analysis of financial results

6 MONTHS ENDED
31 DECEMBER 2012

FIRSTRAND BANK

Contents

FIRSTRAND BANK

FirstRand Bank Limited (JSE bond code: BIFR1) is a wholly-owned subsidiary of FirstRand Limited
(JSE code: FSR), which is listed on the JSE and Namibia Stock Exchange.
Registration number: 1929/001225/06

Certain entities within the FirstRand Group are Authorised Financial Services and Credit Providers
This analysis is available on the Group's website:

www.firstrand.co.za

email questions to: investor.relations@firstrand.co.za

Introduction

This report covers the unaudited financial results of FirstRand Bank Limited (the Bank or FRB) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2012.

The primary results and accompanying commentary are presented on a normalised basis as the Bank believes this most accurately reflects its economic performance. The normalised earnings have been derived from the unaudited IFRS financial results.

The normalised results include an income statement, statement of comprehensive income and an abridged statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on page 9. Detailed reconciliations of normalised results to IFRS results are provided on pages 22 to 25. Commentary is based on normalised results, unless indicated otherwise.

Alan Hedding, CA(SA), supervised the preparation of the financial results.

Financial highlights

	Six months ended 31 December			Year ended 30 June
	2012	2011	% change	2012
Normalised earnings (R million)	**5 630**	4 280	+32	9 032
Normalised return on equity (%)	**23.8**	21.5		21.6
Capital adequacy – Core Tier 1 ratio (%)	**11.9**	12.0		11.8
Credit loss ratio (%)	**0.91**	0.77		1.14
NPLs (% of advances)	**3.23**	3.80		3.58

The Bank is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the Group). The Group consists of a portfolio of leading financial services franchises; these are First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, and WesBank, the instalment finance business.

Key financial results, ratios and statistics

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Attributable earnings to ordinary equityholders (normalised)	**5 505**	4 529	22	9 534
Headline earnings	**5 683**	4 252	34	9 191
Normalised earnings	**5 630**	4 280	32	9 032
Normalised net asset value	**48 820**	42 037	16	45 997
Average normalised net asset value	**47 409**	39 840	19	41 820
Normalised return on equity (%)	**23.8**	21.5		21.6
Gross advances	**527 081**	468 310	13	493 323
Cost-to-income ratio (%)	**58.8**	58.7		58.3
Net interest margin (%)	**4.62**	4.35		4.58
Capital adequacy				
Capital adequacy ratio (%)	**14.6**	14.7		14.6
Tier 1 ratio (%)	**12.7**	13.0		12.6
Core Tier 1 ratio (%)	**11.9**	12.0		11.8

Statement of headline earnings – IFRS

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Profit for the period (refer page 10)	**5 605**	4 621	21	9 717
Non-cumulative non-redeemable (NCNR) preference shares	**(100)**	(92)	9	(183)
Earnings attributable to ordinary equityholders	**5 505**	4 529	22	9 534
Adjusted for:	**178**	(277)	(>100)	(343)
Gain on disposal of available-for-sale assets	**–**	(327)		(445)
(Gain)/loss on the disposal of property and equipment	**(1)**	30		75
Impairment of assets in terms of IAS 36	**248**	–		–
Other	**–**	–		18
Tax effects of adjustments	**(69)**	20		9
Headline earnings	**5 683**	4 252	34	9 191

Reconciliation from headline earnings to normalised earnings

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Headline earnings	**5 683**	4 252	34	9 191
Adjusted for:	**(53)**	28	(>100)	(159)
IFRS 2 Share-based payment expense*	**–**	28		81
Total return swap (TRS) adjustment	**(53)**	–		(240)
Normalised earnings	**5 630**	4 280	32	9 032

* *Hedged at Group level.*

Overview of results

INTRODUCTION

The South African macro and socio economic environment for the first six months of the financial year remained challenging. Initial concerns related to global issues such as the potential breakup of the euro zone, a hard landing in China and the possibility of significant fiscal contraction in the USA. As these global macroeconomic concerns subsided, local labour market action, sovereign rating downgrades and growing domestic economic imbalances introduced a new set of uncertainties.

The South African economy started to show signs of slowing in the early part of the period under review. This slowdown, coupled with the downside risks posed by the global environment, prompted the SARB to lower the repo rate by another 50 bps in July. Strike action in a number of industries also exacerbated the downward pressure on economic activity towards the end of 2012. The labour unrest and reports indicating that South Africa's current account deficit widened markedly during the course of last year resulted in a weaker rand, and inflation started to trend upwards. The combination of these developments resulted in a number of rating agencies downgrading South Africa's sovereign rating.

Despite weaker growth, higher inflation and a weaker rand, credit extension registered double digit growth for the first time in more than three years. Mortgage credit extension, however, continued to be weak and house prices remained under pressure.

OVERVIEW OF RESULTS

FirstRand Bank produced excellent results for the six months to 31 December 2012, achieving normalised earnings of R5 630 million, an increase of 32% on the previous period, and producing a normalised return on equity (ROE) of 23.8% (2011: 21.5%).

All three franchises delivered strong operational performances, delivering good topline growth and profitability. In the case of FNB, this was once again driven by customer acquisition, loan and deposit growth and the continued focus on driving transactional volumes across all of its platforms, particularly electronic. WesBank grew new business volumes across all portfolios and the client franchises in RMB delivered both good growth in profits and higher returns.

Overview of results continued

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

Sources of normalised earnings

R million	Six months ended 31 December				% change	Year ended 30 June	
	2012	**% composition**	2011	% composition		2012	% composition
FNB	**3 172**	**57**	2 624	61	21	5 117	56
RMB	**1 538**	**27**	1 288	30	19	2 758	31
WesBank	**775**	**14**	620	15	25	1 533	17
Corporate Centre and consolidation adjustments	**245**	**4**	(160)	(4)	(>100)	(193)	(2)
NCNR preference dividend	**(100)**	**(2)**	(92)	(2)	9	(183)	(2)
Normalised earnings	**5 630**	**100**	4 280	100	32	9 032	100

The Bank's income statement benefited from an increase of 15% in net interest income (NII), driven by good growth in new business at FNB, WesBank and RMB. Asset margins continued to benefit from mix of advances, pricing in FNB and funding strategies. Total non-interest revenue (NIR) grew 24%, underpinned by increases in fee and commission income at FNB and WesBank. RMB's client activities, particularly financing, advisory and structuring also contributed.

The combination of the ongoing impact of depreciation on small value assets and software maintenance, investment in growth initiatives, increases in IFRS 2 Share-based payments directly linked to FirstRand's increased share price, as well as higher variable costs linked to the Bank's performance resulted in a 20% total cost increase, however, the Bank's cost-to-income ratio remained stable at 58.8%.

The increase in bad debts from 77 bps to 91 bps, is in line with expectations given the absolute book growth and the shift in asset class mix. It also includes R575 million of credit impairment overlays at FNB and RMB, the creation of which reflects the Bank's view that the benign credit cycle has bottomed.

Non-performing loans (NPLs) decreased 4%, which is again in line with expectations and reflects the ongoing improvement in the large retail books such as HomeLoans and Card. NPLs in the unsecured books picked up in line with expectations.

The Bank's overall balance sheet continued to show good growth in advances compared to December 2011, driven by strong new business volumes (indicated below), particularly in those portfolios where the Bank was historically underweight, such as unsecured and corporate (structured) lending.

- Unsecured lending in FNB (excluding Card) R4.6 billion
- Unsecured lending in WesBank R2.6 billion
- Vehicle and asset finance at WesBank R31.5 billion
- RMB's structured lending book R13.3 billion

On a rolling six months basis, growth in these portfolios has started to moderate.

OVERVIEW OF OPERATING FRANCHISES

FirstRand's vision is to be the African financial services group of choice, creating long-term franchise value and delivering superior and sustainable economic returns to shareholders within acceptable levels of volatility. The Group seeks to achieve this through two parallel growth strategies:

- 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, China and India.

These strategies are executed through its portfolio of operating franchises, (namely FNB, RMB and WesBank) on the appropriate platforms (namely FRB, FirstRand Emerging Markets and

Africa (FREMA) and FirstRand Investment Holdings (FRIHL)), within a framework set by the Group and good progress continues to be made. Below is a brief overview of progress on these strategic objectives and the financial and operational performance of each franchise.

FNB

FNB represents FirstRand's activities in the retail and commercial segments. It is growing its franchise strongly on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms.

During the period under review, FNB completed an internal realignment of its successful segment focus. The original FNB segment strategy, incorporating Mass, Consumer, Wealth, Commercial and Corporate, has been refined to focus on two larger segments – Retail and Commercial. The Corporate segment, previously FNB GTS, has been rebranded RMB Corporate Banking and aligned under RMB, the corporate and investment bank, to provide an integrated and holistic offering to its large corporate customers.

FNB financial highlights

	Six months ended 31 December			Year ended 30 June
R million	**2012**	2011	% change	2012
Normalised earnings	**3 172**	2 624	21	5 117
Profit before tax	**4 316**	3 539	22	6 908
Total assets	**238 837**	219 550	9	227 388
Total liabilities	**234 457**	215 948	9	220 493
Credit loss ratio (%)	**1.25**	1.02		1.31

FNB produced an excellent performance for the period, increasing pre-tax profits 22%.

The business continued to benefit from its primary strategy to grow and retain core transactional accounts. This is underpinned by a compelling value proposition (innovative products and channels at an acceptable cost to the customer) and supported by rewards programmes, such as eBucks, SLOW lounges and fuel, data and airtime rewards. Innovations such as the Banking App, cellphone banking and eWallet continue to attract new customers.

FNB's NII grew 23% driven by balance sheet growth and margin expansion due to the mix change to unsecured lending and the repricing of newly-originated residential mortgages. Overall, lower growth in advances was partially offset by good deposit acquisition (15% up). In addition, the R1.4 billion decrease in NPLs in HomeLoans positively impacted NII.

Advances increased 9%, in the main emanating from across the Retail segments (up R12.1 billion). Card advances grew 14% on the back of proactive customer acquisition. Total residential mortgages increased 3% with HomeLoans growing only 1%, reflecting FNB's strategy to write new business in the low-risk categories. Margins, however, remained healthy. Affordable housing continued to show good growth at 17%.

FNB's focus on customer acquisition and retention underpinned the very good growth in deposits, driven by the core retail business and the commercial segment.

FNB's strategy to grow core transactional banking accounts and drive activity across its electronic platforms resulted in strong transactional volumes. NIR increased 14% mainly driven by activity in the Retail business (up 19%), with Commercial contributing an increase of 6%.

Bad debts increased 16%, which is below expectations given the growth in unsecured lending, with an exceptionally low R2 million at Card. FNB has, however, taken the prudent decision to increase portfolio provisions, resulting in a total increase of 34%. Overall credit quality across all portfolios is well within risk appetite and coverage ratios have increased.

FNB maintained core cost growth at 10%, reflecting its focus on ongoing efficiencies and streamlining platforms particularly in Retail.

RMB

RMB represents the Bank's activities in the corporate and investment banking segments in South Africa and India. Over the past three years, RMB has become a more client-centric business with a clear strategy anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns.

The business continues to benefit from its focus on generating income from client-driven activities. This, coupled with steady investment returns and a growing focus on asset management, has resulted in a higher quality and more sustainable earnings profile.

Overview of results continued

RMB made good progress with regard to its corporate banking franchise during the period under review. As mentioned in the FNB section, FNB GTS has been rebranded RMB Corporate Banking and the alignment of this business fully under RMB better enables the strategy to offer corporate and investment banking (CIB) solutions to the corporate and institutional client base.

RMB financial highlights

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Normalised earnings	**1 538**	1 288	19	2 758
Profit before tax	**1 848**	1 752	5	3 728
Total assets	**305 433**	248 120	23	273 937
Total liabilities	**304 515**	247 529	23	271 775

Pre-tax profits increased 5% to R1 848 million.

The Investment Banking Division (IBD) continued to show excellent growth, increasing pre-tax profits 24% to R1 292 million. Much of this growth was balance sheet-led, with the core loan book increasing 19%, which is well above market and driven by a number of large deals coupled with the arranging and structuring of renewable energy funding facilities.

The Global Markets division grew profits 5% to R684 million, mainly underpinned by client activities. Low volatility in local foreign exchange and interest rate markets softened profitability.

The Corporate Banking division's profitability was impacted by an impairment of previously capitalised project costs, however, solid growth was achieved in core business activities.

WesBank

WesBank represents the Bank's activities in instalment finance in the retail, commercial and corporate segments. WesBank's performance for the six months to December 2012 reflects its leading market position in instalment finance. In particular, long-standing alliances with leading motor manufacturers and large dealer groups have generated increased market share within the required risk profile.

WesBank financial highlights

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Normalised earnings	**775**	620	25	1 533
Profit before tax	**1 055**	845	25	2 086
Total assets	**120 475**	104 084	16	111 037
Total liabilities	**119 421**	103 237	16	108 959
Credit loss ratio (%)	**1.10**	1.08		0.98

On all key metrics WesBank delivered an excellent performance growing pre-tax profits 25% to R1 055 million.

Total advances grew 15% to R119.6 billion on the back of new business growth of 19% to R39.2 billion. This was driven by the motor and unsecured credit books, which delivered growth of 18% and 27%, respectively. Corporate new business volumes were also robust (up 14%) and the positive turnaround at MotoNovo continued on the back of excellent volume growth.

Interest margins were maintained despite strong competition across all portfolios. The underlying retail vehicle finance advances are also well balanced between fixed- and variable-rate. Origination is well within agreed risk thresholds and vintage performance is very closely monitored. The credit quality in all portfolios continues to track within expectations.

Arrear levels have levelled off and further improvement is unlikely. NPLs decreased since June 2012, however, given that the credit cycle has bottomed, this trend is likely to reverse going forward.

NIR reflected moderate growth with increased pricing pressures in the Auto card business.

Total cost growth of 8% reflects static headcount year-on-year, and includes increases in profit share payments to alliance partners and increasing depreciation on full maintenance rental (FMR) assets. Excluding these two items, year-on-year operating costs were slightly down.

STRATEGIC ISSUES

Progress on growth strategies outside South Africa

The Group seeks to generate incremental growth outside of its domestic market. It executes on the ground through its operating franchises both inside and outside of the Bank. It enters each market depending on the specific growth opportunities presented.

RMB is generating strong deal flow from its recently-established Kenya representative office.

FirstRand's Indian platform continues to gain traction. RMB's operations grew strongly albeit off a low base, mainly driven by the in-country Global Markets and Investment Banking divisions. The FNB start up is also gaining momentum with the current focus on building this platform into a profitable and scaleable operation.

Balance sheet strength

The Bank believes a strong balance sheet is key to growth, particularly in periods of uncertainty.

