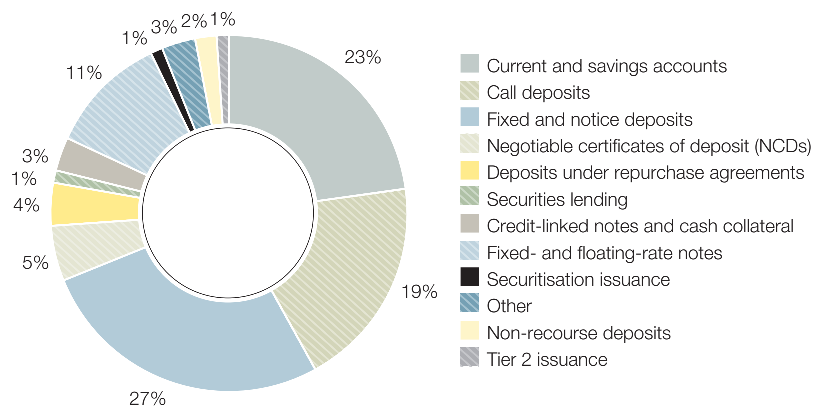
R billion



Source: SARB BA900 returns, December 2014.

The following chart illustrates the group's funding instruments by instrument type, including senior debt and securitisation.

Group's funding analysis by instrument type

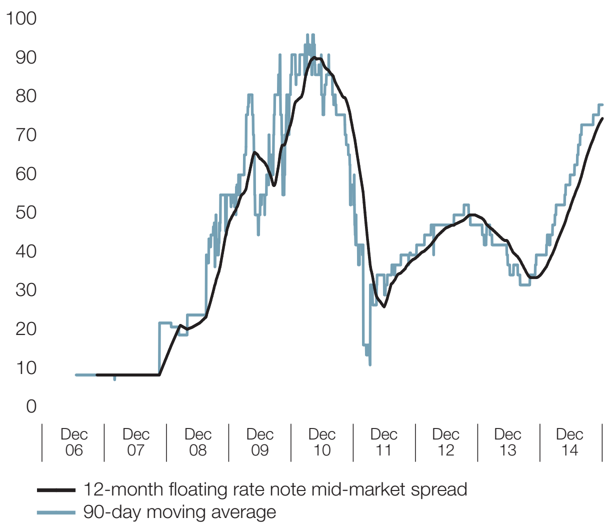


The group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes has been established. FRB'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 and shows that liquidity spreads have continued to increase.

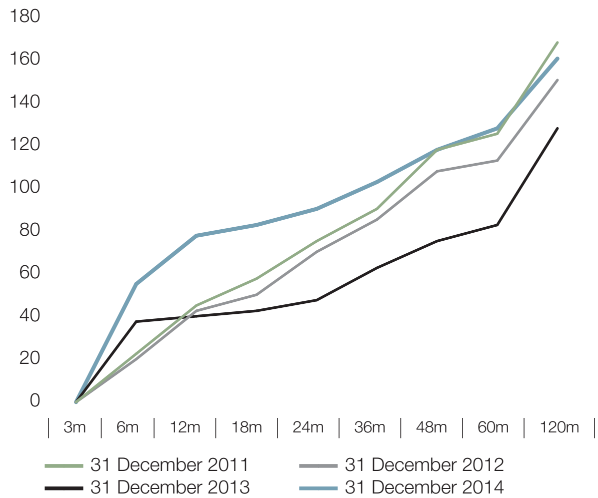
12-month liquidity spread (bps)



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 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 (bps)

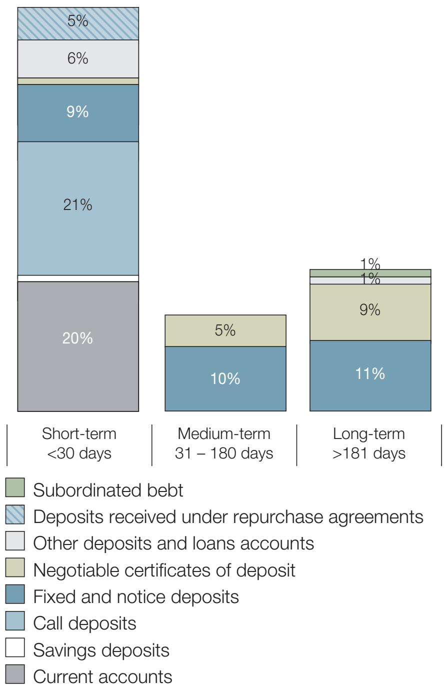


Source: Bloomberg (RMBP screen) and Reuters

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 chart illustrates a breakdown of the group's funding liabilities by instrument and term.

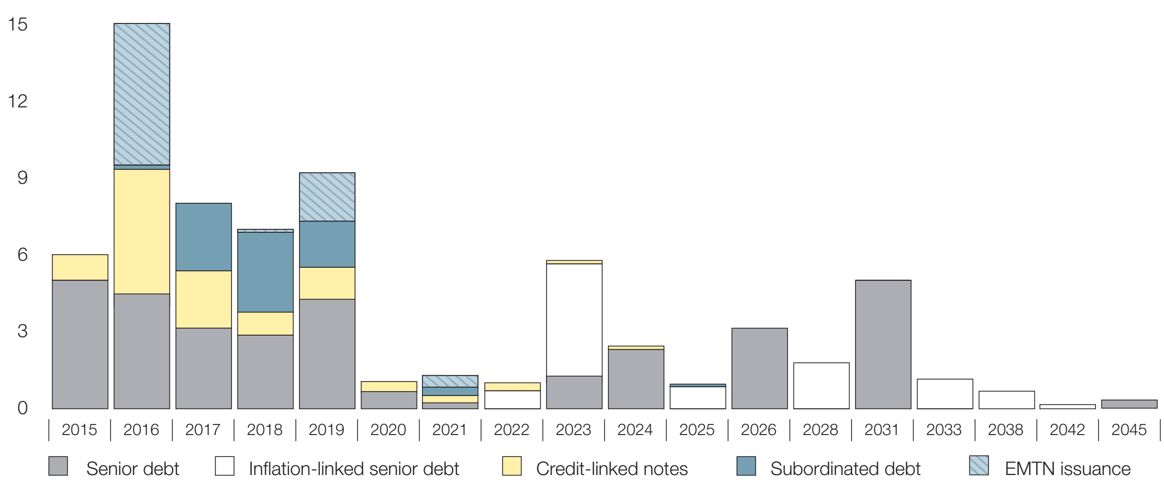
The group's funding liabilities by instrument type and term at 31 December 2014



The maturity profile of all issued capital markets instruments is shown below. The group does not have concentration risk in any one year and it seeks to efficiently issue across the curve considering investor demand.

Maturity profile of FRB's capital market instruments

R billion



FOREIGN CURRENCY BALANCE SHEET

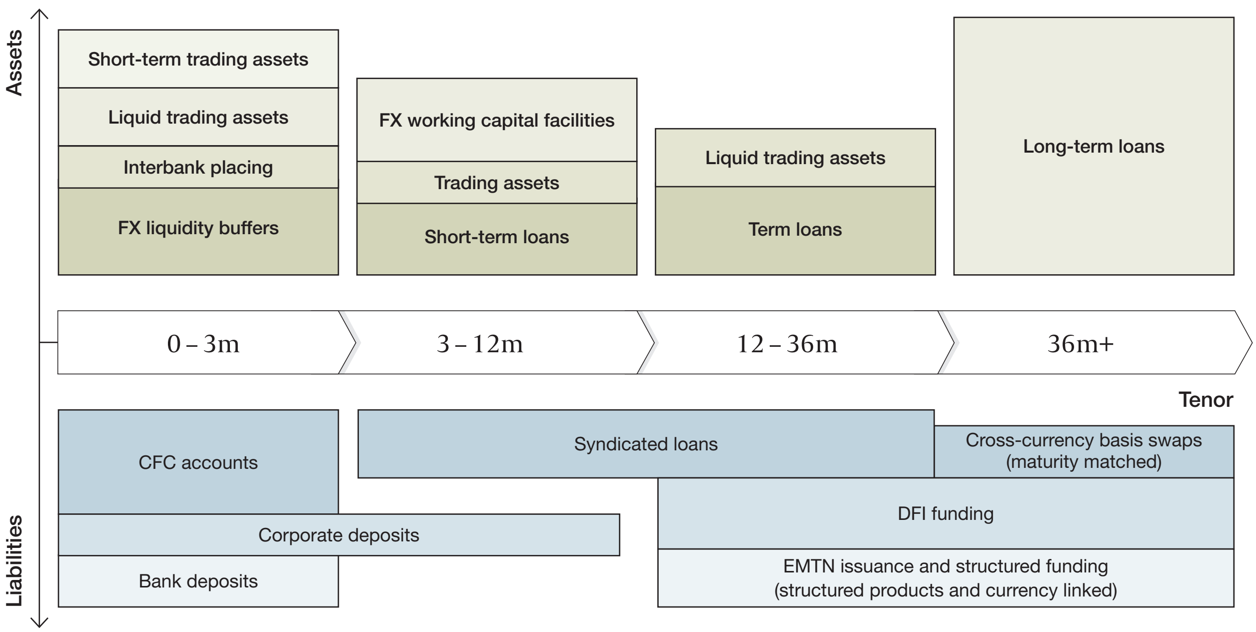
Given the group's objective to grow its franchise in the rest of Africa, India and the corridors, and given the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk within the risk appetite approved by the board and risk committee. The SARB via *Exchange Control Circular 6 of 2010* 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 allowed by the macro-prudential limits 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 FirstRand 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 group's framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity. The group considers risks arising from an 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



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 to 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 is 60% at 1 January 2015, with 10% incremental increases 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 Basel III regulations. The objective of the document is to reduce market uncertainty around these liquidity positions.

The SARB issued *Directive 11 of 2014* which requires banks to disclose the simple average of the prior three month-end liquidity coverage ratio figures on a quarterly basis. This is effective from the first quarter of 2015 and will correspond with quarterly capital disclosures. The disclosure only applies to banking and/or deposit-taking entities. The South African banking industry and the SARB are currently defining the reporting template to be used in the disclosures. The group's intention is 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 may 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 banks' 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. FRB's application for a committed liquidity facility has been approved and the bank is in the process of agreeing the format of eligible collateral with the SARB.

FirstRand is in the process of LCR implementation and expects to be able to comply with the phased-in requirements.

Net Stable Funding Ratio

The BCBS released the updated NSFR in October 2014. The latest NSFR is in alignment with the consultative paper released earlier in the year and the NSFR now represents more of a structural balance sheet funding ratio compared to the originally proposed 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.

The current proposed NSFR calculation methodology is an improvement over previous proposals, with better recognition given to certain funding components received from retail, small and medium enterprises, financial institutions and public sector entities, where the duration is longer than six months and the funding is operational in nature. South African banks still face a structural funding shortfall and will, therefore, be unable to meet the 100% ratio compliance requirement given the current market structure. National Treasury has convened a prudential committee, which includes regulators, banks and financial market participants, to deliberate on this issue.

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 *Key Attributes of Effective Resolution Regimes*. The SARB has adopted this requirement and has, as the first phase, required 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 requires 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 bank's critical functions to support recovery from a 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

The SARB is progressing with the resolution and recovery planning requirements for South African banks. This process aims to resolve a bank facing severe stress, without systemic disruption or costs to taxpayers.

The purpose of a recovery plan is to prepare and consider the actions a bank can take to recover from a severe stress event. The SARB has issued *Directive 1 of 2015* which defines the minimum standards for bank recovery plans.

In addition, the SARB has circulated a draft Banks Act Amendment Bill, which defines the operating and legal framework in which the resolution authority will act.

LIQUIDITY RISK POSITION

The table below provides details on the sources of liquidity by Basel LCR definition and management assessment.

FirstRand Bank's composition of liquid assets

	As at 31 December 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	**24**	**24**	**–**	**24**
Government bonds and bills*	**57**	**57**	**–**	**55**
Corporate bonds	**11**	**–**	**5**	**5**
Other liquid assets	**–**	**–**	**–**	**9**
Total	**92**	**81**	**5**	**93**

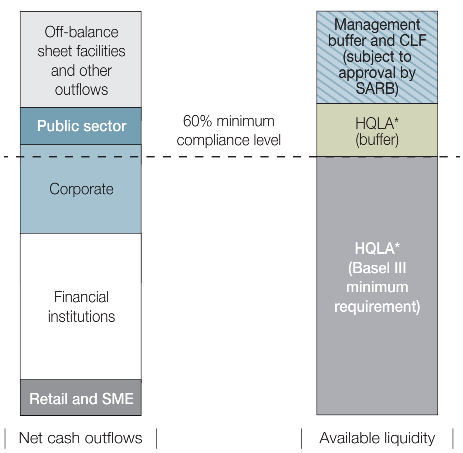
* *SARB specified haircuts for management buffers.*

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 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 is reflective of the South African market structure. Other significant contributors to the 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 to reduce reliance on institutional funding, as well as to offer utilised facilities more efficiently.

The graph below gives an indication of FRB's LCR position as at 31 December 2014 and demonstrates the bank's compliance with the 60% minimum requirement.

FirstRand Bank LCR



* *High-quality liquid assets.*

CREDIT

Credit strategy is managed as part of the broader financial resource management process and is aligned with the group's view of trends in the wider economy.

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

		Six months ended 31 December		% change	Year ended 30 June
R million	**Notes**	**2014**	**2013**		**2014**
Total gross advances*	1	**736 523**	648 254	14	699 826
NPLs	2	**17 970**	16 564	8	16 281
NPLs as a % of advances		**2.44**	2.56		2.33
Impairment charge – total	3	**3 086**	2 445	26	5 519
Impairment charge as a % of average advances		**0.86**	0.77		0.84
Total impairments*	4	**14 994**	12 811	17	13 900
– Portfolio impairments		**7 665**	6 152	25	7 259
– Specific impairments		**7 329**	6 659	10	6 641
Implied loss given default (coverage)**	4	**40.8**	40.2		40.8
Total impairments coverage ratio#		**83.4**	77.3		85.4
Performing book coverage ratio†		**1.07**	0.97		1.06

* *Includes cumulative credit fair value adjustments.*
** *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*
# *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*
† *Portfolio impairments as a percentage of the performing book.*

The notes referred to in the table above are detailed on the following pages. Certain portfolio comparatives have been restated to reflect the current segmentation of the business.

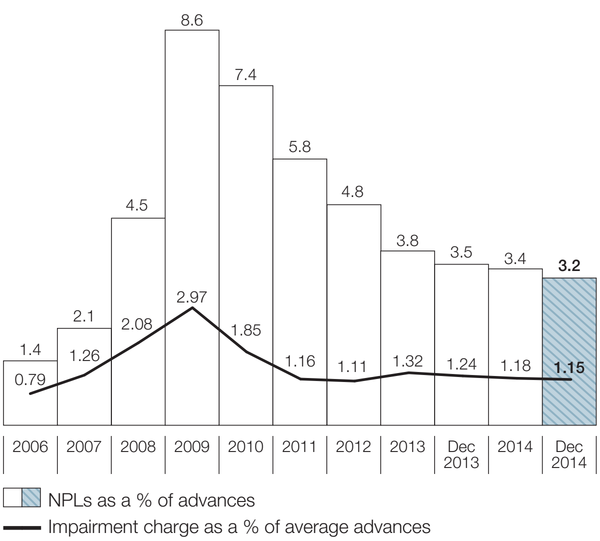
The credit information in this section is presented on a normalised basis. The normalised basis differs from IFRS in that the credit fair value adjustments on fair value advances are reversed to reflect the advances and impairments as if accounted for on an accrual basis. The adjustments had the following impact:

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 753 million (December 2013: R3 199 million; June 2014: R3 515 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R382 million (December 2013: R151 million; June 2014: R267 million). Under IFRS, these are accounted for under NIR.

Retail credit portfolios

- Retail NPLs decreased 1%. NPLs as a percentage of advances decreased to 3.17% from 3.50% at December 2013.
- NPLs in the residential mortgages portfolio continue to decline as a result of curing and workouts. The rate of inflows into NPLs has also slowed. NPLs as a percentage of advances declined further to 2.88% (December 2013: 3.65%).
- As expected, VAF NPLs increased as consumers continue to be under pressure. It is also worth noting that all restructured debt review accounts are included in NPLs even though 40% of these accounts at December 2014 had never defaulted.
- NPLs on the unsecured lending book increased 4%. The better than expected credit profile is due to enhanced loan origination policies implemented since 2011.
- The 51% increase in WesBank personal loans NPLs is due to higher inflows as well as an increasing number of debt review restructured accounts which at December 2014, represented 60% of NPLs. Due to the amended repayment profile, debt review restructured accounts remain on the books for an extended period, remaining in NPLs even though clients may be fully performing in terms of the revised repayment terms. This is in line with the group's policy to only migrate out of NPLs when all arrears in terms of original credit facilities have been repaid.
- The retail impairment charge as a percentage of average advances was 1.15% (December 2013: 1.24%). The improvement was driven by the slowdown in the inflow of NPLs and also benefited from strong post write-off recoveries of R940 million, mainly emanating from unsecured portfolios and VAF.

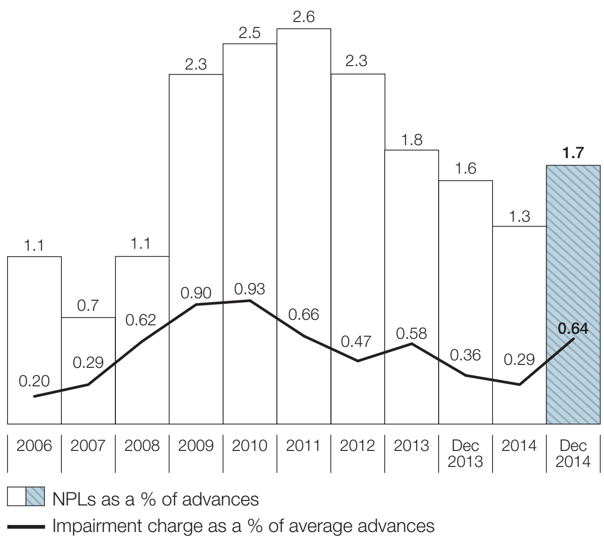
Retail NPLs and impairments



Corporate and commercial credit portfolios

- NPLs in the corporate and commercial portfolios increased as a result of certain defaulted accounts. NPLs as a percentage of advances increased to 1.74% from 1.59%.
- The NPL coverage ratio of 54.2% was impacted by the level of coverage on recent NPLs in the oil and gas, and mining and metals portfolios where the prospect of recoveries is high.
- The impairment charge increased to 0.64% from 0.36% at December 2013 as a result of higher NPL inflows and includes portfolio impairments in excess of R500 million.