Capital

FirstRand's capital management strategy is aligned to this view and to the Group's overall objective to deliver sustainable returns to shareholders within appropriate levels of volatility. The Bank's current philosophy, given the uncertain macro environment, is to operate at the higher end of its targeted capital levels to ensure balance sheet resilience. Current targeted ranges and ratios are summarised in the table below.

	FirstRand Bank (FRB)*		Regulatory
%	Actual	Target	minimum
Capital adequacy ratio	14.6	11.5 – 13.0	9.5**
Tier 1 ratio	12.7	10.5	7.0
Core Tier 1 ratio	11.9	9.0 – 10.5	5.25

* *Reflects solo supervision, i.e. FirstRand Bank excluding foreign branches.*

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

With regard to the impact of Basel III, the final capital framework for banks operating in South Africa was released in October 2012 and the impact on the Bank's Core Tier 1 capital is expected to be minimal.

As part of the Bank's strategy to utilise regulatory limits to optimise its capital structure, during the period under review the Bank replaced the FRB06 and FRB07 subordinated debt instruments with the FRB11 bond. This instrument meets the Basel III entry criteria and will be included for grand-fathering from 1 January 2013 with full recognition envisaged once the resolution regime is implemented in South Africa.

Asset quality

When assessing the underlying risk in the balance sheet, the Bank's asset profile is dominated by a balanced advances portfolio, which constitutes 76% of total assets. In terms of credit quality, 87% of advances are rated B upper or better. Cash and liquid assets represent 15% of total assets, with only a small portion related to the investment and trading businesses.

PROSPECTS

The difficult macroeconomic environment is expected to continue for the rest of the financial year. Despite this, the Bank expects to continue to produce good organic growth. FNB's focus on customer acquisition and driving transactional revenues across its platforms will drive NIR growth, as will RMB's client activities. With respect to advances growth, new business volumes in the retail lending books are expected to moderate in the second half, a trend that is already manifesting on a rolling six-month basis. Corporate advances are expected to remain robust at RMB.

Ongoing investment in stated growth opportunities will continue, which will result in cost pressure although strong revenue growth should result in positive operating jaws.

BASIS OF PRESENTATION

The Bank prepares its consolidated financial results in accordance with:

- IFRS, including IAS 34 Interim Financial Reporting;
- the Financial Reporting Guide as issued by the Accounting Practices Committee;
- JSE Listing Requirements; and
- the information as required by the Companies Act of South Africa.

The accounting policies applied are consistent with those applied in preparation of previous financial statements. A table reflecting the restatement of prior year numbers and reasons therefore can be found on page 86.

The Bank believes normalised earnings more accurately reflect operational performance. Headline earnings are

Overview of results continued

adjusted to take into account non-operational and accounting anomalies. Details of the nature of these adjustments and reasons therefore can be found on page 9.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, as defined in IAS 10, occurring between 31 December 2012 and the date of authorisation of the interim results announcement.

BOARD CHANGES

Mr Jan Jonathan (Jannie) Durand was appointed to the Board as a non-executive director with effect from 23 October 2012. Mr Durand joined the Board as a shareholder representative of Financial Securities Limited (Remgro).

Mr Grant Glenn Gelink was appointed to the Board as an independent non-executive director with effect from 1 January 2013.

LL Dippenaar	**SE Nxasana**	**BW Unser**
Chairman	CEO	Company secretary

5 March 2013

Description of difference between normalised and IFRS results

The Bank believes normalised results more accurately reflect the economic substance of the Bank's performance. The Bank's results are adjusted to take into account non-operational items and accounting anomalies.

SHARE-BASED PAYMENTS AND EMPLOYEE BENEFITS

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. IAS 19 Employee Benefits requires that an expense be raised if benefits are expected to be paid to employees in return for services rendered in the current period.

In 2005 the Bank concluded a BEE transaction. As part of this transaction, rights were granted to the Bank's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. FirstRand 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.

Due to the unbundling of Momentum Group Limited, MMI Holdings Limited shares were received as a dividend in specie. On vesting date the participants will receive FirstRand as well as MMI shares. The inclusion of the MMI shares in the overall benefit that the participants will receive led to the recognition of an employee benefit liability in terms of IAS19 Employee Benefits. FirstRand hedged itself against the price risk of MMI shares by retaining the MMI shares received as a dividend in specie.

The economic cost to the Bank for both the IFRS 2 expense and the employee benefit is the net funding cost paid by the Bank on the funding required to buy these shares, and is reflected in normalised earnings.

ECONOMIC HEDGE AGAINST SHARE-BASED PAYMENT OBLIGATIONS

The Bank entered into a Total Return Swap (TRS) with external parties in order to economically hedge itself against the cost associated with the Bank's share option schemes.

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

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.

For purposes of calculating normalised earnings, the Bank 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 Bank's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the Bank.

ECONOMIC HEDGES

From time to time the Bank enters into economic interest rate hedging transactions, which do not qualify for hedge accounting in terms of the requirements of IFRS. The Bank 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 Bank accounts for the majority of its wholesale advances book within RMB on a fair value basis in terms of IFRS. As a result, the margin on these advances is reflected as part of NIR.

The Bank 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.

Income statement – IFRS

R million	Six months ended 31 December		% change	Year ended 30 June
	2012	2011		2012
Net interest income before impairment of advances	**7 357**	7 235	2	15 216
Impairment of advances	**(2 061)**	(1 615)	28	(4 885)
Net interest income after impairment of advances	**5 296**	5 620	(6)	10 331
Non-interest income	**16 023**	12 331	30	27 164
Income from operations	**21 319**	17 951	19	37 495
Operating expenses	**(13 854)**	(11 599)	19	(24 818)
Income before tax	**7 465**	6 352	18	12 677
Indirect tax	**(429)**	(356)	21	(496)
Profit before direct tax	**7 036**	5 996	17	12 181
Direct tax	**(1 431)**	(1 375)	4	(2 464)
Profit for the period	**5 605**	4 621	21	9 717
Attributable to:				
Ordinary equityholders	**5 505**	4 529	22	9 534
NCNR preference shareholders	**100**	92	9	183
Profit for the period	**5 605**	4 621	21	9 717

Statement of comprehensive income – IFRS

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Profit for the period	**5 605**	4 621	21	9 717
OTHER COMPREHENSIVE INCOME				
Items that may subsequently be classified to profit or loss				
Cash flow hedges	**(123)**	(275)	(55)	(419)
Available-for-sale financial assets	**479**	142	>100	388
Exchange differences on translating foreign operations	**75**	174	(57)	177
Other comprehensive income for the period before tax	**431**	41	>100	146
Income tax relating to components of other comprehensive income	**(96)**	10	(>100)	(17)
Other comprehensive income for the period	**335**	51	>100	129
Total comprehensive income for the period	**5 940**	4 672	27	9 846
Total comprehensive income attributable to:				
Ordinary equityholders	**5 840**	4 580	28	9 663
NCNR preference shareholders	**100**	92	9	183
Total comprehensive income for the period	**5 940**	4 672	27	9 846

FirstRand Bank

Statement of financial position – IFRS

R million	As at 31 December 2012	2011*	2010*	As at 30 June 2012
ASSETS				
Cash and cash equivalents	**44 743**	30 937	27 019	31 557
Derivative financial instruments	**55 907**	57 321	50 446	52 392
Commodities	**8 003**	5 880	4 164	5 108
Accounts receivable	**3 398**	2 829	3 152	3 301
Tax asset	**500**	–	641	253
Advances	**515 880**	458 965	422 864	482 745
Amounts due by holding company and fellow subsidiary companies	**21 540**	20 827	16 251	23 307
Investment securities and other investments	**79 186**	85 691	87 306	78 809
Investments in associates	**409**	152	116	243
Property and equipment	**9 928**	8 792	8 168	8 882
Intangible assets	**152**	233	205	336
Post-employment benefit asset	**3 127**	2 913	2 833	2 986
Loans to insurance group	**–**	–	18	–
Non-current assets and disposal groups held for sale	**–**	–	–	215
Total assets	**742 773**	674 540	623 183	690 134
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	**9 184**	8 036	5 737	4 019
Derivative financial instruments	**58 209**	58 166	49 733	53 666
Creditors and accruals	**6 533**	5 520	4 312	6 473
Tax liability	**–**	95	–	–
Deposits	**586 639**	528 902	489 344	545 796
Provisions	**222**	168	465	234
Employee liabilities	**7 701**	6 189	5 297	8 480
Other liabilities	**1 042**	1 275	385	922
Amounts due by holding company and fellow subsidiary companies	**13 214**	13 272	20 854	13 341
Deferred income tax liability	**567**	1 474	1 873	769
Tier 2 liabilities	**7 642**	6 406	6 397	7 437
Total liabilities	**690 953**	629 503	584 397	641 137
Equity				
Ordinary shares	**4**	4	4	4
Share premium	**15 304**	14 604	11 304	15 304
Reserves	**33 512**	27 429	24 478	30 689
Capital and reserves attributable to ordinary equityholders	**48 820**	42 037	35 786	45 997
NCNR preference shares	**3 000**	3 000	3 000	3 000
Total equity	**51 820**	45 037	38 786	48 997
Total equity and liabilities	**742 773**	674 540	623 183	690 134

* *Refer to reclassifications of prior year numbers on page 86.*

Statement of cash flows – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2012**	2011**	2012
Net cash flows from operating activities	**5 017**	5 814	18 422
Net cash generated/(utilised) from operations	**12 300**	(5 169)	(14 747)
Tax paid	**(2 405)**	(1 634)	(3 941)
Net cash inflow/(outflow) from operating activities	**14 912**	(989)	(266)
Net cash outflow from investing activities	**(2 058)**	(1 140)	(2 440)
Net cash inflow from financing activities	**325**	4 054	5 227
Net increase in cash and cash equivalents from operations	**13 179**	1 925	2 521
Cash and cash equivalents at the beginning of the year	**31 557**	29 012	29 012
Cash and cash equivalents at the end of the period	**44 736**	30 937	31 533
Effect of exchange rate changes on cash and cash equivalents	**7**	–	24
Cash and cash equivalents at the end of the period	**44 743**	30 937	31 557
Mandatory reserve balances included above*	**13 439**	11 905	12 395

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

** *Prior year restatements due to reclassifications.*

Statement of changes in equity – IFRS

for the six months ended 31 December

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Cash flow hedge reserve	Share-based payment reserve
Balance as at 1 July 2011	4	11 455	**11 459**	(452)	342
Issue of share capital	–	3 149	**3 149**	–	–
Movement in other reserves	–	–	**–**	–	26
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(197)	–
Balance as at 31 December 2011	4	14 604	**14 608**	(649)	368
Balance as at 1 July 2012	4	15 304	**15 308**	(753)	420
Issue of share capital	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	19
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(89)	–
Balance as at 31 December 2012	4	15 304	**15 308**	(842)	439

Ordinary share capital and ordinary equityholders' funds					Non-cumulative non-redeemable preference shares	Total equity
Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity-holders**		
443	(424)	1 345	24 929	**26 183**	**3 000**	**40 642**
–	–	–	–	**–**	**–**	**3 149**
–	–	–	1	**27**	**–**	**27**
–	–	–	(3 361)	**(3 361)**	**–**	**(3 361)**
–	–	–	–	**–**	**(92)**	**(92)**
75	173	–	4 529	**4 580**	**92**	**4 672**
518	(251)	1 345	26 098	**27 429**	**3 000**	**45 037**
696	(247)	1 345	29 228	**30 689**	**3 000**	**48 997**
–	–	–	–	**–**	**–**	**–**
–	–	–	–	**19**	**–**	**19**
–	–	–	(3 036)	**(3 036)**	**–**	**(3 036)**
–	–	–	–	**–**	**(100)**	**(100)**
349	75	–	5 505	**5 840**	**100**	**5 940**
1 045	(172)	1 345	31 697	**33 512**	**3 000**	**51 820**

Notes

DETAILED FINANCIAL ANALYSIS

This section is based on normalised earnings. A detailed reconciliation between IFRS and normalised results is set out on pages 22 to 25.

Key financial results, ratios and statistics – normalised

	Six months ended 31 December			Year ended 30 June
R million	**2012**	2011	% change	2012
EARNINGS PERFORMANCE				
Normalised earnings contribution by franchise	**5 630**	4 280	32	9 032
FNB	**3 172**	2 624	21	5 117
RMB	**1 538**	1 288	19	2 758
WesBank	**775**	620	25	1 533
Corporate Centre and consolidation adjustments	**245**	(160)	(>100)	(193)
NCNR preference dividend	**(100)**	(92)	9	(183)
Attributable earnings (refer page 10)	**5 505**	4 529	22	9 534
Headline earnings	**5 683**	4 252	34	9 191
Normalised earnings	**5 630**	4 280	32	9 032
Normalised net asset value	**48 820**	42 037	16	45 997
Tangible normalised net asset value	**48 668**	41 804	16	45 661
Average normalised net asset value	**47 409**	39 840	19	41 820
Capital adequacy				
Capital adequacy ratio (%)	**14.6**	14.7		14.6
Tier 1 ratio (%)	**12.7**	13.0		12.6
Core Tier 1 ratio (%)	**11.9**	12.0		11.8
Balance sheet				
Normalised total assets	**742 773**	674 540	10	690 134
Loans and advances (net of credit impairment)	**515 880**	458 965	12	482 745
Ratios				
Normalised return on equity (%)	**23.8**	21.5		21.6
Return on assets (%)	**1.57**	1.33		1.38
Average loan-to-deposit ratio (%)	**90.1**	88.8		89.7
Diversity ratio (%)	**50.4**	48.5		49.4
Credit impairment charge	**2 320**	1 752	32	5 291
NPLs as % of advances	**3.23**	3.80		3.58
Credit loss ratio (%)	**0.91**	0.77		1.14
Cost-to-income ratio (%)	**58.8**	58.7		58.3
Effective tax rate (%)	**20.3**	22.8		19.9

Income statement – normalised

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Net interest income before impairment of advances	**11 688**	10 149	15	21 468
Impairment of advances	**(2 320)**	(1 752)	32	(5 291)
Net interest income after impairment of advances	**9 368**	8 397	12	16 177
Non-interest revenue	**11 878**	9 554	24	20 985
Income from operations	**21 246**	17 951	18	37 162
Operating expenses	**(13 854)**	(11 571)	20	(24 737)
Income before tax	**7 392**	6 380	16	12 425
Indirect tax	**(429)**	(356)	21	(496)
Profit before direct tax	**6 963**	6 024	16	11 929
Direct tax	**(1 411)**	(1 375)	3	(2 371)
Profit for the period	**5 552**	4 649	19	9 558
NCNR preference shareholders	**(100)**	(92)	9	(183)
Attributable earnings to ordinary equityholders of the Bank	**5 452**	4 557	20	9 375
Headline and normalised earnings adjustments	**178**	(277)	(>100)	(343)
Normalised earnings	**5 630**	4 280	32	9 032