Corporate and commercial NPLs and impairments



NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances				
	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
Retail	**350 757**	320 552	9	47	337 194
Retail – secured	**299 598**	277 825	8	41	290 293
Residential mortgages	**175 097**	166 954	5	24	171 173
VAF	**124 501**	110 871	12	17	119 120
Retail – unsecured	**51 159**	42 727	20	6	46 901
Card	**17 356**	14 173	22	2	15 761
Personal loans	**22 660**	20 501	11	3	21 670
– FNB loans	**12 831**	12 280	4	2	12 516
– WesBank loans	**9 829**	8 221	20	1	9 154
Retail other	**11 143**	8 053	38	1	9 470
Corporate and commercial	**336 318**	287 998	17	46	316 872
FNB commercial	**52 825**	44 539	19	7	49 903
WesBank corporate	**42 992**	35 133	22	6	38 763
RMB investment banking	**234 175**	201 899	16	32	221 764
RMB corporate banking	**6 326**	6 427	(2)	1	6 442
FNB Africa*	**43 730**	36 727	19	6	40 443
FCC (including Group Treasury)	**5 718**	2 977	92	1	5 317
Total advances	**736 523**	648 254	14	100	699 826
Of which:					
Accrual book	**541 597**	480 720	13	74	512 580
Fair value book**	**194 926**	167 534	16	26	187 246

* *Includes FNB's activities in India.*
** *Including advances classified as available-for-sale.*

Fluctuations in assets under agreements to resell included in the RMB loan book can impact the analysis of total book growth significantly as illustrated in the table below.

	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
Investment banking advances	**234 175**	201 899	16	100	221 764
Less: assets under agreements to resell	**(35 837)**	(36 599)	(2)	(15)	(32 753)
Investment banking advances net of assets under agreements to resell	**198 338**	165 300	20	85	189 011

Sector and geographical analysis of advances

	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
Gross advances	**738 187**	650 043	14	100	701 462
Less: interest in suspense	**(1 664)**	(1 789)	(7)	–	(1 636)
Advances net of interest in suspense	**736 523**	648 254	14	100	699 826
Sector analysis					
Agriculture	**26 257**	22 712	16	4	22 912
Banks	**10 444**	8 065	29	1	8 554
Financial institutions	**82 851**	70 860	17	11	75 178
Building and property development	**29 550**	33 184	(11)	4	36 814
Government, Land Bank and public authorities	**16 965**	15 996	6	2	16 283
Individuals	**369 683**	337 388	10	51	356 218
Manufacturing and commerce	**97 327**	83 341	17	13	89 667
Mining	**25 177**	22 957	10	3	22 981
Transport and communication	**19 697**	20 722	(5)	3	19 973
Other services	**58 572**	33 029	77	8	51 246
Total advances	**736 523**	648 254	14	100	699 826
Geographic analysis					
South Africa	**623 038**	561 125	11	85	600 635
Other Africa	**71 750**	56 918	26	10	62 300
UK	**29 704**	20 399	46	4	28 314
Other Europe	**5 235**	5 737	(9)	1	4 316
North America	**2 983**	1 225	>100	–	1 223
South America	**191**	652	(71)	–	161
Australasia	**1 154**	1 094	5	–	1 165
Asia	**2 468**	1 104	>100	–	1 712
Total advances	**736 523**	648 254	14	100	699 826

NOTE 2: ANALYSIS OF NPLS

Segmental analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2014**	**2013**	**2014**
Retail	**11 125**	11 225	(1)	62	11 407	**3.17**	3.50	3.38
Retail – secured	**8 799**	8 999	(2)	49	9 117	**2.94**	3.24	3.14
Residential mortgages	**5 037**	6 089	(17)	28	5 625	**2.88**	3.65	3.29
VAF	**3 762**	2 910	29	21	3 492	**3.02**	2.62	2.93
Retail – unsecured	**2 326**	2 226	4	13	2 290	**4.55**	5.21	4.88
Card	**324**	353	(8)	2	348	**1.87**	2.49	2.21
Personal loans	**1 477**	1 439	3	8	1 388	**6.52**	7.02	6.41
– FNB loans	**691**	919	(25)	4	729	**5.39**	7.48	5.82
– WesBank loans	**786**	520	51	4	659	**8.00**	6.33	7.20
Retail other	**525**	434	21	3	554	**4.71**	5.39	5.85
Corporate and commercial	**5 859**	4 574	28	33	4 003	**1.74**	1.59	1.26
FNB commercial	**1 278**	1 465	(13)	7	1 259	**2.42**	3.29	2.52
WesBank corporate	**786**	682	15	4	633	**1.83**	1.94	1.63
RMB investment banking	**3 751**	2 419	55	22	2 105	**1.60**	1.20	0.95
RMB corporate banking	**44**	8	>100	–	6	**0.70**	0.12	0.09
FNB Africa*	**986**	765	29	5	871	**2.25**	2.08	2.15
FCC (including Group Treasury)	**–**	–	–	–	–	**–**	–	–
Total NPLs	**17 970**	16 564	8	100	16 281	**2.44**	2.56	2.33
Of which:								
Accrual book	**15 438**	14 451	7	86	14 641	**2.85**	3.01	2.86
Fair value book	**2 532**	2 113	20	14	1 640	**1.30**	1.26	0.88

* *Includes FNB's activities in India.*

Sector and geographic analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2014**	**2013**	**2014**
Sector analysis								
Agriculture	**189**	616	(69)	1	200	**0.72**	2.71	0.87
Financial services	**269**	233	15	1	167	**0.29**	0.30	0.20
Building and property development	**1 961**	2 036	(4)	12	2 194	**6.64**	6.14	5.96
Government, Land Bank and public authorities	**28**	109	(74)	–	53	**0.17**	0.68	0.33
Individuals	**11 320**	11 597	(2)	64	11 729	**3.06**	3.44	3.29
Manufacturing and commerce	**1 518**	1 100	38	8	661	**1.56**	1.32	0.74
Mining	**1 294**	51	>100	7	248	**5.14**	0.22	1.08
Transport and communication	**230**	119	93	1	91	**1.17**	0.57	0.46
Other services	**1 161**	703	65	6	938	**1.98**	2.13	1.83
Total NPLs	**17 970**	16 564	8	100	16 281	**2.44**	2.56	2.33
Geographic analysis								
South Africa	**15 546**	15 216	2	86	15 061	**2.50**	2.71	2.51
Other Africa	**1 517**	775	96	8	810	**2.11**	1.36	1.30
UK	**116**	71	63	1	84	**0.39**	0.35	0.30
Other Europe	**88**	–	>100	–	–	**1.68**	–	–
North America	**369**	35	>100	2	26	**12.37**	2.86	2.13
South America	**157**	331	(53)	1	161	**82.20**	50.77	100.00
Australasia	**83**	78	6	1	78	**7.19**	7.13	6.70
Asia	**94**	58	62	1	61	**3.81**	5.25	3.56
Total NPLs	**17 970**	16 564	8	100	16 281	**2.44**	2.56	2.33

Security and recoverable amounts by portfolio

R million	As at 31 December 2014 NPLs	As at 31 December 2014 Security held and expected recoveries	As at 31 December 2014 Specific impairments*	As at 31 December 2013 NPLs	As at 31 December 2013 Security held and expected recoveries	As at 31 December 2013 Specific impairments*	As at 30 June 2014 NPLs	As at 30 June 2014 Security held and expected recoveries	As at 30 June 2014 Specific impairments*
Retail	**11 125**	**7 327**	**3 798**	11 225	7 400	3 825	11 407	7 643	3 764
Retail – secured	**8 799**	**6 588**	**2 211**	8 999	6 793	2 206	9 117	6 926	2 191
Residential mortgages	**5 037**	**4 017**	**1 020**	6 089	4 809	1 280	5 625	4 504	1 121
VAF	**3 762**	**2 571**	**1 191**	2 910	1 984	926	3 492	2 422	1 070
Retail – unsecured	**2 326**	**739**	**1 587**	2 226	607	1 619	2 290	717	1 573
Card	**324**	**87**	**237**	353	99	254	348	94	254
Personal loans	**1 477**	**527**	**950**	1 439	394	1 045	1 388	474	914
– FNB loans	**691**	**140**	**551**	919	169	750	729	159	570
– WesBank loans	**786**	**387**	**399**	520	225	295	659	315	344
Retail other	**525**	**125**	**400**	434	114	320	554	149	405
Corporate and commercial	**5 859**	**2 683**	**3 176**	4 574	2 063	2 511	4 003	1 491	2 512
FNB commercial	**1 278**	**473**	**805**	1 465	697	768	1 259	526	733
WesBank corporate	**786**	**323**	**463**	682	266	416	633	199	434
RMB investment banking	**3 751**	**1 887**	**1 864**	2 419	1 100	1 319	2 105	766	1 339
RMB corporate banking	**44**	**–**	**44**	8	–	8	6	–	6
FNB Africa**	**986**	**631**	**355**	765	442	323	871	506	365
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Total	**17 970**	**10 641**	**7 329**	16 564	9 905	6 659	16 281	9 640	6 641

* *Specific impairments include cumulative credit fair value adjustments.*
** *Includes FNB's activities in India.*

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge increased from 77 bps at December 2013 to 86 bps at December 2014.

Income statement impairments

	Total impairment charge				As a % of average advances			
	As at 31 December		% change	As at 30 June	As at 31 December		As at 30 June	Six months ended 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2013**	**2014**	**2014**
Retail	**1 982**	1 937	2	3 766	**1.15**	1.24	1.18	1.11
Retail – secured	**671**	662	1	1 502	**0.45**	0.49	0.54	0.59
Residential mortgages	**55**	83	(34)	158	**0.06**	0.10	0.09	0.09
VAF	**616**	579	6	1 344	**1.01**	1.10	1.22	1.33
Retail – unsecured	**1 311**	1 275	3	2 264	**5.35**	6.16	5.20	4.41
Card	**16**	15	7	101	**0.19**	0.22	0.70	1.15
Personal loans	**802**	849	(6)	1 582	**7.24**	8.35	7.56	6.95
– FNB loans	**415**	604	(31)	980	**6.55**	9.60	7.72	6.07
– WesBank loans	**387**	245	58	602	**8.15**	6.31	7.32	8.22
Retail other	**493**	411	20	581	**9.57**	10.99	7.09	3.88
Corporate and commercial	**1 049**	501	>100	843	**0.64**	0.36	0.29	0.23
FNB commercial	**154**	102	51	262	**0.60**	0.47	0.57	0.68
WesBank corporate	**177**	100	77	135	**0.87**	0.58	0.37	0.19
RMB investment banking	**662**	291	>100	414	**0.58**	0.30	0.20	0.12
RMB corporate banking	**56**	8	>100	32	**1.75**	0.28	0.55	0.75
FNB Africa*	**205**	107	92	331	**0.97**	0.61	0.90	1.16
FCC (including Group Treasury)**	**(150)**	(100)	50	579	**(0.04)**	(0.03)	0.09	0.20
Total impairment charge	**3 086**	2 445	26	5 519	**0.86**	0.77	0.84	0.91
Of which:								
Portfolio impairment charge	**867**	350	>100	1 466	**0.24**	0.11	0.22	0.33
Specific impairment charge	**2 219**	2 095	6	4 053	**0.62**	0.66	0.62	0.58

* *Includes FNB's activities in India.*

** *Percentages calculated on total average advances.*

NOTE 4: BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The group constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPL coverage ratio has remained stable at 40.8%.

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments				Coverage ratios (% of NPLs)		
	As at 31 December		% change	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2013**	**2014**
Specific impairments*							
Retail	**3 798**	3 825	(1)	3 764	**34.1**	34.1	33.0
Retail – secured	**2 211**	2 206	–	2 191	**25.1**	24.5	24.0
Residential mortgages	**1 020**	1 280	(20)	1 121	**20.3**	21.0	19.9
VAF**	**1 191**	926	29	1 070	**31.7**	31.8	30.6
Retail – unsecured	**1 587**	1 619	(2)	1 573	**68.2**	72.7	68.7
Card	**237**	254	(7)	254	**73.1**	72.0	73.0
Personal loans	**950**	1 045	(9)	914	**64.3**	72.6	65.9
– FNB loans	**551**	750	(27)	570	**79.7**	81.6	78.2
– WesBank loans**	**399**	295	35	344	**50.8**	56.7	52.2
Retail other	**400**	320	25	405	**76.2**	73.7	73.1
Corporate and commercial	**3 176**	2 511	26	2 512	**54.2**	54.9	62.8
FNB commercial	**805**	768	5	733	**63.0**	52.4	58.2
WesBank corporate	**463**	416	11	434	**58.9**	61.0	68.6
RMB investment banking	**1 864**	1 319	41	1 339	**49.7**	54.5	63.6
RMB corporate banking	**44**	8	>100	6	**100.0**	100.0	100.0
FNB Africa^	**355**	323	10	365	**36.0**	42.2	41.9
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default#	**7 329**	6 659	10	6 641	**40.8**	40.2	40.8
Portfolio impairments†	**7 665**	6 152	25	7 259	**42.7**	37.1	44.6
Total impairments/total impairment coverage ratio‡	**14 994**	12 811	17	13 900	**83.4**	77.3	85.4

* *Specific impairments including credit fair value adjustments relating to the non-performing fair value advances.*

** *The decline in the coverage ratio in the current period is a result of the lower coverage ratio which applies to accounts that have been restructured in terms of the debt review process and where a specific court order has been granted. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms. This is in line with the group's policy not to reclassify accounts out of NPLs, i.e. accounts will only migrate out of NPLs when clients have repaid all arrears in terms of their original credit facility.*

\# *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

† *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book as a percentage of NPLs.*

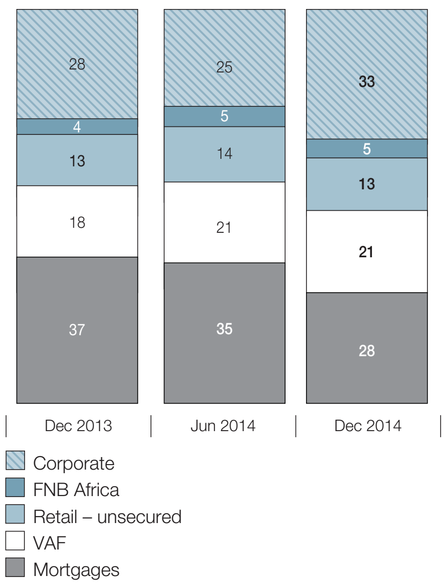
‡ *Total impairments and credit fair value adjustments as a percentage of NPLs.*

^ *Includes FNB's activities in India.*

The graph below provides a portfolio distribution of NPLs, showing decreases in the proportion of residential mortgage and an increase in corporate NPLs since December 2013.

NPLs distribution

%



RECONCILIATION OF IMPAIRMENTS

The group incorporates cumulative fair value adjustments to loans that are held at fair value through profit and loss in the calculation of total impairments. The composition of the total book impairments is detailed in the table below.

Balance sheet impairments and credit fair value adjustments

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**	**2014**	**2013**	**2014**	**2014**	**2013**	**2014**
Non-performing book	**5 851**	5 494	5 575	**1 478**	1 165	1 066	**7 329**	6 659	6 641
Performing book	**5 390**	4 118	4 810	**2 275**	2 034	2 449	**7 665**	6 152	7 259
Total impairments	**11 241**	9 612	10 385	**3 753**	3 199	3 515	**14 994**	12 811	13 900

The following table provides a reconciliation of the amortised cost specific impairments.

Balance sheet specific impairments – amortised cost

	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Opening balance	**5 575**	5 713	(2)	5 713
Reclassifications and transfers	**27**	(19)	(>100)	(7)
Exchange rate difference	**8**	34	(76)	17
Unwinding and discounted present value on NPLs	**(49)**	(89)	(45)	(135)
Bad debts written off	**(2 756)**	(2 872)	(4)	(5 835)
Net new impairments created	**3 046**	2 727	12	5 822
Closing balance	**5 851**	5 494	6	5 575

The group's income statement charge continues to benefit from increased post write-off recoveries in the retail book. The group incorporates fair value adjustments to loans that are held at fair value through profit and loss in the calculation of the total impairment charge.

Income statement impairments

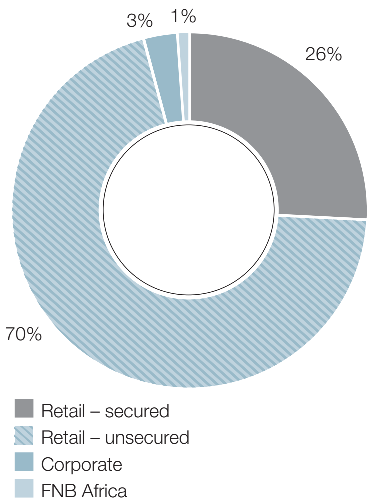
	Six months ended 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Specific impairment charge	**3 046**	2 727	12	5 822
Recoveries of bad debts written off	**(940)**	(806)	17	(1 642)
Net specific impairment charge (amortised cost)	**2 106**	1 921	10	4 180
Portfolio impairment charge (amortised cost)	**598**	373	60	1 072
Credit fair value adjustments	**382**	151	>100	267
– Non-performing book	**113**	174	(35)	(126)
– Performing book	**269**	(23)	(>100)	393
Total impairments	**3 086**	2 445	26	5 519

IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries of R940 million, primarily emanating from the unsecured retail lending portfolio, reduced the impairment charge to R3 086 million for the period.
- Impairment charges were significantly reduced by post write-off recoveries for FNB Card and particularly FNB loans.

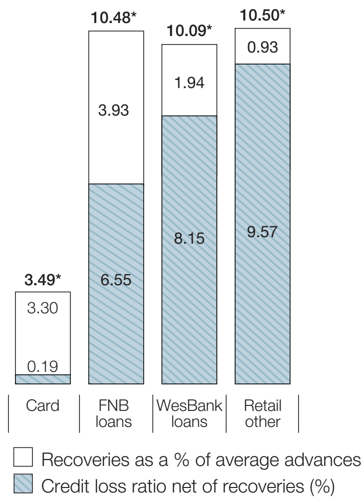
Post write-off recoveries split

%



Retail credit loss ratios and recoveries

%



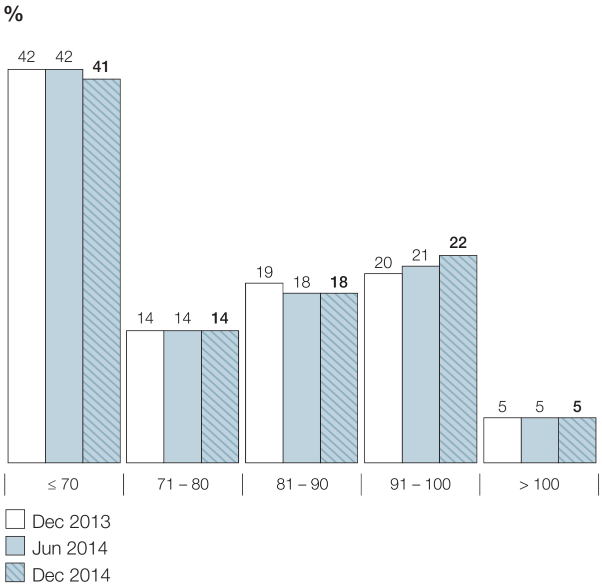
* *Credit loss ratio gross of recoveries (%)*