Statement of comprehensive income – normalised

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Profit for the period	**5 552**	4 649	19	9 558
OTHER COMPREHENSIVE INCOME				
Items that may subsequently be classified to profit or loss				
Cash flow hedges	**(123)**	(275)	(55)	(419)
Available-for-sale financial assets	**479**	142	>100	388
Exchange differences on translating foreign operations	**75**	174	(57)	177
Other comprehensive income for the period before tax	**431**	41	>100	146
Income tax relating to components of other comprehensive income	**(96)**	10	(>100)	(17)
Other comprehensive income for the period	**335**	51	>100	129
Total comprehensive income for the period	**5 887**	4 700	25	9 687
Total comprehensive income attributable to:				
Ordinary equityholders	**5 787**	4 608	26	9 504
NCNR preference shareholders	**100**	92	9	183
Total comprehensive income for the period	**5 887**	4 700	25	9 687

Statement of normalised earnings

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
IFRS profit from continuing operations (refer page 10)	**5 605**	4 621	21	9 717
NCNR preference shares	**(100)**	(92)	9	(183)
Attributable to ordinary equityholders	**5 505**	4 529	22	9 534
Adjusted for:	**178**	(277)	(>100)	(343)
Gain on disposal of available-for-sale assets	**–**	(327)		(445)
(Gain)/loss on the disposal of property and equipment	**(1)**	30		75
Impairment of assets in terms of IAS 36	**248**	–		–
Other	**–**	–		18
Tax effects of adjustments	**(69)**	20		9
Headline earnings	**5 683**	4 252	34	9 191
Adjusted for:	**(53)**	28	(>100)	(159)
IFRS 2 Share-based payment expenses*	**–**	28		81
TRS adjustment	**(53)**	–		(240)
Normalised earnings	**5 630**	4 280	32	9 032

* *Hedged at Group level.*

Reconciliation of attributable earnings to normalised income statement

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Attributable earnings per normalised income statement (refer page 19)	**5 452**	4 557	20	9 375
Normalised earnings adjustment reallocated to above the line (refer to table above)	**53**	(28)	(>100)	159
Attributable earnings to ordinary equityholders per normalised reconciliation (refer to table above)	**5 505**	4 529	22	9 534

Reconciliation of normalised income statement to IFRS income statement

for the six months ended 31 December 2012

R million	**December 2012 normalised**	IFRS 2 Share-based payment expense	
Net interest income before impairment of advances	**11 688**	–	
Impairment of advances	**(2 320)**	–	
Net interest income after impairment of advances	**9 368**	–	
Non-interest revenue	**11 878**	–	
Income from operations	**21 246**	–	
Operating expenses	**(13 854)**	–	
Income before tax	**7 392**	–	
Indirect tax	**(429)**	–	
Profit before direct tax	**6 963**	–	
Direct tax	**(1 411)**	–	
Profit for the period	**5 552**	–	
Attributable to:			
NCNR preference shareholders	**(100)**	–	
Ordinary equityholders of the Bank	**5 452**	–	
Headline and normalised earnings adjustment	**178**	–	
Normalised earnings	**5 630**	–	

	Fair value income-funding cost	Economic hedges	Fair value annuity income (lending)	TRS adjustment	**December 2012 IFRS**
	(3 334)	(109)	(888)	–	**7 357**
	–	–	259	–	**(2 061)**
	(3 334)	(109)	(629)	–	**5 296**
	3 334	109	629	73	**16 023**
	–	–	–	73	**21 319**
	–	–	–	–	**(13 854)**
	–	–	–	73	**7 465**
	–	–	–	–	**(429)**
	–	–	–	73	**7 036**
	–	–	–	(20)	**(1 431)**
	–	–	–	53	**5 605**
	–	–	–	–	**(100)**
	–	–	–	53	**5 505**
	–	–	–	(53)	**125**
	–	–	–	–	**5 630**

Reconciliation of normalised income statement to IFRS income statement

for the six months ended 31 December 2011

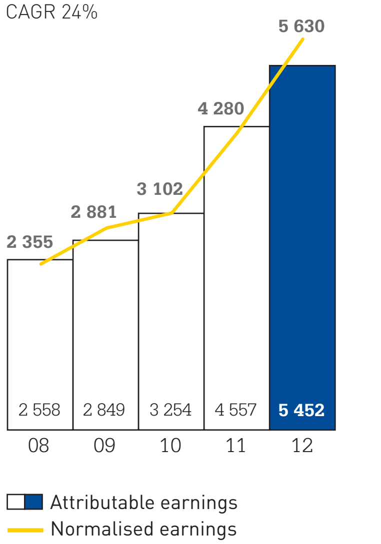
R million	December 2011 normalised	IFRS 2 Share-based payment expense	
Net interest income before impairment of advances	10 149	–	
Impairment of advances	(1 752)	–	
Net interest income after impairment of advances	8 397	–	
Non-interest revenue	9 554	–	
Income from operations	17 951	–	
Operating expenses	(11 571)	(28)	
Income before tax	6 380	(28)	
Indirect tax	(356)	–	
Profit before direct tax	6 024	(28)	
Direct tax	(1 375)	–	
Profit for the period	4 649	(28)	
Attributable to:			
NCNR preference shareholders	(92)	–	
Ordinary equityholders of the Bank	4 557	(28)	
Headline and normalised earnings adjustment	(277)	28	
Normalised earnings	4 280	–	

	Fair value income-funding cost	Economic hedges	Fair value annuity income (lending)	December 2011 IFRS
	(1 748)	(80)	(1 086)	7 235
	–	–	137	(1 615)
	(1 748)	(80)	(949)	5 620
	1 748	80	949	12 331
	–	–	–	17 951
	–	–	–	(11 599)
	–	–	–	6 352
	–	–	–	(356)
	–	–	–	5 996
	–	–	–	(1 375)
	–	–	–	4 621
	–	–	–	(92)
	–	–	–	4 529
	–	–	–	(249)
	–	–	–	4 280

Overview of results

Earnings performance (R million)

CAGR 24%



Note: 2008 and 2009 figures presented on an IFRS basis, figures from 2010 onwards presented on a normalised basis.

* *Compound annual growth rate (CAGR).*

These results are characterised by the following themes:

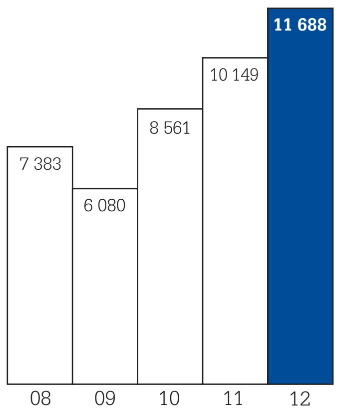
POSITIVES	NEGATIVES
• Robust NII growth, benefiting from: – satisfactory growth in core advances of 12%, in spite of the ongoing constrained economic environment; – stronger growth in higher margin asset classes, such as vehicle asset finance (VAF) and unsecured lending, although moderating from the growth levels in FY 2012; – the benefit of higher capital levels than in the comparative period; and – lower levels of NPLs, especially in HomeLoans, and the consequential release of interest in suspense.	• Negative endowment impact due to a reduction in average interest rates during the period under review.
• Strong fee and commission income growth of 17% due to: – increased active customer accounts in FNB; – new business volumes in WesBank; – increased retail transaction activity; and – an improved contribution from knowledge-based fees.	• Year-on-year increase in credit impairments, albeit down on a rolling six-month basis from the period ended 30 June 2012, affected by: – an increase in portfolio impairments, reflecting both strong book growth in unsecured lending and VAF year-on-year, and the Bank's view on the credit cycle; and – an increase in specific impairments, primarily associated with the unsecured lending portfolios, and in line with expectations.

POSITIVES	NEGATIVES
• Excellent growth in fair value income, benefiting from: – a robust performance from client-centric businesses; and – a significant year-on-year increase in fair value gains on derivative instruments held to hedge the Bank's share-based payment obligations.	• Overall cost growth of 20%, driven by: – higher variable costs, directly impacted by the higher levels of profitability during the period; – higher costs associated with cooperation agreements and joint ventures, linked to the increase in profitability of various joint venture alliance partners during the reporting period; – ongoing expansion costs, specifically relating to India; and – higher depreciation charges, affected by the growth in the FMR business as well as a change in estimate during the latter half of FY 2012.
	• Non-recurrence of profits on disposal of available-for-sale assets.

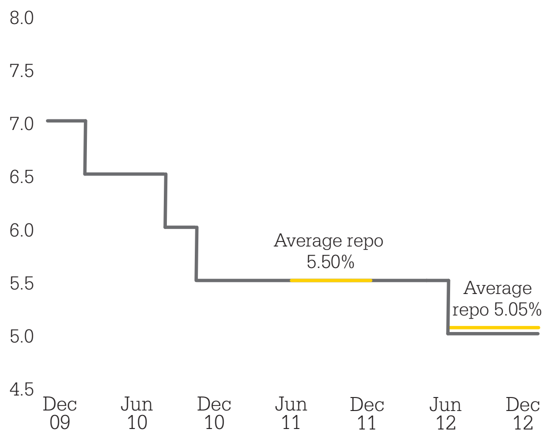
Overview of results continued

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 15%

Net interest income (R million)
CAGR 12%



Repo rate (%)



Note: 2008 and 2009 figures have been presented on an IFRS basis, figures from 2010 onwards are presented on a normalised basis.

Margin cascade table

Percentage of average interest-earning banking assets	%
December 2011 normalised margin	**4.35**
Capital and deposit endowment	(0.09)
Advances	0.16
– Changes in balance sheet mix	0.23
– Asset pricing	(0.07)
– Basis risk movement	–
Liabilities	0.05
– Changes in balance sheet mix (deposits)	0.06
– Changes in balance sheet mix (capital)	0.01
– Term funding cost	–
– Deposit pricing	(0.02)
Interest rate risk hedges	0.07
Accounting mismatches	0.08
December 2012 normalised margin	**4.62**

Segmental analysis of net interest income before impairment of advances

R million	Six months ended 31 December 2012	2011	% change	Year ended 30 June 2012
FNB	**6 285**	5 096	23	11 054
Retail	**4 210**	3 228	30	7 188
Residential mortgages	**1 246**	943	32	2 119
Card	**591**	516	15	1 088
Personal loans	**958**	652	47	1 493
Retail other	**1 415**	1 117	27	2 488
Commercial	**2 078**	1 870	11	3 871
FNB Africa	**(3)**	(2)	50	(5)
RMB	**1 395**	1 252	11	2 721
Investment banking	**1 109**	1 008	10	2 210
Corporate banking	**286**	244	17	511
WesBank	**2 926**	2 550	15	5 318
Corporate Centre	**958**	1 149	(17)	2 324
Net interest income – banking activities	**11 564**	10 047	15	21 417
Other*	**124**	102	22	51
Net interest income	**11 688**	10 149	15	21 468

* *Other includes consolidation adjustments.*

Overview of results continued

Margin analysis on gross advances

for the six months ended 31 December

	2012		2011	
	Average balance R million	**Average margin %**	Average balance R million	Average margin %
Average prime rate (RSA)		**8.55**		9.00
ADVANCES				
Retail – secured	**238 274**	**2.54**	220 934	2.15
Residential mortgages	**158 974**	**1.49**	156 144	1.16
Vehicle asset finance	**79 300**	**4.65**	64 790	4.55
Retail – unsecured	**33 700**	**13.15**	25 613	13.09
Card	**11 859**	**9.08**	10 468	8.90
Personal loans	**18 670**	**16.63**	13 154	17.48
– FNB loans	**12 468**	**14.60**	8 282	15.06
– WesBank loans	**6 202**	**20.71**	4 872	21.60
Overdrafts	**3 171**	**7.88**	1 991	6.06
Corporate	**164 280**	**2.52**	140 906	2.61
FNB commercial mortgages	**10 561**	**1.97**	8 964	1.51
Vehicle asset finance	**21 507**	**3.53**	21 530	2.94
Overdrafts	**17 082**	**5.00**	15 674	4.59
Term loans	**18 608**	**2.91**	16 843	3.75
Investment banking	**77 418**	**1.89**	64 070	2.12
Money market	**19 104**	**1.63**	13 825	1.47
Total advances	**436 254**	**3.35**	387 453	3.04

Advances margins are calculated using total net interest income as a percentage of gross advances before impairments. Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.

Margin analysis on deposits

for the six months ended 31 December

	2012		2011	
	Average balance R million	**Average margin %**	Average balance R million	Average margin %
Average prime rate (RSA)		**8.55**		9.00
DEPOSITS				
Retail	**107 027**	**2.52**	91 527	2.75
Current and savings	**35 420**	**4.77**	29 482	5.21
Call	**3 132**	**2.64**	3 390	2.43
Money market	**27 389**	**1.69**	25 331	1.88
Term	**41 086**	**1.12**	33 324	1.26
Corporate	**185 291**	**1.75**	168 030	1.82
Current and savings	**71 219**	**3.20**	63 157	3.42
Call	**52 808**	**0.86**	50 341	0.88
Money market	**17 567**	**1.88**	16 607	1.98
Term	**43 697**	**0.38**	37 925	0.32
Total deposits	**292 318**	**2.03**	259 557	2.15

Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB and non-South African operations.

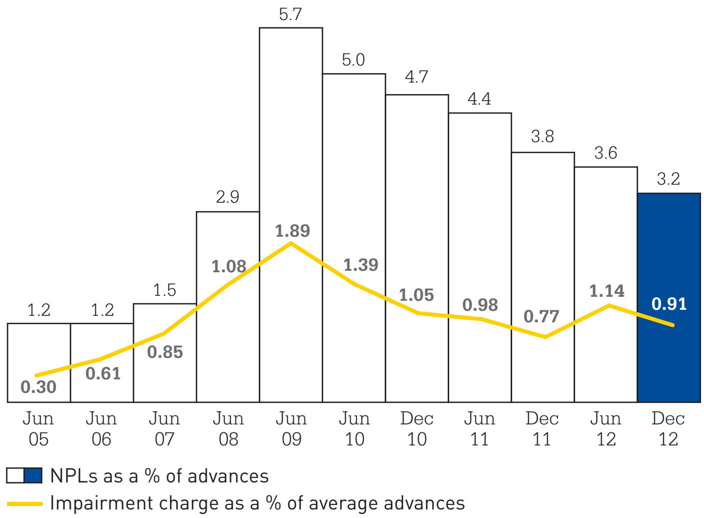
NII and margin analysis commentary

POSITIVES	NEGATIVES
• The relative change in composition of the advances portfolio, with increased levels of higher margin unsecured lending and VAF advances.	• Negative endowment impact due to average rates being 45 bps lower than in the comparative period.
• Incremental growth in retail and commercial deposits in the current period, reducing reliance on more expensive institutional funding.	• Ongoing retail and commercial deposit pricing pressure.
• Lower institutional funding costs resulting from a decline in funding spreads.	
• Benefit from the continuing NPL unwind, specifically in HomeLoans.	
• Lower term funding costs.	