RISK ANALYSES

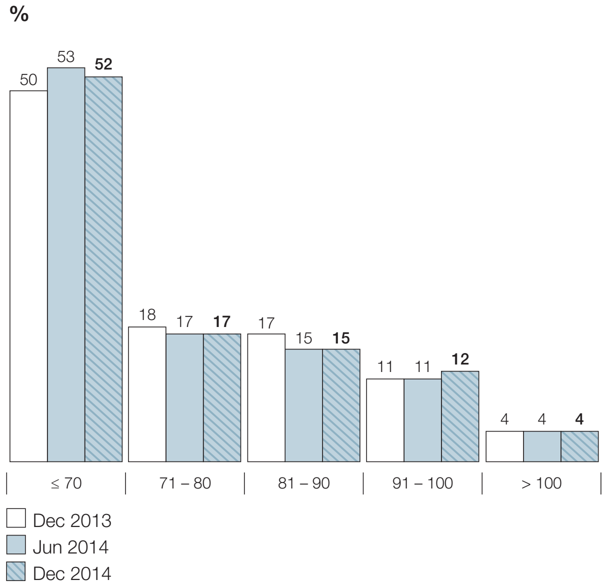
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

Loan-to-value ratios for new business are an important consideration in the credit origination process. The group, however, places more emphasis on counterparty creditworthiness rather than relying only on the underlying security.

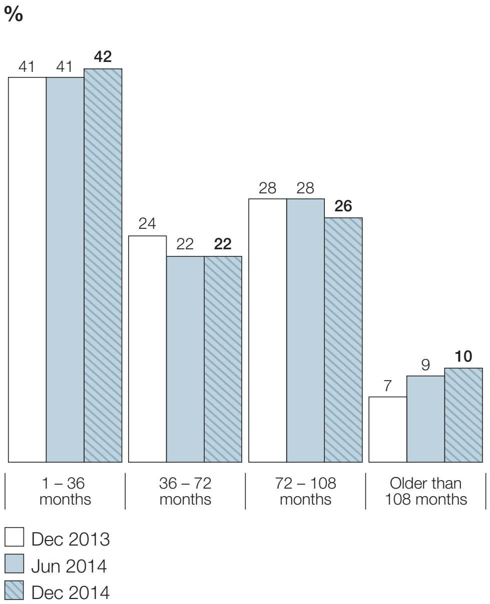
Residential mortgages balance-to-original value



Residential mortgages balance-to-market value



Residential mortgages age distribution



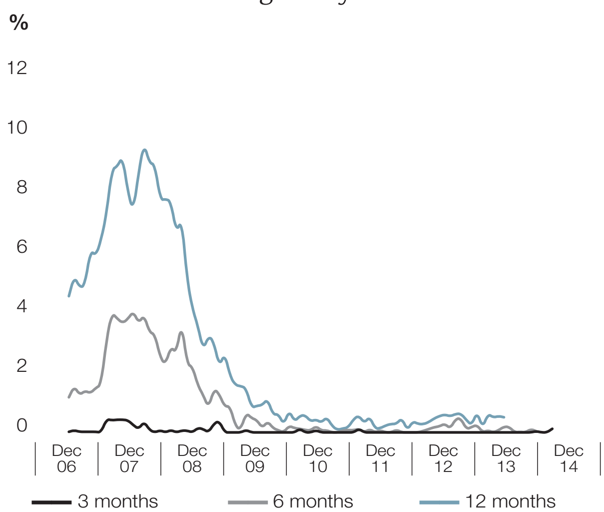
The following graph shows arrears in the FNB HomeLoans portfolio. It includes arrears where more than one full payment is in arrears expressed as a percentage of total advances.

FNB HomeLoans arrears

The following graphs provide the vintage analyses for FNB HomeLoans and WesBank retail VAF. Vintage graphs reflect the default experience three, six and twelve months after each origination date as well as the impact of origination strategies and the macroeconomic environment on portfolio performance.

FNB HomeLoans 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.

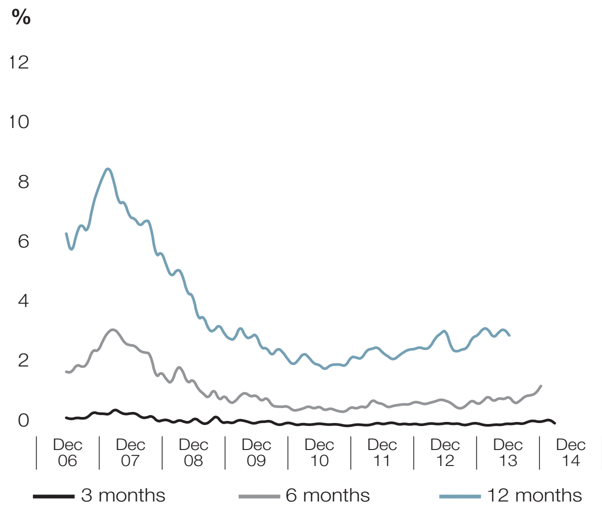
FNB HomeLoans vintage analysis



The WesBank retail cumulative vintages analysis continue 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.

As expected, default rates in the retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The emerging strain is driven by pressure on consumers' disposable income, partly due to inflationary increases on motor vehicle prices. The group actively adjusts risk appetite and credit parameters to ensure that vintages continue to perform in line with expectations considering the credit cycle.

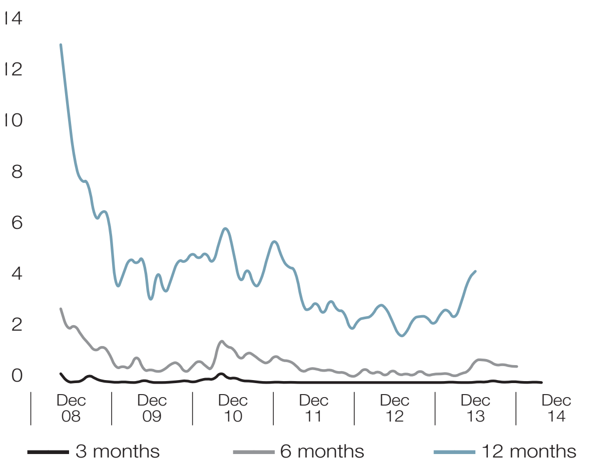
WesBank retail VAF vintage analysis



FNB Card default rates remain at very low levels, even on a through-the-cycle basis. There was a minor increase in risk appetite from October 2013, which resulted in more business written in the lower-end consumer segment at slightly higher default rates. This was reviewed and adjusted downwards again in April 2014. Action taken is reflected in the reduction in the default rates in the six-month default vintage. The twelve-month default vintage is expected to follow. In the group's view, default rates have bottomed and moderate increases are expected off this level.

FNB Card vintage analysis

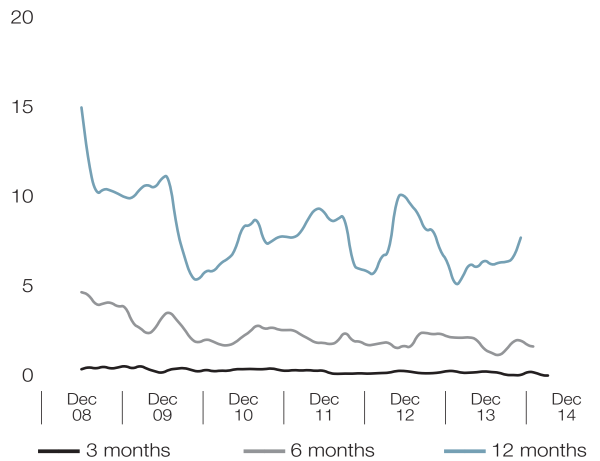
%



The default experience of the FNB and WesBank personal loans portfolios is within risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite. FNB loan vintages reflect improvement since December 2008 levels. This positive outcome is the result of active management of risk appetite and parameters even as risk levels within the unsecured lending market remain high. There is a level of cyclical volatility in the twelve-month vintage due to increased client demand in December months and certain product specific features (e.g. take-a-break month in January).

FNB personal loans vintage analysis

%



As expected, WesBank personal loans vintages show a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications. To counter this, credit parameters are continuously adjusted to ensure performance is in line with expectations. Recent adjustments to credit appetite are proving effective and enhancing portfolio performance, particularly for business written less than six months ago.

WesBank personal loans vintage analysis

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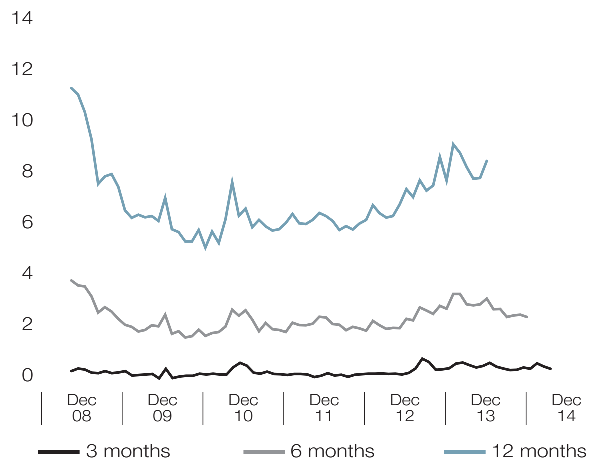

SUPPLEMENTARY INFORMATION

Segmental advances NPLs and impairment analysis

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

	Six months ended 31 December 2014				
R million/%	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
FNB	312 982	8 841	2.82	1 338	0.87
FNB retail	216 427	6 577	3.04	979	0.92
– Residential mortgages	175 097	5 037	2.88	55	0.06
– Card	17 356	324	1.87	16	0.19
– Personal loans	12 831	691	5.39	415	6.55
– Retail other	11 143	525	4.71	493	9.57
FNB commercial	52 825	1 278	2.42	154	0.60
FNB Africa*	43 730	986	2.25	205	0.97
WesBank	177 322	5 334	3.01	1 180	1.37
WesBank asset-backed finance	167 493	4 548	2.72	793	0.97
– WesBank retail	97 575	3 647	3.74	505	1.04
– WesBank corporate	42 992	786	1.83	177	0.87
– WesBank international	26 926	115	0.43	111	0.90
WesBank loans	9 829	786	8.00	387	8.15
RMB	240 501	3 795	1.58	718	0.61
RMB investment banking	234 175	3 751	1.60	662	0.58
RMB corporate banking	6 326	44	0.70	56	1.75
FCC (including Group Treasury)**	5 718	–	–	(150)	(0.04)
Total	736 523	17 970	2.44	3 086	0.86

* *Includes FNB's activities in India.*

** *The impairment charge has been calculated as a percentage of total group average advances.*

Six months ended 31 December 2013					Year ended 30 June 2014				
Advances	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
282 726	10 025	3.55	1 322	0.95	299 266	9 386	3.14	2 413	0.85
201 460	7 795	3.87	1 113	1.12	208 920	7 256	3.47	1 820	0.90
166 954	6 089	3.65	83	0.10	171 173	5 625	3.29	158	0.09
14 173	353	2.49	15	0.22	15 761	348	2.21	101	0.70
12 280	919	7.48	604	9.60	12 516	729	5.82	980	7.72
8 053	434	5.39	411	10.99	9 470	554	5.85	581	7.09
44 539	1 465	3.29	102	0.47	49 903	1 259	2.52	262	0.57
36 727	765	2.08	107	0.61	40 443	871	2.15	331	0.90
154 225	4 112	2.67	924	1.25	167 037	4 784	2.86	2 081	1.35
146 004	3 592	2.46	679	0.97	157 883	4 125	2.61	1 479	1.01
93 822	2 839	3.03	519	1.15	96 445	3 409	3.53	1 209	1.32
35 133	682	1.94	100	0.58	38 763	633	1.63	135	0.37
17 049	71	0.42	60	0.79	22 675	83	0.37	135	0.75
8 221	520	6.33	245	6.31	9 154	659	7.20	602	7.32
208 326	2 427	1.17	299	0.30	228 206	2 111	0.93	446	0.21
201 899	2 419	1.20	291	0.30	221 764	2 105	0.95	414	0.20
6 427	8	0.12	8	0.28	6 442	6	0.09	32	0.55
2 977	–	–	(100)	(0.03)	5 317	–	–	579	0.09
648 254	16 564	2.56	2 445	0.77	699 826	16 281	2.33	5 519	0.84

supplementary information

FAIR VALUE MEASUREMENTS

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 at a franchise and group level 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.

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.

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 on page 128, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

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. When applying mark-to-model, an extra degree of conservatism is applied. 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 where relevant;
- 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.

Levels of fair value hierarchy

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 ongoing 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, debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities and Tier 2 liabilities.

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, private equity investments and certain deposits such as credit linked notes.

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

The table below sets out the valuation techniques applied by the group for fair value measurements of financial 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	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	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	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	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
Credit derivatives	Level 2 and level 3	Discounted cash flows	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, location differential, grade differential, silo differential and 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

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 group has elected to designate the investment banking book 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. 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.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	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
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

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					
Negotiable certificates of deposit	Level 2	Discounted cash flows	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
Non-recourse investments	Level 2	Discounted cash flows	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 by 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 is 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

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	Future cash flows are discounted using a market-related interest rate.	Market interest rates and curves	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	Future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

The following table presents the recurring fair value measurements and fair value hierarchy of financial assets and financial liabilities of the group recognised at fair value.

	As at 31 December 2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**18**	**39 249**	**58**	**39 325**
Advances*	**–**	**36 657**	**154 516**	**191 173**
Investment securities and other investments	**56 384**	**38 714**	**12 487**	**107 585**
Non-recourse investments	**–**	**15 094**	**–**	**15 094**
Total financial assets measured at fair value	**56 402**	**129 714**	**167 061**	**353 177**
Liabilities				
Recurring fair value measurements				
Short trading positions	**511**	**1**	**–**	**512**
Derivative financial instruments	**133**	**42 815**	**11**	**42 959**
Deposits	**1 569**	**91 594**	**1 352**	**94 515**
Non-recourse deposits	**–**	**15 094**	**–**	**15 094**
Other liabilities	**–**	**3 567**	**–**	**3 567**
Total financial liabilities measured at fair value	**2 213**	**153 071**	**1 363**	**156 647**

* *Although the fair value of credit is not significant year-on-year it may become significant in future. This, 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 a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

	As at 31 December 2013			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	8	44 079	134	44 221
Advances*	–	34 649	129 686	164 335
Investment securities and other investments	60 162	41 555	5 020	106 737
Non-recourse investments	–	19 696	–	19 696
Total financial assets measured at fair value	60 170	139 979	134 840	334 989
Liabilities				
Recurring fair value measurements				
Short trading positions	5 532	–	–	5 532
Derivative financial instruments	24	48 801	11	48 836
Deposits	6	85 342	1 017	86 365
Non-recourse deposits	–	19 696	–	19 696
Other liabilities	–	171	–	171
Tier 2 liabilities	–	1 041	–	1 041
Total financial liabilities measured at fair value	5 562	155 051	1 028	161 641

* *Although the fair value of credit is not significant year-on-year it may become significant in future. This, 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 a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

The following table presents the recurring fair value measurements and fair value hierarchy of financial assets and financial liabilities of the group recognised at fair value.

	As at June 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
Total financial assets measured at fair value	57 623	127 295	155 888	340 806
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. This, 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 a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

The following represents the significant transfers into the fair value hierarchy levels and reasons for these transfers.

	As at 31 December 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	**–**	**–**	There were no transfers into or out of level 1 during the period.
Level 2	**3**	**(353)**	The transfer into level 2 related to the lifting of a trading suspension on the investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	**353**	**(3)**	Investment securities to the value of R353 million were transferred into level 3 out of level 2 as these investment securities were delisted from an exchange.
Total transfers	**356**	**(356)**	

	As at 31 December 2013		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	14	–	Investment securities were transferred out of level 3 into level 1. The transfer was due to the listing of these investment securities on an exchange in an active market.
Level 2	–	(37)	
Level 3	37	(14)	Derivative financial instruments and deposits to the value of R37 million were transferred out of level 2 into level 3 as a result of certain unobservable inputs becoming significant to the calculation of fair value.
Total transfers	51	(51)	

Transfers between fair value hierarchy levels

The following represents the significant transfers into the fair value hierarchy levels and reasons for these transfers.

	As at 30 June 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	35	–	Investment securities were transferred into level 1 and out of level 3 due to these investment securities listing on an exchange in an active market.
Level 2	150	(298)	Investment securities to the value of R150 million were transferred into level 2 and out of level 3 as these securities listed on an exchange. The market is not yet considered to be active for these investments and level 2 is considered to be appropriate.
Level 3	298	(185)	Investment securities to the value of R187 million and deposits to the value of R111 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.
Total transfers	483	483	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

The following tables show a reconciliation of the opening and closing balances for financial assets and liabilities classified as level 3 of the fair value hierarchy for which recurring fair value measurement is required.

	As at 31 December 2014		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**120**	**(51)**	**–**
Advances	**151 810**	**3 928**	**–**
Investment securities and other investments	**3 958**	**974**	**17**
Total financial assets measured at fair value in level 3	**155 888**	**4 851**	**17**
Liabilities			
Derivative financial instruments	**5**	**6**	**–**
Deposits	**1 327**	**8**	**–**
Total financial liabilities measured at fair value in level 3	**1 332**	**14**	**–**

	As at 31 December 2013		
R million	**Fair value on 30 June 2012**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	110	20	–
Advances	116 749	1 818	–
Investment securities and other investments	5 330	70	54
Total financial assets measured at fair value in level 3	122 189	1 908	54
Liabilities			
Derivative financial instruments	–	1	–
Deposits	1 517	196	–
Total financial liabilities measured at fair value in level 3	1 517	197	–

Note: Decreases in level 3 assets and liabilities are indicated with 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.

As at 31 December 2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2014**
(11)	**–**	**–**	**–**	**–**	**58**
(2 116)	**–**	**–**	**(1)**	**895**	**154 516**
7 185	**–**	**353**	**(2)**	**2**	**12 487**
5 058	**–**	**353**	**(3)**	**897**	**167 061**
–	**–**	**–**	**–**	**–**	**11**
16	**–**	**–**	**–**	**1**	**1 352**
16	**–**	**–**	**–**	**1**	**1 363**

As at 31 December 2013					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate difference**	**Fair value on 31 December 2013**
(4)	–	8	–	–	134
10 708	–	–	–	411	129 686
(433)	3	–	(14)	10	5 020
10 271	3	8	(14)	421	134 840
–	–	10	–	–	11
(727)	–	19	–	12	1 017
(727)	–	29	–	12	1 028

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Changes in level 3 instruments with recurring fair value measurements continued

The following tables show a reconciliation of the opening and closing balances for financial assets and liabilities classified as level 3 of the fair value hierarchy for which recurring fair value measurements is required.