Overview of results continued

IMPAIRMENT OF ADVANCES – UP 32%

NPLs and impairment history



Credit highlights

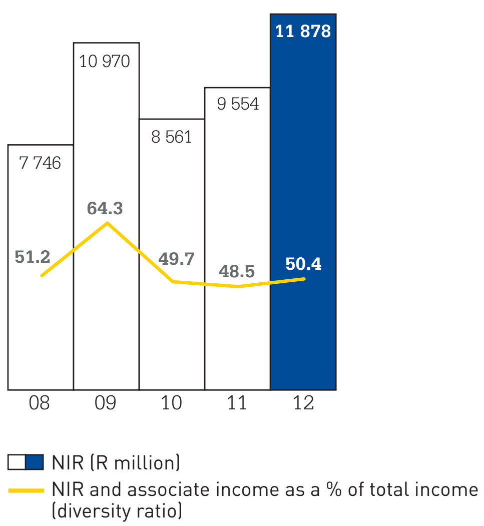
R million	Six months ended 31 December		% change	Year ended 30 June
	2012	2011		2012
Total gross advances*	**527 081**	468 310	13	493 323
NPLs	**17 028**	17 787	(4)	17 667
NPLs as a % of advances	**3.23**	3.80		3.58
Impairment charge – total (income statement)	**2 320**	1 752	32	5 291
Business as usual	**2 320**	1 752	32	4 586
Special impairment**	**–**	–		705
Impairment charge as a % of average advances	**0.91**	0.77		1.14
Business as usual	**0.91**	0.77		0.99
Special impairment	**–**	–		0.15
Total impairments* (balance sheet)	**11 201**	9 345	20	10 578
Portfolio impairments	**5 065**	3 411	48	4 676
Specific impairments	**6 136**	5 934	3	5 902
Implied loss given default (coverage)#	**36.0**	33.4		33.4
Total impairments coverage ratio†	**65.8**	52.5		59.9

* *Includes cumulative credit fair value adjustments.*
** *This impairment relates to the discovery during the year ended June 2012 of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit. This was classified as a boundary event.*
\# *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.*

POSITIVES	NEGATIVES
• Improvement in absolute NPL levels emanating primarily from further reductions in HomeLoans, driven by: – the continued low interest rate environment, which positively impacted customers' ability to service debt; – lower levels of new inflows into NPLs; and – ongoing focus on enhanced collection processes across the Bank.	• Pressure on collateral values in the residential mortgage market. • Increased levels of NPLs in the unsecured lending portfolios.
• Continued benefit from high levels of post write-off recoveries, primarily in Card and WesBank.	• Ageing levels of NPLs, specifically relating to the secured books in WesBank and HomeLoans, affected by protracted workout processes, in part associated with the debt review process.
	• A significant increase in portfolio impairments, reflective of: – strong book growth, specifically in the unsecured and VAF portfolios; – a deteriorating economic outlook which resulted in higher levels of wholesale portfolio impairments; and – the bottoming of the credit cycle.

NON-INTEREST REVENUE – UP 24%

Non-interest revenue and diversity ratio



Note: 2008 and 2009 figures presented on an IFRS basis,
figures from 2010 onwards presented on a normalised basis.

Overview of results continued

Non-interest revenue – up 24%

R million	Notes	Six months ended 31 December 2012	2011	% change	Year ended 30 June 2012
Fee and commission income	1	**8 879**	7 601	17	15 496
Fair value income	2	**2 396**	1 127	>100	3 746
Investment income	3	**(36)**	349	(>100)	572
Other non-interest revenue		**639**	477	34	1 171
Total non-interest revenue		**11 878**	9 554	24	20 985

Note 1 Fee and commission income – up 17%

R million	Six months ended 31 December 2012	2011	% change	Year ended 30 June 2012
Bank commissions and fee income	**8 192**	7 230	13	14 869
– Card commissions	**1 287**	1 086	19	2 184
– Cash deposit fees	**848**	861	(2)	1 653
– Commissions on bills, drafts and cheques	**582**	565	3	1 132
– Bank charges	**5 475**	4 718	16	9 900
Knowledge-based fees	**689**	411	68	844
Management fees	**199**	165	21	486
Insurance income	**413**	374	10	784
Other non-bank commissions	**751**	649	16	1 051
Gross fee and commission income	**10 244**	8 829	16	18 034
Fee and commission expenditure	**(1 365)**	(1 228)	11	(2 538)
Total fee and commission income	**8 879**	7 601	17	15 496

POSITIVES	NEGATIVES
• Fee and commission income growth underpinned by an 11% increase in core transactional banking accounts at FNB and transactional volume growth of 16%.	• Ongoing migration to cheaper electronic channels dampened absolute fee and commission income growth.
• Continued strong growth in FNB electronic banking channels, with 25% growth in active cellphone bankers.	
• Excellent growth of 68% in knowledge-based fee income, underpinned by strong volumes in the debt capital markets space, consistent deal flow from M&A activities and fees earned in Investment Banking.	
• Satisfactory performances from the insurance-related businesses, with total income increasing 10%, underpinned by good sales growth.	

Note 2 Fair value income – up >100%

POSITIVES	NEGATIVES
• Excellent growth in fair value income, benefiting from a robust performance from client-centric businesses, in particular: – RMB's flow trading businesses off the back of strong client demand; – the hedging and structuring solutions business within Global Markets, which benefited from rate uncertainty early in the reporting period; and – the debt and equity capital market businesses.	• Disappointing client execution revenues during the period, as a result of: – lower levels of interest rate and foreign exchange market volatility; – rising and trending equity and bond prices and markets. These factors resulted in lower client volumes.
• Strong performance from the ELI asset portfolio, assisted by the 16% gain in ALSI in the current period compared to a flat performance for the comparative period.	
• A significant increase in fair value gains on derivative instruments held to hedge the Bank's share-based payment obligations, driven by the increase in FirstRand's share price during the period under review. The corresponding expense is reflected as part of the Bank's share-based payment in operating expenses.	

Overview of results continued

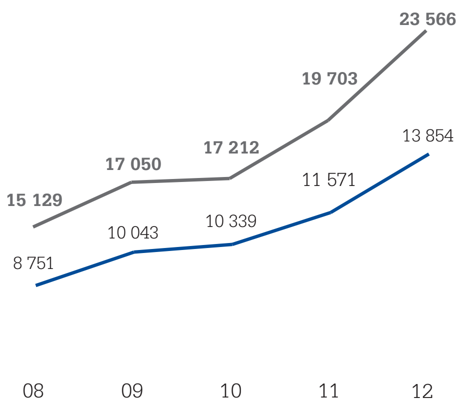
Note 3 Investment income – down >100%

R million	Six months ended 31 December 2012	2011	% change	Year ended 30 June 2 012
Profit on disposal of available-for-sale assets	**–**	327	(100)	445
Gain on disposal of investments of a capital nature excluding investments in subsidiaries	**–**	–		81
Profit on disposal of associates	**29**	–	100	–
Other investment income	**(65)**	22	(>100)	46
Total investment income	**(36)**	349	(>100)	572

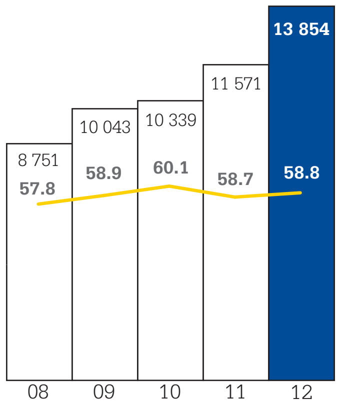
POSITIVES	NEGATIVES
	• Non-recurrence of profits on disposal of available-for-sale assets.

OPERATING EXPENSES – UP 20%

Operating jaws (R million)



Operating efficiency (R million)



Note: 2008 presented on an IFRS basis, 2009 presented on a normalised basis excluding fee and commission expenses restatement, figures from 2010 onwards presented on a normalised basis.

In line with industry practice, certain fee and commission income and expenses are set off in the calculation of the Bank's cost-to-income ratio.

Operating expenses

	Six months ended 31 December			Year ended 30 June
R million	**2012**	2011	% change	2012
Staff expenditure	**8 112**	6 890	18	14 643
– Direct staff expenditure	**4 576**	4 243	8	8 419
– Other staff-related expenditure	**3 536**	2 647	34	6 224
Depreciation	**771**	755	2	1 728
Amortisation of other intangible assets	**47**	62	(24)	149
Advertising and marketing	**482**	382	26	817
Insurance	**101**	96	5	191
Lease charges	**492**	429	15	904
Professional fees	**470**	391	20	837
Audit fees	**102**	70	46	150
Computer expenses	**497**	536	(7)	804
Maintenance	**328**	184	78	670
Telecommunications	**149**	127	17	261
Cooperation agreements and joint ventures	**345**	253	36	564
Property	**304**	285	7	587
Business travel	**126**	125	1	262
Other expenditure	**1 528**	986	55	2 170
Total operating expenses	**13 854**	11 571	20	24 737

Overview of results continued

STAFF COSTS – UP 18%

- Increased direct staff costs, affected by the annual wage settlements in excess of CPI for the current financial year.
- Other staff-related cost increases driven by:
  - increases in variable staff costs, directly related to the Bank's improved performance and profitability; and
  - a significant increase of 82% in IFRS 2 Share-based payment expenses, linked to the increase in FirstRand's share price during the period under review.

OTHER OPERATING EXPENSES

- Strong growth in costs associated with cooperation agreements and joint ventures, driven by the good performance of the WesBank joint venture partners.
- An increase in expansion costs, related to Indian initiatives.
- Increased marketing spend.
- The negative impact associated with certain impairment charges taken during the reporting period.

DIRECT TAXATION – UP 3%

- Profit growth;
- Change in the Bank's income mix, with robust growth in NII and NIR and comparatively lower contribution of non-standard rate taxable income to total income.

ABRIDGED STATEMENT OF FINANCIAL POSITION – NORMALISED

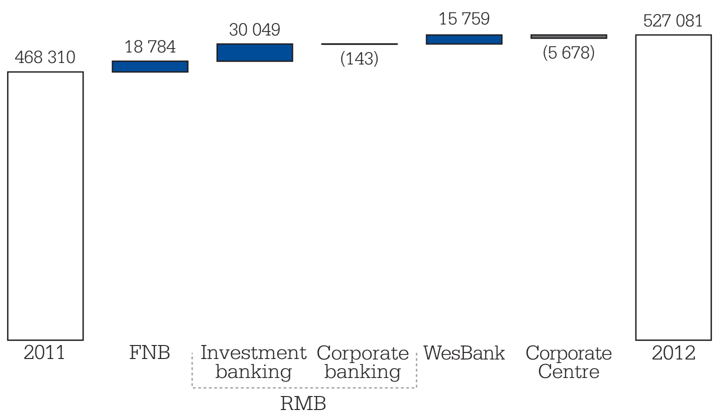
R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
ASSETS				
Derivative financial instruments	**55 907**	57 321	(2)	52 392
Advances	**515 880**	458 965	12	482 745
Investment securities and other investments	**79 186**	85 691	(8)	78 809
Other assets	**91 800**	72 563	27	76 188
Total assets	**742 773**	674 540	10	690 134
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**586 639**	528 902	11	545 796
Short trading positions and derivative financial instruments	**67 393**	66 202	2	57 685
Other liabilities	**36 921**	34 399	7	37 656
Total liabilities	**690 953**	629 503	10	641 137
Total equity	**51 820**	45 037	15	48 997
Total equity and liabilities	**742 773**	674 540	10	690 134

Overview of results continued

ADVANCES – UP 12%

R million	Six months ended 31 December 2012	Six months ended 31 December 2011	% change	Year ended 30 June 2012
Normalised gross advances	**527 081**	468 310	13	493 323
Normalised impairment of advances	**(11 201)**	(9 345)	20	(10 578)
Normalised net advances	**515 880**	458 965	12	482 745

Gross advances by franchise (R million)

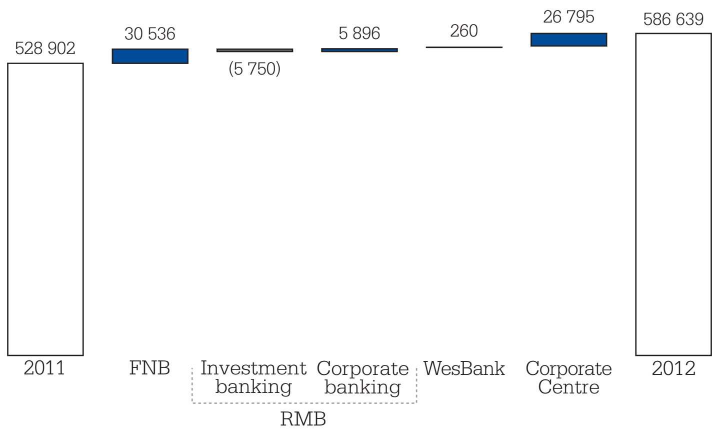


POSITIVES	NEGATIVES
• Growth of 9% from FNB, emanating primarily from the retail businesses with: – secured affordable housing loans growing 17%, underpinned by strong demand and customer affordability levels; – card advances increasing 14%, on the back of customer acquisition, supported by customer incentive programmes (e.g. fuel rewards and eBucks); and – strong growth of 34% in personal loans, although growth rates tapered off in the latter half of the year as a result of a more conservative approach to unsecured credit extension.	• Low growth in HomeLoans, reflecting continuing pressure in the property market and a deliberate strategy to limit new business to low-risk customers.
• Strong growth of 20% from FNB Commercial, driven by increases in owner-occupied commercial property, leveraged finance products and agricultural loans.	
• 17% growth in the core RMB advances book with particularly strong growth in the latter half of the reporting period, especially in the mining, health and energy sectors.	
• 15% growth in WesBank's advances, benefiting from: – 22% increase in retail motor advances driven by new business growth of 18% on the back of new car sales growth of 8%; and – 18% growth in personal loans, driven by new business growth of 27%.	

Overview of results continued

DEPOSITS – UP 11%

Gross deposits by franchise (R million)



POSITIVES
• Strong deposit growth of 15% from FNB.
• Growth driven by commercial (+15%) and retail (+14%), with notice deposits, cash-managed accounts and current, savings and transmission accounts showing notable increases of 33%, 15% and 17%, respectively.