	As at 30 June 2014		
R million	**Fair value on 30 June 2013**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive 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	–

Note: Decreases in level 3 assets and liabilities are indicated with 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.

As at 30 June 2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer 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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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 or losses relating to fair value remeasurement of assets and liabilities classified in level 3 still held at reporting date. With the exception of interest on funding instruments and available-for-sale financial assets, all of the gains or losses are recognised in NIR.

	As at 31 December 2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**11**	**–**	**11**
Advances*	**3 270**	**–**	**3 270**
Investment securities and other investments	**191**	**17**	**208**
Total	**3 472**	**17**	**3 489**
Liabilities			
Derivative financial instruments	**10**	**–**	**10**
Deposits	**(5)**	**–**	**(5)**
Total	**5**	**–**	**5**

Note: 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.

* *Amount is mainly accrued interest on the fair value loans and advances and movements in interest rates that have been hedged.*

R million	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Total gains/losses
	As at 31 December 2013		
Assets			
Derivative financial instruments	25	–	25
Advances*	1 320	–	1 320
Investment securities and other investments	131	16	147
Total	1 476	16	1 492
Liabilities			
Short trading positions	–	–	–
Derivative financial instruments	10	–	10
Deposits	157	–	157
Total	167	–	167

Note: Decreases in level 3 assets and liabilities are indicated with 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.

* *Amount is mainly accrued interest on the fair value loans and advances and movements in interest rates that have been hedged.*

R million	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Total gains/losses
	As at 30 June 2014		
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)

Note: 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.

* *Amount is mainly accrued interest on the fair value loans and advances and movements in interest rates that have been hedged.*

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Effect of changes in significant unobservable assumptions of level 3 financial instruments to reasonably possible alternatives

			As at 31 December 2014		
				Reasonably possible alternative fair value	
R million	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs	Fair value	Using more positive assumptions	Using more negative assumptions
Assets					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**58**	**88**	**52**
Advances	**Credit**	**Credit migration matrix***	**154 516**	**157 502**	**154 013**
Investment securities and other investments	**Growth rates and P/E ratios of unlisted investments**	**Unobservable inputs are increased and decreased by 10%**	**12 487**	**15 097**	**12 309**
Total financial assets measured at fair value in level 3			**167 061**	**172 687**	**166 374**
Liabilities					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**11**	**11**	**12**
Deposits	**Credit risk of the cash collateral leg of credit linked notes**	**Credit migration matrix****	**1 352**	**1 217**	**1 487**
Total financial liabilities measured at fair value in level 3			**1 363**	**1 228**	**1 499**

* *The credit migration matrix is used as part of the group's credit risk management process for 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.*

	As at 31 December 2013			As at 30 June 2014		
		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
	134	190	113	120	175	107
	129 686	131 127	127 820	151 810	153 180	151 817
	5 020	5 572	4 394	3 958	4 381	3 540
	134 840	136 889	132 327	155 888	157 736	155 464
	11	11	11	5	5	5
	1 017	916	1 117	1 327	1 195	1 460
	1 028	927	1 128	1 332	1 200	1 465

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.

	As at 31 December 2014		As at 31 December 2013		As at 30 June 2014	
R million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets						
Advances	**530 405**	**533 539**	471 108	467 257	502 195	505 747
Investment securities and other investments	**1 200**	**1 200**	848	848	1 072	1 070
Total financial assets at amortised cost	**531 605**	**534 739**	471 956	468 105	503 267	506 817
Liabilities						
Deposits	**692 088**	**693 799**	620 970	622 027	663 472	664 789
Tier 2 liabilities	**10 380**	**10 648**	7 086	7 162	10 953	11 216
Other liabilities	**3 753**	**3 674**	4 412	4 260	3 075	2 850
Total financial liabilities at amortised cost	**706 221**	**708 121**	632 468	633 449	677 500	678 855

For all other financial instruments the carrying value is equal to or a reasonable approximation of the fair value.

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.

	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**
Balance at 1 July	**20**	28	28
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(8)	(8)
Balance at end of reporting period	**15**	20	20

HEADLINE EARNINGS ADDITIONAL DISCLOSURE

Set out below is additional information pertaining to *Section 1 of Circular 02/2013 – Sector-Specific Rules for Headline Earnings*.

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

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
Aggregate cost of portfolio	**2 899**	3 141	(8)	3 091
Aggregate carrying value	**4 970**	4 722	5	5 029
Aggregate fair value*	**8 354**	6 823	22	8 252
Equity-accounted income**	**556**	188	>100	677
Profit on realisation#	**500**	(11)	(>100)	795

* *Aggregate fair value is disclosed including non-controlling interests.*
** *Income from associates and joint ventures is disclosed post-tax.*
# *Profit on realisation is disclosed post-tax and non-controlling interests.*

Issue 2 – Capital appreciation on investment products

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
Carrying value of investment properties	**432**	458	(6)	419
Fair value of investment properties	**432**	458	(6)	419

CONTINGENCIES AND COMMITMENTS

	As at 31 December		% change	As at 30 June
	2014	**2013**		**2014**
Contingencies				
Guarantees	**32 314**	33 741	(4)	33 114
Letters of credit	**9 046**	7 703	17	7 588
Total contingencies	**41 360**	41 444	–	40 702
Capital commitments				
Contracted capital commitments	**988**	1 653	(40)	1 169
Capital expenditure authorised not yet contracted	**1 684**	988	70	2 795
Total capital commitments	**2 672**	2 641	1	3 964
Other commitments				
Irrevocable commitments	**77 475**	81 411	(5)	78 785
Operating lease and other commitments	**3 165**	3 099	2	3 166
Total other commitments	**80 640**	84 510	(5)	81 951
Total contingencies and commitments	**124 672**	128 595	(3)	126 617

BEE TRANSACTION SUPPLEMENTARY INFORMATION

	For the six months ended 31 December 2014		
	IFRS		
	R million	Number of shares†	Cents per share
Earnings attributable to ordinary equityholders	**10 331**	5 485 112 941	188.3
Net profit impact of unwinding the trusts*	**(27)**		
Impact of the unwind on WANOS	**–**	475 692	
Earnings attributable to ordinary equityholders after the unwind	**10 304**	5 485 588 633	187.8
Net asset value at 31 December 2014	**83 922**	5 485 117 988	1 530.0
Buy-back of shares from unconsolidated trust#	**(233)**	(4 762 878)	
Earnings impact of unwinding the trusts*	**(27)**		
Impact of unwinding the trusts on reserves**	**(51)**		
Shares issued to participants		92 290 248	
Buy-back of shares not allocated to the participants#			
Reissue of shares repurchased			
Net asset value after the reissue of shares	**83 611**	5 572 645 358	1 500.4

* *Comprises the staff costs for the current period, release of available-for-sale reserve on the MMI shares distributed, securities transfer tax paid on share buy backs and a donation made by FirstRand Investment Holdings (Pty) Ltd to the unconsolidated trust. The difference between IFRS and normalised earnings is due to the release of the available-for-sale reserve and share-based payment expenses; both of which are reversed when calculating normalised earnings.*

** *Relates to share-based payment and available-for-sale reserves. The difference between IFRS and normalised reporting is due to the reversal of the share-based payment expense and the release of the available-for-sale reserve.*

\# *All shares owned by the consolidated and unconsolidated share trusts were treated as being issued to external parties for normalised purposes.*

† *When determining the amounts per share all earnings numbers are divided by the weighted average number of shares while all balance sheet values are divided by the actual number of shares in issue.*

For the six months ended 31 December 2014		
Normalised		
R million	Number of shares†	Cents per share
10 167	**5 637 941 689**	180.3
(174)		
–	**(154 639)**	
9 993	**5 637 787 050**	177.3
85 014	**5 637 941 689**	1 507.9
(233)	**(4 762 878)**	
(174)		
518		
	–	
(1 513)	**(59 110 824)**	
1 629	**35 420 014**	
85 241	**5 609 488 001**	1 519.6

NUMBER OF ORDINARY SHARES IN ISSUE

	Six months ended 31 December			Year ended 30 June
	2014		2013	2014
	IFRS	**Normalised**	**IFRS**	**IFRS**
Shares in issue				
Opening balance as at 1 July	**5 637 941 689**	**5 637 941 689**	5 637 941 689	5 637 941 689
Shares issued	**–**	**35 420 014**	–	–
Shares bought back*	**(4 762 878)**	**(63 873 702)**	–	–
Shares cancelled**	**(59 110 824)**	**–**	–	–
Less: treasury shares	**(1 422 629)**	**–**	(151 111 993)	(152 823 701)
– BEE staff trusts	**–**	**–**	(151 401 072)	(151 401 072)
– Shares for client trading#	**(1 422 629)**	**–**	289 079	(1 422 629)
Number of shares in issue (after treasury shares)	**5 572 645 358**	**5 609 488 001**	5 486 829 696	5 485 117 988
Weighted average number of shares				
Weighted average number of shares before treasury shares	**5 637 941 689**	**5 637 941 689**	5 637 941 689	5 637 941 689
Shares issued	**–**	**192 500**	–	–
Shares bought back†	**(25 885)**	**(347 139)**	–	–
Shares cancelled†	**(321 254)**	**–**	–	–
Less: treasury shares†	**(152 005 917)**	**–**	(151 111 993)	(152 688 931)
– BEE staff trusts	**(150 578 240)**	**–**	(151 401 072)	(151 401 072)
– Shares for client trading#	**(1 427 677)**	**–**	289 079	(1 287 859)
Weighted average number of shares in issue	**5 485 588 633**	**5 637 787 050**	5 486 829 696	5 485 252 758
Dilution impact:				
Staff schemes	**–**	**–**	111 716	30 121
BEE staff trusts	**–**	**–**	49 650 335	57 719 182
Diluted weighted average number of shares in issue	**5 485 588 633**	**5 637 787 050**	5 536 591 747	5 543 002 061
Number of shares for normalised earnings per share calculation				
Weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share	**n/a**	**5 637 787 050**	5 637 941 689‡	5 637 941 689‡

* *For IFRS reporting, only the shares bought back from the unconsolidated trusts resulted in a reduction in shares issued as the shares in the consolidated trusts were historically treated as treasury shares. For normalised reporting, all shares in the consolidated and unconsolidated trusts were treated as externally issued.*

** *For IFRS reporting, the shares held by the consolidated trusts were treated as treasury shares. For normalised reporting, the shares held by the consolidated trusts were treated as externally issued.*

For normalised reporting, shares held for client trading activities are treated as externally issued.