SEGMENT REPORT

Segment report

for the six months ended 31 December 2012

	FNB							
	Retail segment							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail segment**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	1 246	591	958	1 415	**4 210**	2 078	(3)	**6 285**
Impairment of advances	(309)	(2)	(742)	(242)	**(1 295)**	(111)	–	**(1 406)**
Net interest income after impairment of advances	937	589	216	1 173	**2 915**	1 967	(3)	**4 879**
Non-interest income	135	601	591	3 569	**4 896**	2 334	137	**7 367**
Income from operations	1 072	1 190	807	4 742	**7 811**	4 301	134	**12 246**
Operating expenses	(610)	(573)	(397)	(3 487)	**(5 067)**	(2 455)	(181)	**(7 703)**
Income before tax	462	617	410	1 255	**2 744**	1 846	(47)	**4 543**
Indirect tax	(15)	(16)	(17)	(158)	**(206)**	(21)	–	**(227)**
Profit before direct tax	447	601	393	1 097	**2 538**	1 825	(47)	**4 316**
Direct tax	(118)	(159)	(104)	(291)	**(672)**	(483)	12	**(1 143)**
Profit for the period	329	442	289	806	**1 866**	1 342	(35)	**3 173**
Attributable to:								
Ordinary equityholders	329	442	289	806	**1 866**	1 342	(35)	**3 173**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	329	442	289	806	**1 866**	1 342	(35)	**3 173**
Attributable earnings to ordinary equityholders	329	442	289	806	**1 866**	1 342	(35)	**3 173**
Headline earnings adjustments	–	–	–	(1)	**(1)**	–	–	**(1)**
Headline earnings	329	442	289	805	**1 865**	1 342	(35)	**3 172**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IFRS 2 Share-based payment expense	–	–	–	–	**–**	–	–	**–**
Normalised earnings	329	442	289	805	**1 865**	1 342	(35)	**3 172**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 92) and are not reported in the Bank.*

RMB								
Investment banking	Corporate banking	**Total RMB**	**WesBank**	Corporate Centre	Consolidation and IFRS adjustments	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
1 109	286	**1 395**	**2 926**	958	124	**11 688**	(4 331)	**7 357**
(275)	(5)	**(280)**	**(634)**	–	–	**(2 320)**	259	**(2 061)**
834	281	**1 115**	**2 292**	958	124	**9 368**	(4 072)	**5 296**
2 751	508	**3 259**	**697**	1 535	(980)	**11 878**	4 145	**16 023**
3 585	789	**4 374**	**2 989**	2 493	(856)	**21 246**	73	**21 319**
(1 734)	(746)	**(2 480)**	**(1 819)**	(1 938)	86	**(13 854)**	–	**(13 854)**
1 851	43	**1 894**	**1 170**	555	(770)	**7 392**	73	**7 465**
(31)	(15)	**(46)**	**(115)**	(40)	(1)	**(429)**	–	**(429)**
1 820	28	**1 848**	**1 055**	515	(771)	**6 963**	73	**7 036**
(482)	(7)	**(489)**	**(280)**	(136)	637	**(1 411)**	(20)	**(1 431)**
1 338	21	**1 359**	**775**	379	(134)	**5 552**	53	**5 605**
1 338	21	**1 359**	**775**	379	(234)	**5 452**	53	**5 505**
–	–	**–**	**–**	–	100	**100**	–	**100**
1 338	21	**1 359**	**775**	379	(134)	**5 552**	53	**5 605**
1 338	21	**1 359**	**775**	379	(234)	**5 452**	53	**5 505**
–	179	**179**	**–**	–	–	**178**	–	**178**
1 338	200	**1 538**	**775**	379	(234)	**5 630**	53	**5 683**
–	–	**–**	**–**	–	–	**–**	(53)	**(53)**
–	–	**–**	**–**	–	–	**–**	–	**–**
1 338	200	**1 538**	**775**	379	(234)	**5 630**	–	**5 630**

Segment report continued

for the six months ended 31 December 2012

	FNB							
	Retail segment							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail segment**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	44.2	48.1	25.6	70.0	**55.6**	55.6	>100	**56.4**
Diversity ratio (%)	9.8	50.4	38.2	71.6	**53.8**	52.9	>100	**54.0**
Credit loss ratio (%)	0.39	0.03	12.18	10.92	**1.39**	0.59	–	**1.25**
NPLs as a percentage of advances (%)	4.88	2.25	7.26	6.19	**4.91**	4.29	–	**4.80**
Assets under management	–	–	–	31 113	**31 113**	–	–	**31 113**
Assets under advice	–	–	–	19 386	**19 386**	–	–	**19 386**
Income statement includes:								
Depreciation	(5)	(1)	(1)	(498)	**(505)**	(32)	–	**(537)**
Amortisation	–	–	–	(25)	**(25)**	(7)	–	**(32)**
Impairment charges	–	–	–	(6)	**(6)**	–	–	**(6)**
Other non-cash provisions	(22)	(14)	(5)	(385)	**(426)**	(66)	(10)	**(502)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	159 311	11 877	12 587	5 206	**188 981**	39 300	–	**228 281**
NPLs	7 775	267	914	322	**9 278**	1 685	–	**10 963**
Investment in associated companies	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	764	1 263	1	117 602	**119 630**	116 384	–	**236 014**
Total assets	157 061	11 392	11 548	19 161	**199 162**	39 502	173	**238 837**
Total liabilities	117 558	10 792	11 154	57 055	**196 559**	37 677	221	**234 457**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 92) and are not reported in the Bank.*

RMB								
Investment banking	Corporate banking	**Total RMB**	**WesBank**	Corporate Centre	Consolidation and IFRS adjustments	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
44.9	94.0	**53.3**	**50.2**	77.7	10.0	**58.8**	–	**59.3**
71.3	64.0	**70.0**	**19.2**	61.6	>100.0	**50.4**	–	**68.5**
0.33	0.32	**0.33**	**1.10**	–	–	**0.91**	–	**0.81**
1.23	0.23	**1.21**	**3.29**	–	–	**3.23**	–	**3.25**
–	–	**–**	**–**	–	–	**31 113**	–	**31 113**
–	–	**–**	**–**	–	–	**19 386**	–	**19 386**
(33)	(29)	**(62)**	**(125)**	(47)	–	**(771)**	–	**(771)**
(6)	–	**(6)**	**(7)**	(2)	–	**(47)**	–	**(47)**
–	(248)	**(248)**	**–**	–	–	**(254)**	–	**(254)**
(623)	(20)	**(643)**	**(9)**	(66)	–	**(1 220)**	–	**(1 220)**
172 470	3 512	**175 982**	**119 617**	3 535	(334)	**527 081**	(2 614)	**524 467**
2 120	8	**2 128**	**3 937**	–	–	**17 028**	–	**17 028**
409	–	**409**	**–**	–	–	**409**	–	**409**
100 807	44 086	**144 893**	**502**	205 604	(374)	**586 639**	–	**586 639**
301 898	3 535	**305 433**	**120 475**	79 532	(1 504)	**742 773**	–	**742 773**
301 071	3 444	**304 515**	**119 421**	33 907	(1 347)	**690 953**	–	**690 953**

Segment report

Segment report continued

for the six months ended 31 December 2011

	FNB							
	Retail segment							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail segment**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	943	516	652	1 117	**3 228**	1 870	(2)	**5 096**
Impairment of advances	(430)	(20)	(377)	(90)	**(917)**	(134)	–	**(1 051)**
Net interest income after impairment of advances	513	496	275	1 027	**2 311**	1 736	(2)	**4 045**
Non-interest income	159	522	438	3 011	**4 130**	2 211	109	**6 450**
Income from operations	672	1 018	713	4 038	**6 441**	3 947	107	**10 495**
Operating expenses	(582)	(507)	(329)	(3 012)	**(4 430)**	(2 203)	(126)	**(6 759)**
Income before tax	90	511	384	1 026	**2 011**	1 744	(19)	**3 736**
Indirect tax	(15)	(22)	(16)	(127)	**(180)**	(17)	–	**(197)**
Profit before direct tax	75	489	368	899	**1 831**	1 727	(19)	**3 539**
Direct tax	(20)	(130)	(97)	(238)	**(485)**	(457)	5	**(937)**
Profit for the period	55	359	271	661	**1 346**	1 270	(14)	**2 602**
Attributable to:								
Ordinary equityholders	55	359	271	661	**1 346**	1 270	(14)	**2 602**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	55	359	271	661	**1 346**	1 270	(14)	**2 602**
Attributable earnings to ordinary equityholders	55	359	271	661	**1 346**	1 270	(14)	**2 602**
Headline earnings adjustments	–	(1)	–	8	**7**	15	–	**22**
Headline earnings	55	358	271	669	**1 353**	1 285	(14)	**2 624**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IFRS 2 Share-based payment expense	–	–	–	–	**–**	–	–	**–**
Normalised earnings	55	358	271	669	**1 353**	1 285	(14)	**2 624**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 92) and are not reported in the Bank.*

RMB								
Investment banking	Corporate banking	**Total RMB**	**WesBank**	Corporate Centre	Consolidation and IFRS adjustments	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
1 008	244	**1 252**	**2 550**	1 149	102	**10 149**	(2 914)	**7 235**
(153)	(5)	**(158)**	**(543)**	–	–	**(1 752)**	137	**(1 615)**
855	239	**1 094**	**2 007**	1 149	102	**8 397**	(2 777)	**5 620**
2 238	569	**2 807**	**621**	927	(1 251)	**9 554**	2 777	**12 331**
3 093	808	**3 901**	**2 628**	2 076	(1 149)	**17 951**	–	**17 951**
(1 489)	(616)	**(2 105)**	**(1 683)**	(1 196)	172	**(11 571)**	(28)	**(11 599)**
1 604	192	**1 796**	**945**	880	(977)	**6 380**	(28)	**6 352**
(34)	(10)	**(44)**	**(100)**	(15)	–	**(356)**	–	**(356)**
1 570	182	**1 752**	**845**	865	(977)	**6 024**	(28)	**5 996**
(416)	(48)	**(464)**	**(224)**	(228)	478	**(1 375)**	–	**(1 375)**
1 154	134	**1 288**	**621**	637	(499)	**4 649**	(28)	**4 621**
1 154	134	**1 288**	**621**	637	(591)	**4 557**	(28)	**4 529**
–	–	**–**	**–**	–	92	**92**	–	**92**
1 154	134	**1 288**	**621**	637	(499)	**4 649**	(28)	**4 621**
1 154	134	**1 288**	**621**	637	(591)	**4 557**	(28)	**4 529**
–	–	**–**	**(1)**	(298)	–	**(277)**	–	**(277)**
1 154	134	**1 288**	**620**	339	(591)	**4 280**	(28)	**4 252**
–	–	**–**	**–**	–	–	**–**	–	**–**
–	–	**–**	**–**	–	–	**–**	28	**28**
1 154	134	**1 288**	**620**	339	(591)	**4 280**	–	**4 280**

Segment report continued

for the six months ended 31 December 2011

	FNB							
	Retail segment							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail segment**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	52.8	48.8	30.2	73.0	**60.2**	54.0	>100	**58.5**
Diversity ratio (%)	14.4	50.3	40.2	72.9	**56.1**	54.2	>100	**55.9**
Credit loss ratio (%)	0.56	0.38	9.12	9.54	**1.05**	0.84	–	**1.02**
NPLs as a percentage of advances (%)	5.95	2.86	4.93	7.24	**5.74**	5.04	–	**5.63**
Assets under management	–	–	–	22 673	**22 673**	–	–	**22 673**
Assets under advice	–	–	–	22 178	**22 178**	–	–	**22 178**
Income statement includes:								
Depreciation	(4)	(2)	(1)	(500)	**(507)**	(51)	–	**(558)**
Amortisation	–	–	–	(27)	**(27)**	(1)	–	**(28)**
Other non-cash provisions	(13)	(8)	(4)	(294)	**(319)**	(63)	(3)	**(385)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	154 299	10 446	9 415	2 720	**176 880**	32 617	–	**209 497**
NPLs	9 187	299	464	197	**10 147**	1 643	–	**11 790**
Investment in associated companies	11	–	–	(11)	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	792	1 152	–	102 644	**104 588**	100 890	–	**205 478**
Total assets	152 536	10 055	8 797	15 221	**186 609**	32 843	98	**219 550**
Total liabilities	152 307	9 536	8 411	14 242	**184 496**	31 336	116	**215 948**

* *FNB Africa results reported above relate to head office costs. Earnings of the African subsidiaries form part of FREMA (see simplified Group structure on page 92) and are not reported in the Bank.*

RMB								
Investment banking	Corporate banking	**Total RMB**	**WesBank**	Corporate Centre	Consolidation and IFRS adjustments	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
45.9	75.8	**51.9**	**53.1**	57.6	15.0	**58.7**	–	**59.3**
68.9	70.0	**69.2**	**19.6**	44.7	>100	**48.5**	–	**63.0**
0.23	0.32	**0.23**	**1.08**	–	–	**0.77**	–	**0.72**
1.36	0.41	**1.33**	**3.90**	–	–	**3.80**	–	**3.82**
–	–	**–**	**–**	–	–	**22 673**	–	**22 673**
–	–	**–**	**–**	–	–	**22 178**	–	**22 178**
(33)	(8)	**(41)**	**(102)**	(55)	1	**(755)**	–	**(755)**
(15)	–	**(15)**	**(19)**	–	–	**(62)**	–	**(62)**
(452)	–	**(452)**	**(121)**	(119)	–	**(1 077)**	–	**(1 077)**
		–						
142 421	3 655	**146 076**	**103 858**	8 233	646	**468 310**	(2 088)	**466 222**
1 930	15	**1 945**	**4 052**	–	–	**17 787**	–	**17 787**
151	–	**151**	**–**	1	–	**152**	–	**152**
106 557	38 190	**144 747**	**242**	179 501	(1 066)	**528 902**	–	**528 902**
244 556	3 564	**248 120**	**104 084**	102 582	204	**674 540**	–	**674 540**
244 215	3 314	**247 529**	**103 237**	62 249	540	**629 503**	–	**629 503**

Notes

BALANCE SHEET AND RETURN ANALYSIS

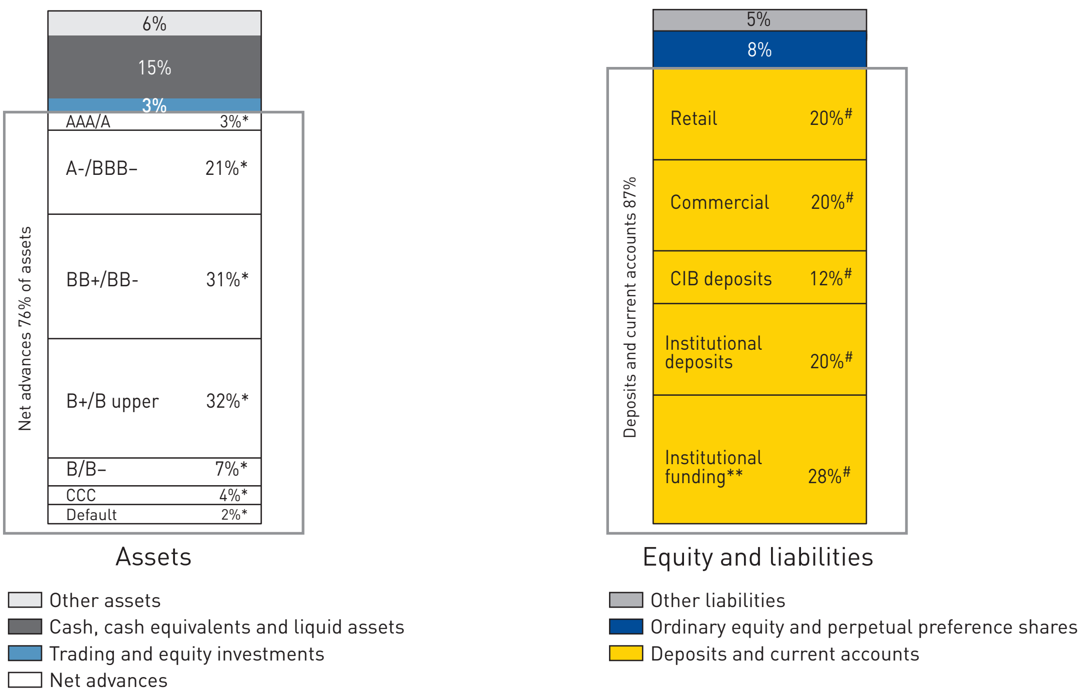
Economic view of the balance sheet

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

When assessing the underlying risk in the balance sheet, the Bank's asset profile is dominated by a balanced advances portfolio, which constitutes 76% of total assets. In terms of credit quality, 87% of advances are rated B upper or better. Cash and liquid assets represent 15% of total assets, with only a small portion related to the investment and trading businesses.