† *The share transactions have been weighted for one day in the period as all transactions took place on 31 December 2014. Over the next 12 months the full effect of the share transactions will be reflected in weighted average number of shares.*

‡ *Number of shares calculated on a normalised basis.*

KEY MARKET INDICATORS AND SHARE STATISTICS

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
Market indicators				
USD/ZAR exchange rate				
– Closing	**11.57**	10.51	10	10.63
– Average	**10.99**	10.07	9	10.38
SA prime overdraft (%)	**9.25**	8.50		9.00
SA average prime overdraft (%)	**9.23**	8.50		8.71
SA average CPI (%)	**5.93**	5.82		6.00
JSE All Share Index	**49 771**	46 256	8	50 945
JSE Banks Index	**72 998**	57 745	26	65 117
Share statistics				
Share price				
– High for the period (cents)	**5 111**	3 649	40	4 162
– Low for the period (cents)	**4 002**	2 765	45	2 765
– Closing (cents)	**5 057**	3 589	41	4 075
Shares traded				
– Number of shares (millions)	**1 264**	1 259		2 664
– Value of shares (R million)	**57 003**	40 840	40	90 928
– Turnover in shares traded (%)	**23.04**	22.95		48.57

SHARE PRICE PERFORMANCE

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
FirstRand average share price (cents)	**4 494**	3 233	39	3 431
JSE Bank Index (average)	**67 129**	53 624	25	56 423
JSE All Share Index (average)	**50 235**	43 380	16	45 630

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), SE Nxasana (chief executive officer), JP Burger (deputy chief executive officer), HS Kellan (financial director), VW Bartlett, 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

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Fax: +27 11 282 8088
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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

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (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

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	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
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596

	Issuer	Bond code	ISIN code
Senior unsecured	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	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	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	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	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS118	ZAG000118498
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472

	Issuer	Bond code	ISIN code
Senior unsecured	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	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	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC109	ZAG000094889
	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	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

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	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	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC226	ZAG000122722
	FirstRand Bank Limited	FRD003	ZAG000114067

	Issuer	Bond code	ISIN code
Investment security index contracts	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	XS0635404477

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FIRSTRAND BANK LIMITED

Banking

- First National Bank[1]
- Rand Merchant Bank[1]
- WesBank[1]
- FirstRand Bank India[2]
- FirstRand Bank London[2,*]
- FirstRand Bank Kenya[3]
- FirstRand Bank Angola[3]
- FirstRand Bank Dubai[3]
- 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%** FNB Ghana
- **100%** RMB Nigeria
- **100%** FirstRand International – Mauritius

100% FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL)

Other activities**

- **96%** RMB Private Equity Holdings
- **93%** RMB Private Equity
- **100%** RMB Securities
- **50%** RMB Morgan Stanley
- **100%** FNB Securities
- **100%** RentWorks
- **66%** Direct Axis
- **100%** FirstRand International – Guernsey
- **100%** RMB Australia Holdings

100% ASHBURTON INVESTMENTS HOLDINGS LIMITED

Investment management

- **100%** Ashburton Fund Managers
- **100%** Ashburton Investor Services
- **100%** Ashburton Management Company
- **100%** Ashburton Private Equity GP 1
- **100%** Ashburton Investments International Holdings
- **100%** RMB CIS Management Company

100% FIRSTRAND INSURANCE HOLDINGS (PTY) LTD

Insurance

- **100%** FirstRand Life Assurance

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 and FREMA are reported as part of results of the managing franchise.
The Group's securitisations and conduits are in FRIHL.

CREDIT RATINGS

FIRSTRAND BANK LIMITED (FRB)

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

Credit ratings assigned by Standard & Poor's Ratings Services (S&P) as at 9 March 2015

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency counterparty credit ratings		
Long-term	**BBB-**	BBB-
Outlook	**Stable**	Stable
Short-term	**A-3**	A-3
Local currency counterparty credit ratings		
Long-term	**BBB-**	BBB+
Outlook	**Stable**	Stable
Short-term	**A-3**	A-2
National scale		
Long-term	**zaAA**	zaAAA
Short-term	**zaA-1**	zaA-1
Standalone credit profile	**bbb**	

On 12 December 2014, S&P affirmed FRB's counterparty and national scale ratings.

Credit ratings assigned by Moody's Investors Service (Moody's) as at 9 March 2015

	FirstRand Bank Limited	Sovereign rating South Africa
FRB foreign currency deposit ratings and sovereign foreign currency bond ratings		
Long-term	**Baa2**	Baa2
Outlook	**Stable**	Stable
Short-term	**P-2**	
FRB local currency deposit ratings and sovereign local currency bond ratings		
Long-term	**Baa2**	Baa2
Outlook	**Stable**	Stable
Short-term	**P-2**	
National scale		
Long-term	**A1.za**	
Short-term	**P-1.za**	
Bank financial strength rating	**C-**	
Baseline credit assessment	**baa1**	

Moody's announced on 19 August 2014 that it had downgraded the bank's local currency and national scale ratings by one notch to Baa1 (from A3) and Aa3.za (from Aa2.za), respectively, and that all ratings had been placed under review. In the announcement, Moody's indicated that the change to their credit opinion was prompted by the SARB's actions with respect to African Bank Limited, which, in their view, changed the likelihood of systemic support that might be received from South African authorities. These rating actions were linked to Moody's assessment of the South African banking industry as a whole and were not a reflection of any fundamental changes in the bank's financial strength, earnings resilience or credit quality.

On 10 November 2014, the agency announced that following the lowering of South Africa's bond rating to Baa2 (stable) from Baa1 (negative) on 6 November 2014, the long-term deposit and senior debt ratings of the five largest South African banks were downgraded by one notch to Baa2 (stable) from Baa1 (on review for downgrade). These rating actions concluded Moody's rating review which had been initiated for these banks on 19 August 2014.

In the announcement, Moody's indicated that the rating actions were driven primarily by:

- the weakening of the South African government's credit profile, as captured by Moody's downgrade of South Africa's bond rating to Baa2 from Baa1 on 6 November 2014, combined with the banks' sizable holdings of sovereign debt securities, which link their creditworthiness to that of the national government; and to a lesser extent by;
- the challenges the banks face in view of weaker economic growth in South Africa, particularly in the context of consumer affordability pressures and still-high consumer indebtedness that will likely lead to increased credit risk and higher loan impairments for the banks.

The agency indicated that the bank's deposit rating downgrade to Baa2 from Baa1 was mainly triggered by its sovereign debt exposure, amounting to approximately 96% of its capital base as of August 2014. In view of the correlation between sovereign and bank credit risk, FRB's rating continues to be aligned with the rating of the government. To a lesser extent, the rating action also reflects the agency's expectation that the challenging economic conditions will moderate its earnings growth in the foreseeable future.

Credit ratings assigned by Fitch Ratings (Fitch) as at 9 March 2015

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency issuer default ratings (IDR)		
Long-term	**BBB**	BBB
Outlook	**Negative**	Negative
Short-term	**F3**	F3
Local currency IDR		
Long-term	**BBB**	BBB+
Outlook	**Negative**	Negative
National ratings		
Long-term	**AA(zaf)**	
Outlook	**Stable**	
Short-term	**F1+(zaf)**	
Viability rating	**bbb**	
Support rating	**3**	
Support rating floor	**BB+**	

FIRSTRAND LIMITED

FirstRand Limited's ratings reflect its status as the non-operational holding company of the FirstRand Group and the entity's consequent structural subordination and reliance on dividends from operating companies to meet its obligations, which exposes it to potential regulatory impositions. It is standard practice for a holding company to be rated at least one notch lower than the operating company (in this case, FRB). It is important to note that the FirstRand group issues debt out of FRB, the credit counterparty. No debt is issued at the FirstRand Limited level.

Credit ratings assigned by S&P as at 9 March 2015

	FirstRand Limited
Foreign currency counterparty credit ratings	
Long-term	**BB+**
Outlook	**Stable**
Short-term	**B**
Local currency counterparty credit ratings	
Long-term	**BB+**
Outlook	**Stable**
Short-term	**B**
National scale	
Long-term	**zaA**
Short-term	**zaA-1**

On 12 December 2014, S&P affirmed FirstRand Limited's counterparty and national scale ratings.

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 income statement expressed as a percentage of average advances (average between the opening and closing balance for the period).
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 income statement divided by income before direct tax per income statement.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Net income after capital charge (NIACC)	Normalised earnings less cost of equity multiplied by 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 items and accounting anomalies. Refer to pages 14 and 15 for a detailed description of the difference between normalised and IFRS results.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by 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 31 December divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 31 December divided by normalised net asset value per share.
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 credit risk of counterparties, operational risk, market risk, equity investment risk and other risks 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	CET1 capital plus AT1 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 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.

STUDIO 5

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