The Bank's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the Bank has continued to reduce its reliance on institutional funding. A slight increase occurred in the month of December 2012 as a result of the seasonal money shortage within the industry (see page 63).

Economic view of the balance sheet as at 31 December 2012 (%)



* *of net advances.*

\# *of deposits and current accounts.*
** *Including CIB institutional funding.*

Note: Derivatives and short trading positions have been netted off.

Capital

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

- targeted capital ratios;
- future business plans;
- issuance of capital instruments;
- the need for appropriate buffers in excess of minimum requirements;
- rating agencies' considerations;
- investor expectations; and
- proposed regulatory changes.

PERIOD UNDER REVIEW

The capital planning process ensures that the total capital adequacy and Core Tier 1 ratios remain within the approved ranges or above target levels across economic and business cycles. FirstRand Bank, excluding foreign branches (FRB) is appropriately capitalised under normal and severe scenarios as well as a range of stress events. The board-approved capital plan is reviewed annually as part of the Group's Internal Capital Adequacy Assessment Process (ICAAP) and refined on an ongoing basis. The outcome informs the targeted buffer over the minimum capital requirement.

The Bank aims to back all economic risk with Tier 1 capital, which offers the greatest capacity to absorb losses. Regular reviews of economic capital are carried out across the businesses and the Bank remains well capitalised in the current environment, with levels of Tier 1 capital exceeding the level of economic capital required.

Throughout the period under review, FRB operated comfortably above its target ranges with a total capital adequacy of 14.6% and Core Tier 1 ratio of 11.9%. The Bank continues to follow a conservative approach to capital levels and prefers to maintain capital ratios at the upper end of its targeted capitalisation range.

The targeted capital levels as well as the ratios at 31 December 2012 are summarised in the table below.

Capital adequacy position

	FRB*		Regulatory minimum
	Actual	Target	
Capital adequacy ratio (%)	14.6	11.5 – 13.0	9.5**
Tier 1 ratio (%)	12.7	10.5	7.0
Core Tier 1 ratio (%)	11.9	9.0 – 10.5	5.25

* *Reflects solo supervision, i.e. FRB excluding foreign branches.*
** *The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.*
Note: Refer to page 95 for definitions of ratios.

Capital continued

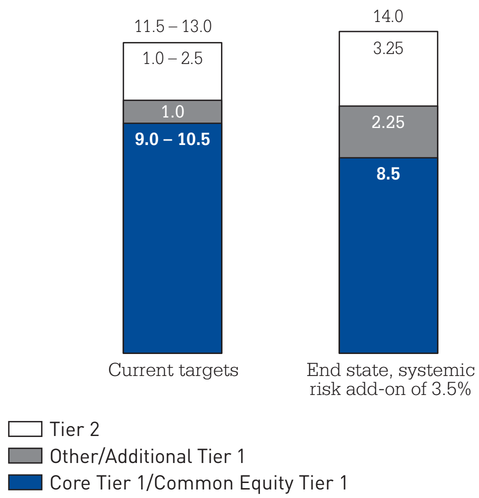
Basel III

The final Basel III framework 'A global regulatory framework for resilient banks and banking systems' issued in December 2010, will be phased in from 1 January 2013 with full compliance of capital levels (including buffers) required by 1 January 2019.

The final capital framework for banks operating in South Africa was released in October 2012. It aligns the implementation dates with the Basel III framework. The Basel III impact on the Bank's Core Tier 1 capital is expected to be minimal. There is, however, a more pronounced negative impact on the Tier 1 ratio and total capital adequacy ratio as the current NCNR preference share capital and subordinated debt instruments do not meet the new loss absorbency criteria.

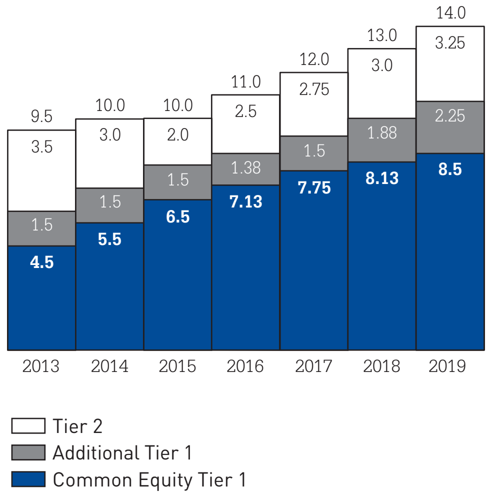
The graph below shows the current internal targets and the end state minimum capital requirements (excluding the bank-specific individual capital requirement (ICR) or Pillar 2b add-on). The internal target levels will be re-assessed under Basel III.

Current internal targets and end state minimum capital requirements (%)



Given the transitional period to comply with the final capital framework, the Bank remains focused on meeting the end state Common Equity Tier 1 (CET1) requirement, while looking at ways to optimise the overall capital mix. The graph opposite shows the minimum capital requirements (excluding the ICR add-on) during the transitional period until 2019.

Minimum capital requirements (%)



The regulations allow for the inclusion of disclosable reserves (i.e. share-based payment reserve and available-for-sale reserve) in CET1. This is partly offset by additional regulatory deductions for expected loss over provisions. The grandfathering of qualifying capital instruments diminishes the total capital supply further.

RWA are expected to increase mainly for counterparty credit risk. The SARB issued a directive in December 2012 delaying the additional capital requirement on ZAR OTC derivatives and local counterparties until 1 January 2014.

The Bank continues to participate in the SARB's biannual quantitative impact studies to assess the influence of Basel III on capital adequacy ratios, as well as to monitor the effect of leverage for the industry. The simple, transparent non-risk based leverage ratio is calibrated to act as a credible supplementary measure to the risk-based capital requirements. The SARB has proposed a minimum Tier 1 capital leverage ratio of 4%, which the Bank continues to comfortably exceed.

Supply of capital – Tier 1

Tier 1 capitalisation ratios benefited from stronger internal capital generation through earnings growth. All profits were appropriated at 31 December 2012.

Supply of capital – Tier 2

During the period under review, FRB replaced the FRB06 and FRB07 subordinated debt instruments with a Basel III instrument that references a resolution regime. The FRB11 bond meets the Basel III entry criteria and will be included for grandfathering from 1 January 2013 with full recognition envisaged once the resolution regime is implemented in South Africa.

Demand for capital

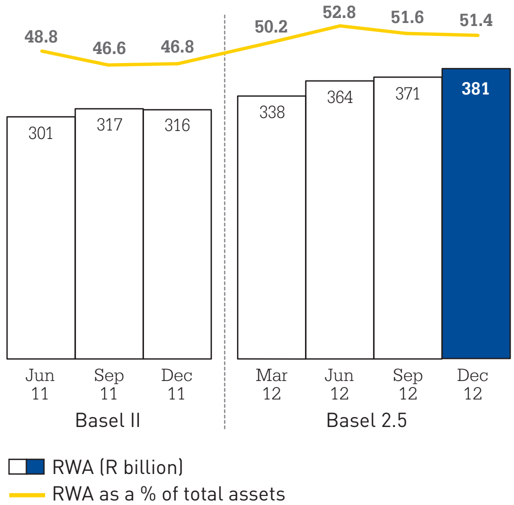
Basel 2.5 implemented on 1 January 2012 has resulted in an increase in the following risk types:

- credit and equity investment risk – a 6% scalar applied to the exposures on the advanced internal ratings based approach; and
- market risk – stressed VaR requirements and incremental risk charge.

The overall RWA increase was also driven by credit risk volume growth and recalibrations, offset by decreased market risk positions.

The following graph shows the increase in the demand for capital, taking into account regulatory changes over time.

FRB RWA history



Capital continued

CAPITAL ADEQUACY

The following table shows the composition of regulatory capital for FRB.

Composition of qualifying capital

	FRB*		
R million	**31 December 2012**	31 December 2011	30 June 2012
Ordinary shareholders equity as per IFRS	**48 290**	42 187	45 956
Less: non-qualifying reserves	**(645)**	(1 406)	(364)
Cash flow reserve	**842**	649	753
Available-for-sale reserve	**(1 046)**	(518)	(695)
Share-based payment reserve	**(441)**	(369)	(422)
Unappropriated profits	**–**	(1 168)	–
Ordinary shareholders equity qualifying as capital	**47 645**	40 781	45 592
Ordinary share capital and share premium	**15 308**	14 608	15 308
Reserves	**32 337**	26 173	30 284
Less: total impairments	**(2 156)**	(2 859)	(2 526)
Excess of expected loss over eligible provisions (50%)	**(231)**	(844)	(400)
First loss credit enhancements in respect of securitisation structures (50%)	**(45)**	(45)	(45)
Qualifying capital in branches	**(1 732)**	(1 732)	(1 732)
Intangibles	**(148)**	(224)	(332)
Other impairments	**–**	(14)	(17)
Total Core Tier 1 capital	**45 489**	37 922	43 066
Total Other Tier 1 capital	**3 000**	3 000	3 000
NCNR preference share capital	**3 000**	3 000	3 000
Total Tier 1 capital	**48 489**	40 922	46 066
Upper Tier 2 instruments	**1 047**	1 044	1 045
Tier 2 subordinated debt instruments	**6 595**	5 364	6 392
Less: total impairments	**(276)**	(889)	(445)
Excess of expected loss over eligible provisions (50%)	**(231)**	(844)	(400)
First loss credit enhancements in respect of securitisation structures (50%)	**(45)**	(45)	(45)
Total Tier 2 capital	**7 366**	5 519	6 992
Total qualifying capital and reserves	**55 855**	46 441	53 058

* *Reflects solo supervision, i.e. FRB excluding foreign branches.*

The table below provides more detail on the Bank's capital instruments at 31 December 2012.

Characteristics of capital instruments

Capital type	Instrument	Nominal (R million)	Actual (R million)	Rate type	First call date
Core Tier 1	Ordinary share capital and premium	15 308	15 308		Perpetual
Other Tier 1	NCNR preference share capital	3 000	3 000	Floating	Perpetual
Upper Tier 2	FRBC21	628	606	Fixed	21 Dec 2018
	FRBC22	440	441	Floating	21 Dec 2018
Subordinated debt	FRB03	1 740	1 829	Fixed	15 Sep 2014
	FRB05	2 110	2 046	Fixed	21 Dec 2018
	FRB08	100	100	Floating	10 Jun 2016
	FRB09	100	100	Floating	10 Jun 2017
	FRB10	1 000	1 013	Floating	25 Jan 2017
	FRB11	1 500	1 507	Floating	11 Dec 2017

Capital continued

The table below provides a detailed breakdown of the RWA numbers and capital requirement per current SARB regulations for each risk type.

RWA and capital requirement

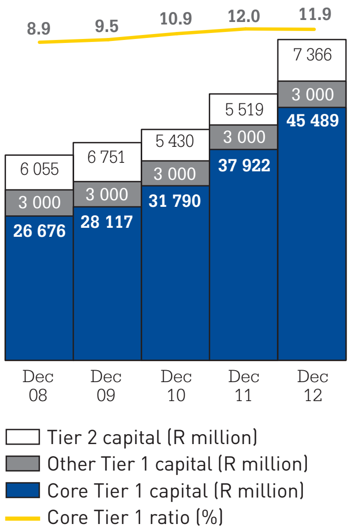
R million	FRB*					
	December 2012				December 2011	June 2012
	RWA					
	Advanced approach	**Standardised approach**	**Total**	**Capital requirement****	RWA	
Credit risk						
Corporate, banks and sovereigns	**115 325**	**–**	**115 325**	**10 956**	96 663	108 719
Small and medium enterprises (SMEs)	**40 286**	**–**	**40 286**	**3 827**	39 648	34 134
Residential mortgages	**50 462**	**–**	**50 462**	**4 794**	43 464	52 224
Qualifying revolving retail	**15 319**	**–**	**15 319**	**1 455**	9 611	12 564
Other retail	**55 658**	**–**	**55 658**	**5 288**	45 186	55 311
Securitisation exposure	**8 239**	**–**	**8 239**	**783**	8 673	9 207
Total credit risk	**285 289**	**–**	**285 289**	**27 103**	243 245	272 159
Operational risk	**56 390**	**–**	**56 390**	**5 357**	42 268	54 099
Market risk	**10 735**	**–**	**10 735**	**1 020**	5 125	12 511
Equity investment risk	**13 513**	**–**	**13 513**	**1 284**	10 570	10 391
Other assets	**–**	**15 492**	**15 492**	**1 472**	14 545	15 275
Total RWA	**365 927**	**15 492**	**381 419**	**36 236**	315 753	364 435
Pillar 1 (8%)				**30 515**	25 261	29 154
Pillar 2a (1.5%)				**5 721**	4 736	5 467
Total capital requirement				**36 236**	29 997	34 621

* *Reflects solo supervision i.e. FRB excluding foreign branches.*
** *Capital requirement calculated at 9.5% (Pillar 1 of 8% and Pillar 2a of 1.5%) of RWA.*

Historical overview of capital adequacy

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

Capital adequacy – FRB



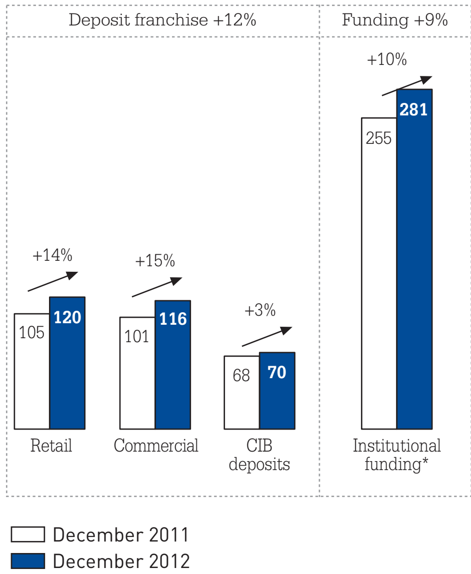
Funding

FUNDING STRATEGY

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

Compliance with the Basel III Liquidity Coverage Ratio (LCR) does influence the Group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of deposits. FRB is actively building its deposit franchise through innovative and competitive products and pricing (as illustrated by the following graph), while lengthening the term profile of its wholesale funding.

Bank funding by segment (R billion)



* *Includes CIB institutional funding.*

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. Given these structural issues and, as a result of the need to fund the significant growth in RWA between 2001 and 2007, South African banks' overall proportion of institutional funding increased.

This is reflected in the table below.

	31 December 2012 (% of funding liabilities)			
SA banks' funding sources	Total	Short-term	Medium-term	Long-term
Institutional	41	13	9	19
Corporate	22	18	1	3
Retail	16	12	3	1
SMEs	5	4	1	–
Government and parastatals	8	6	1	1
Foreign	7	4	1	2
Other	1	–	–	1
Total	**100**	**57**	**16**	**27**

Source: SA banking sector aggregate SARB BA900 returns (31 December 2012), FirstRand research.

FirstRand Bank generates a larger proportion of its funding from the deposit franchise in comparison to the SA aggregate, but its funding profile also reflects the structural features described above. Emphasis is placed on lengthening the term profile of institutional funding.

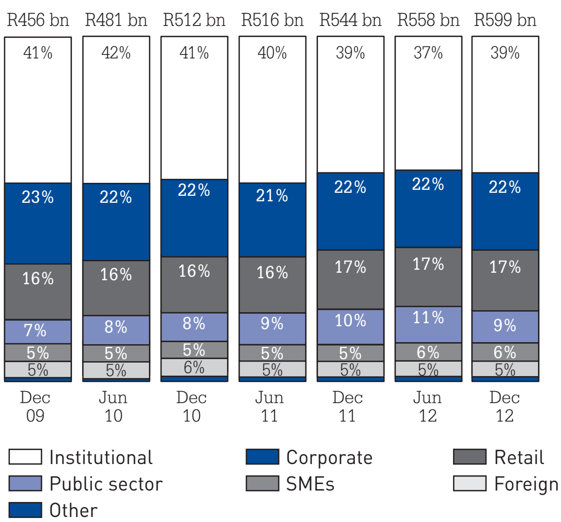
FirstRand Bank's funding sources	31 December 2012 (% of funding liabilities) Total	Short-term	Medium-term	Long-term
Institutional	39	14	7	18
Deposit franchise	61	47	6	8
Corporate	23	20	1	2
Retail	17	12	4	1
SMEs	5	5	–	–
Government and parastatals	9	7	1	1
Foreign	5	3	–	2
Other	2	–	–	2
Total	**100**	**61**	**13**	**26**

The chart below provides a historic analysis of the Bank's funding sources and reflects the stability of funding sources with an improvement in the deposit franchise.

The increase in institutional funding shown in the chart below was driven by two factors:

- higher funding requirements associated with the seasonal peak in activity in December; and
- advances growth.

FRB funding analysis by source



Efficiency

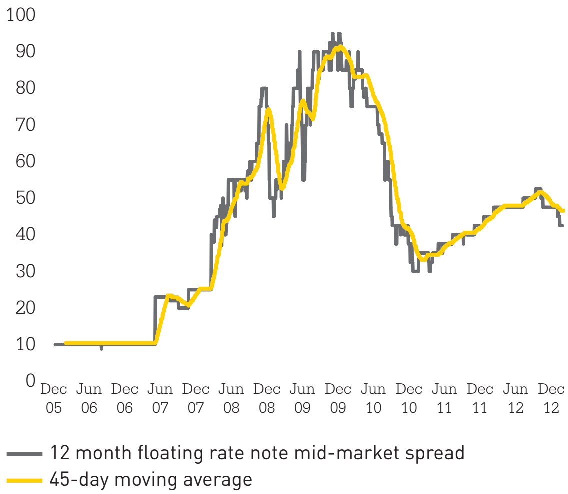
The Group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

To ensure maximum efficiency and flexibility in accessing funding opportunities, a range of debt programmes have been established. The Bank's strategy for domestic vanilla public issuance is to create actively-traded benchmarks, which facilitate secondary market liquidity in both domestic and offshore markets. The value of this strategy is that it assists the Bank in identifying cost-effective funding opportunities and ensuring a good understanding of market liquidity.

An explanation of how the market impacts the Group's funding strategy is illustrated in the following chart. In the period under review, short-term liquidity costs as indicated by the spread paid on 12-month NCDs, initially increased then reduced towards the end of the year. The SARB's monetary policy rate over the period under review implied negative real rates, yet the supply dynamics for savings and investors' requirement for real returns kept liquidity premiums above pre-2007 levels. Liquidity premiums have therefore, to some extent, compensated for the lower policy rate.

Funding continued

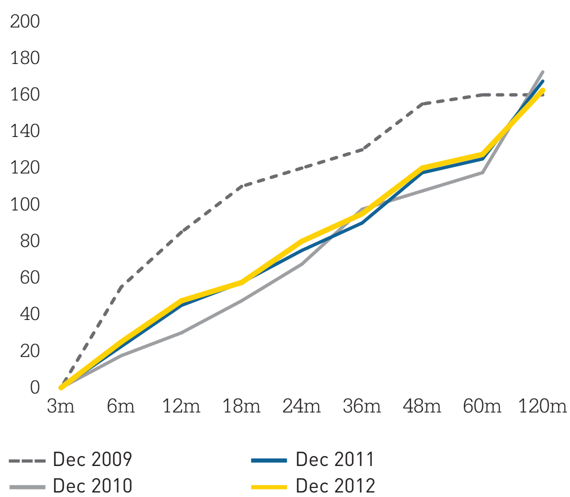
12-month liquidity spread (bps)



Source: Bloomberg (RMBP screen) and Reuters.

Long-term funding spreads have remained elevated, as can be seen from the graph below. This can be attributed to investors demanding increased liquidity premiums in the low-yield environment.

Long-term funding spreads (bps)



Source: Bloomberg (RMBP screen) and Reuters.

Flexibility

The Bank has a track record of differentiating itself through new and innovative funding mechanisms. It constantly reviews new proposals relating to funding strategies based on forecast balance sheet structures, in order to anticipate and plan for future funding and structural liquidity requirements.

Strong counterparty relationships

The Bank places great value on its established strong relationships with investors and is committed to keeping investors fully informed. Therefore an active marketing approach is embedded in the funding strategy. Through forums such as conference calls, domestic and international roadshows and investor presentations, the Bank aims to extend its investor base, and keep stakeholders up to date on its financial performance and counterparty status.

Diversification

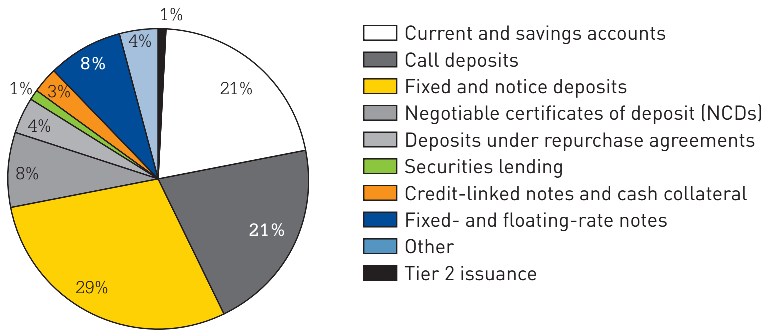
FRB views funding diversification from a number of different perspectives:

- **Segments** – the Bank has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represents 39% of total funding. This reliance is actively managed through the holding of appropriate liquidity buffers and continued focus on lengthening the term profile.
- **Country and currency of issue** – FRB has access to a variety of funding and capital markets offshore and locally, including South Africa, Europe, Asia, Australia, Namibia and Botswana in ZAR, USD, GBP, EUR, AUD and BWP.
- **Instrument types and maturity profile** – the Bank funds itself with a variety of different funding instruments, including NCDs, fixed and floating rate notes, syndicated loans, development finance facilities, vanilla and structured capital market issuances, and various retail and corporate products.

In these markets, the Bank seeks to broaden its investor base as far as possible, while actively pursuing an investor relations strategy.

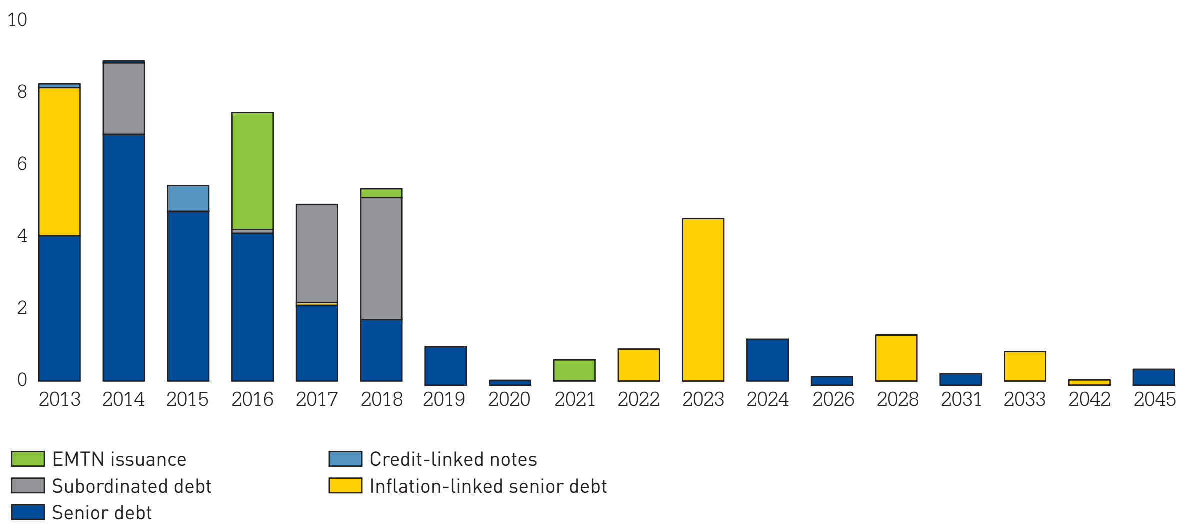
The chart below shows that the Bank has well-diversified instruments funding the balance sheet.

Instrument type (including senior debt and securitisation)



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

Maturity profile of FRB's capital market instruments (R billion)



Funding continued

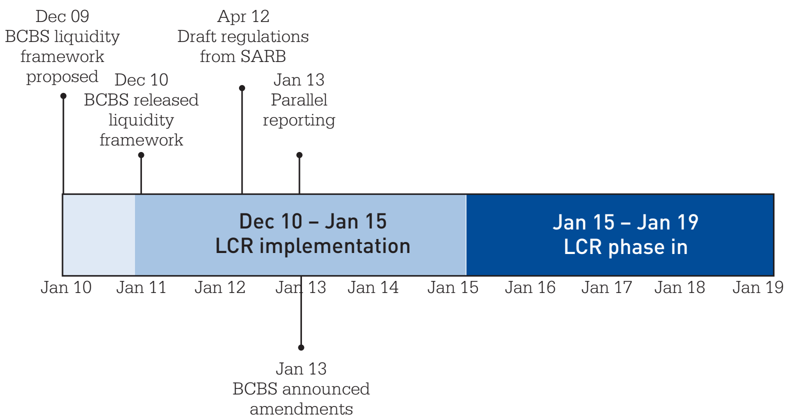
BASEL III UPDATE

During January the Basel Committee on Banking Supervision (BCBS) announced a series of amendments to the Liquidity Coverage Ratio (LCR):

- a phased-in approach was introduced, extending the timeframe to full compliance from 2015 to 2019; and
- the minimum requirement will be a liquidity coverage ratio of 60% as at 1 January 2015, with 10% incremental step ups each year to 100% on 1 January 2019 as illustrated in the graph below.
- expansion of eligible collateral to include:
  - levels 2A and 2B with qualifying criteria; and
  - the ratings requirement now refers to national scale ratings for liquidity risk in the local currency.

The timeline for the other measure introduced by the Basel III guidelines, namely the net stable funding ratio (NSFR), which measures the stability of the long-term structural funding, is still to be finalised. Compliance with the NSFR is expected to be required from 1 January 2019.

Timeline



The Bank is in the process of LCR implementation and expects to be able to comply with the LCR requirements. Previously, the Group anticipated that compliance with the BCBS LCR proposals would cost between R150 million and R250 million per annum. Given the changes discussed above, FirstRand expects these costs will be lower. This, however, will be conditional on development of the local capital markets to ensure that the market-related eligibility criteria can be met.

Credit

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

CREDIT HIGHLIGHTS AT A GLANCE

The advances portfolio grew 13% during the period under review. Growth in investment banking and commercial loans to the property and agriculture sectors underpinned the corporate advances increase. Retail advances benefited from strong growth in the vehicle and asset finance (VAF) portfolio. Unsecured lending growth is similar to that of the previous December, however, credit extension review actions are continuously applied.

The level of NPLs has been trending downwards since the peak in June 2009. Facilitated by the recent favourable credit environment, retail defaults have continued to decline and retail NPLs as a percentage of advances also continued to decline. Increases in some unsecured portfolios have materialised as expected. Overall, the corporate portfolios experienced a slight increase in NPLs as a result of the investment banking book.

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

R million	Notes	Six months ended 31 December		% change	Year ended 30 June
		2012	2011		2012
Total gross advances*	1	**527 081**	468 310	13	493 323
NPLs	2	**17 028**	17 787	(4)	17 667
NPLs as a % of advances		**3.23**	3.80		3.58
Impairment charge – total	3	**2 320**	1 752	32	5 291
Business as usual		**2 320**	1 752	32	4 586
Special impairment**		**–**	–		705
Impairment charge as a % of average advances		**0.91**	0.77		1.14
Business as usual		**0.91**	0.77		0.99
Special impairment		**–**	–		0.15
Total impairments*	4	**11 201**	9 345	20	10 578
Portfolio impairments		**5 065**	3 411	48	4 676
Specific impairments		**6 136**	5 934	3	5 902
Implied loss given default (coverage)#	4	**36.0**	33.4		33.4
Total impairments coverage ratio†		**65.8**	52.5		59.9

* *Includes cumulative credit fair value adjustments.*
** *This impairment relates to the discovery during the year ended June 2012 of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit. This was classified as a boundary event.*
\# *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.*

The notes referred to in the table above are detailed on the following pages. Comparatives of certain portfolios 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 have been 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 balance sheet credit fair value adjustments of R2 614 million (December 2011: R2 088 million; June 2012: R2 357 million); and

Credit continued

- the IFRS credit impairments in the income statement were adjusted to include the credit fair value adjustment impact of R259 million (December 2011: R137 million; June 2012: R406 million). Under IFRS, these would have been accounted for under non-interest revenue.

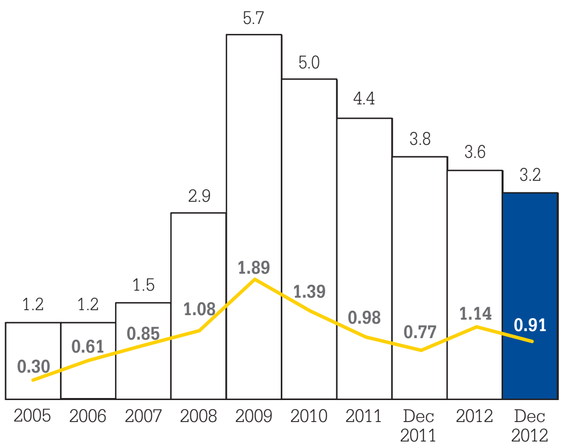
Retail credit portfolios

- Vehicle and asset finance book growth was robust, increasing 20% for the period.
- Residential mortgage growth remains flat, with the focus on improving the risk profile. Impairments in this portfolio declined noticeably as a result.
- The growth in the unsecured lending portfolios was within the defined credit risk appetite.
- Retail NPLs were 4.37%, down from 5.09% at December 2011, driven by the slower inflow into NPLs in HomeLoans.
- NPLs increased in most of the unsecured portfolios – in line with expectations and risk appetite, and has been appropriately priced for.

The impairment charge of 1.36% at December 2012 includes an increase in portfolio impairments. These are in line with expectations given the absolute book growth and the shift in mix. The total charge continues to benefit from increasing post write-off recoveries.

The higher impairment charge in the retail secured portfolios was due to increased impairments in VAF. Impairments have also increased in the unsecured portfolios (except Card) in line with expectations.

FRB NPLs and impairment history



NPLs as a % of advances
Impairment charge % as a % of average advances

Corporate credit portfolios

- The RMB core advances book grew 17% due to investment banking-related lending, particularly in mining, renewable energy and pharmaceuticals.
- FNB Commercial's portfolio achieved growth of 20%, attributed mainly to the leveraged finance, property term loan and agriculture portfolios.
- NPLs in the Corporate portfolio decreased modestly over the prior period, reflecting a reduction in NPLs in the WesBank Corporate portfolio.
- RMB NPLs increased mainly as a result of certain new impaired loans at December 2012.
- Corporate NPLs at December 2012 were 1.99% (December 2011: 2.41%; June 2012: 2.13%). Impairment charges have declined over the period. The charge at December 2012 is 0.41% (December 2011: 0.47%; June 2012: 0.45%).

NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances				
	As at 31 December			2012	As at 30 June
R million	**2012**	2011	% change	% composition	2012
Retail	**277 796**	250 739	11	53	264 838
Retail – secured	**241 652**	222 681	9	46	232 197
Residential mortgages	**159 311**	154 299	3	30	157 851
Vehicle and asset finance	**82 341**	68 382	20	16	74 346
Retail – unsecured	**36 144**	28 058	29	7	32 641
Card	**11 877**	10 446	14	2	11 291
Personal loans	**19 061**	14 892	28	4	17 691
– FNB loans	**12 587**	9 415	34	2	11 790
– WesBank loans	**6 474**	5 477	18	2	5 901
Retail – other	**5 206**	2 720	91	1	3 659
Corporate	**246 084**	208 692	18	47	224 761
FNB Commercial	**39 300**	32 617	20	7	35 960
WesBank Corporate	**30 802**	29 999	3	6	30 143
RMB Investment Banking	**172 470**	142 421	21	33	155 989
RMB Corporate Banking	**3 512**	3 655	(4)	1	2 669
Corporate Centre	**3 201**	8 879	(64)	–	3 724
Total advances	**527 081**	468 310	13	100	493 323
Of which:					
Accrual book	**375 089**	339 794	10	71	355 112
Fair value book*	**151 992**	128 516	18	29	138 211

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

RMB Investment Banking assets under agreements to resell

	As at 31 December			2012	As at 30 June
R million	**2012**	2011	% change	% composition	2012
RMB Investment Banking advances	**172 470**	142 421	21	100	155 989
Less: assets under agreements to resell	**(44 205)**	(32 505)	36	(26)	(38 482)
RMB Investment Banking advances net of assets under agreements to resell	**128 265**	109 916	17	74	117 507

Credit continued

Sector and geographic analysis of advances

R million	As at 31 December 2012	As at 31 December 2011	% change	2012 % composition	As at 30 June 2012
Gross advances	**529 064**	470 353	12	100	495 255
Less: interest in suspense	**(1 983)**	(2 043)	(3)	–	(1 932)
Advances net of interest in suspense	**527 081**	468 310	13	100	493 323
Sector analysis					
Agriculture	**16 134**	11 600	39	3	15 463
Banks and financial services	**79 520**	64 430	23	15	73 296
Building and property development	**28 237**	21 956	29	5	27 366
Government, Land Bank and public authorities	**14 528**	14 715	(1)	3	15 351
Individuals	**277 797**	265 855	4	53	263 923
Manufacturing and commerce	**56 223**	37 449	50	11	49 807
Mining	**16 586**	11 168	49	3	14 553
Transport and communication	**15 400**	13 732	12	3	14 014
Other services	**22 656**	27 405	(17)	4	19 550
Total advances	**527 081**	468 310	13	100	493 323
Geographic analysis					
South Africa	**504 718**	443 975	14	96	470 825
Other Africa	**8 386**	4 938	70	2	4 829
UK	**7 024**	10 072	(30)	1	10 842
Europe	**3 730**	3 683	1	1	2 236
North America	**76**	55	38	–	66
South America	**288**	306	(6)	–	99
Australasia	**2 859**	5 281	(46)	–	4 426
Total advances	**527 081**	468 310	13	100	493 323

NOTE 2: ANALYSIS OF NPLs

Segmental analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	2012 % composition	As at 30 June	As at 31 December		As at 30 June
R million	**2012**	2011			2012	**2012**	2011	2012
Retail	**12 136**	12 762	(5)	71	12 889	**4.37**	5.09	4.87
Retail – secured	**10 261**	11 517	(11)	60	11 333	**4.25**	5.17	4.88
Residential mortgages	**7 775**	9 187	(15)	46	8 697	**4.88**	5.95	5.51
Vehicle and asset finance	**2 486**	2 330	7	14	2 636	**3.02**	3.41	3.55
Retail – unsecured	**1 875**	1 245	51	11	1 556	**5.19**	4.44	4.77
Card	**267**	299	(11)	1	271	**2.25**	2.86	2.40
Personal loans	**1 286**	749	72	8	1 023	**6.75**	5.03	5.78
– FNB loans	**914**	464	97	6	710	**7.26**	4.93	6.02
– WesBank loans	**372**	285	31	2	313	**5.75**	5.20	5.30
Retail – other	**322**	197	63	2	262	**6.19**	7.24	7.16
Corporate	**4 892**	5 025	(3)	29	4 778	**1.99**	2.41	2.13
FNB Commercial	**1 685**	1 643	3	10	1 665	**4.29**	5.04	4.63
WesBank Corporate	**1 079**	1 437	(25)	6	1 076	**3.50**	4.79	3.57
RMB Investment Banking	**2 120**	1 930	10	13	2 028	**1.23**	1.36	1.30
RMB Corporate Banking	**8**	15	(47)	–	9	**0.23**	0.41	0.34
Corporate Centre	**–**	–	–	–	–	**–**	–	–
Total NPLs	**17 028**	17 787	(4)	100	17 667	**3.23**	3.80	3.58
Of which:								
Accrual book	**14 919**	15 876	(6)	88	15 651	**3.98**	4.67	4.41
Fair value book	**2 109**	1 911	10	12	2 016	**1.39**	1.49	1.46

Credit continued

Sector and geographical analysis of NPLs

R million	NPLs As at 31 December 2012	NPLs As at 31 December 2011	% change	2012 % composition	NPLs As at 30 June 2012	NPLs as a % of advances As at 31 December 2012	NPLs as a % of advances As at 31 December 2011	NPLs as a % of advances As at 30 June 2012
Sector analysis								
Agriculture	**556**	529	5	3	562	**3.45**	4.56	3.63
Banks and financial services	**399**	67	>100	2	369	**0.50**	0.10	0.50
Building and property development	**2 413**	2 149	12	14	2 299	**8.55**	9.79	8.40
Government, Land Bank and public authorities	**23**	42	(45)	–	36	**0.16**	0.29	0.23
Individuals	**12 106**	12 516	(3)	72	12 654	**4.36**	4.71	4.79
Manufacturing and commerce	**860**	484	78	5	849	**1.53**	1.29	1.70
Mining	**89**	73	22	1	165	**0.54**	0.65	1.13
Transport and communication	**214**	234	(9)	1	239	**1.39**	1.70	1.70
Other services	**368**	1 693	(78)	2	494	**1.62**	6.18	2.53
Total NPLs	**17 028**	17 787	(4)	100	17 667	**3.23**	3.80	3.58
Geographic analysis								
South Africa	**16 658**	17 396	(4)	98	17 322	**3.30**	3.92	3.68
Other Africa	**5**	36	(86)	–	33	**0.06**	0.73	0.69
UK	**30**	13	>100	–	22	**0.43**	0.13	0.20
South America	**301**	342	(12)	2	290	>100	>100	>100
Australasia	**34**	–	100	–	–	**–**	–	–
Total NPLs	**17 028**	17 787	(4)	100	17 667	**3.23**	3.80	3.58

Security and recoverable amounts

R million	As at 31 December						As at 30 June		
	2012			2011			2012		
	NPLs	**Security held and expected recoveries**	**Specific impair-ment***	NPLs	Security held and expected recoveries	Specific impair-ment*	NPLs	Security held and expected recoveries	Specific impair-ment*
Retail	**12 136**	**8 200**	**3 936**	12 762	9 121	3 641	12 889	9 020	3 869
Retail – secured	**10 261**	**7 815**	**2 446**	11 517	8 866	2 651	11 333	8 704	2 629
Residential mortgages	**7 775**	**6 160**	**1 615**	9 187	7 389	1 798	8 697	6 969	1 728
Vehicle and asset finance	**2 486**	**1 655**	**831**	2 330	1 477	853	2 636	1 735	901
Retail – unsecured	**1 875**	**385**	**1 490**	1 245	255	990	1 556	316	1 240
Card	**267**	**80**	**187**	299	95	204	271	93	178
Personal loans	**1 286**	**257**	**1 029**	749	119	630	1 023	196	827
– FNB loans	**914**	**178**	**736**	464	50	414	710	120	590
– WesBank loans	**372**	**79**	**293**	285	69	216	313	76	237
Retail – other	**322**	**48**	**274**	197	41	156	262	27	235
Corporate	**4 892**	**2 692**	**2 200**	5 025	2 732	2 293	4 778	2 745	2 033
FNB Commercial	**1 685**	**890**	**795**	1 643	855	788	1 665	879	786
WesBank Corporate	**1 079**	**648**	**431**	1 437	753	684	1 076	624	452
RMB Investment Banking	**2 120**	**1 154**	**966**	1 930	1 126	804	2 028	1 243	785
RMB Corporate Banking	**8**	**–**	**8**	15	(2)	17	9	(1)	10
Corporate Centre	**–**	**–**	**–**	–	–	–	–	–	–
Total	**17 028**	**10 892**	**6 136**	17 787	11 853	5 934	17 667	11 765	5 902

* *Specific impairments include cumulative credit fair value adjustments.*

Credit continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge increased from 77 bps at December 2011 to 91 bps at December 2012; an increasing proportion relates to portfolio impairments at December 2012.

Income statement impairments

	Total impairment charge				As a % of average advances			
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June	Six months ended 30 June*
R million	**2012**	2011	% change	2012	**2012**	2011	2012	2012
Retail	**1 843**	1 284	44	2 847	**1.36**	1.05	1.13	1.21
Retail – secured	**698**	682	2	1 300	**0.88**	0.62	0.58	0.54
Residential mortgages	**309**	430	(28)	922	**0.39**	0.56	0.59	0.63
Vehicle and asset finance	**389**	252	54	378	**0.99**	0.77	0.55	0.35
Retail – unsecured	**1 145**	602	90	1 547	**6.66**	4.63	5.47	6.23
Card	**2**	20	(90)	27	**0.03**	0.38	0.24	0.13
Personal loans	**901**	492	83	1 219	**9.81**	7.29	8.18	8.92
– FNB loans	**742**	377	97	955	**12.18**	9.12	10.10	10.90
– WesBank loans	**159**	115	38	264	**5.14**	4.39	4.84	5.24
Retail – other	**242**	90	>100	301	**10.92**	9.54	12.77	13.23
Corporate	**477**	468	2	939	**0.41**	0.47	0.45	0.43
FNB Commercial	**111**	134	(17)	167	**0.59**	0.84	0.50	0.19
WesBank Corporate	**86**	176	(51)	377	**0.56**	1.18	1.26	1.34
RMB Investment Banking	**275**	153	80	422	**0.33**	0.23	0.30	0.36
RMB Corporate Banking	**5**	5	–	(27)	**0.32**	0.32	(1.03)	(2.02)
Central portfolio overlay**	**–**	–	–	800	**–**	–	0.17	0.33
Business as usual impairment charge**	**2 320**	1 752	32	4 586	**0.91**	0.77	0.99	1.18
Special impairment**	**–**	–	–	705	**–**	–	0.15	0.29
Total impairment charge	**2 320**	1 752	32	5 291	**0.91**	0.77	1.14	1.47
Of which:								
Portfolio impairment charge	**413**	126	>100	1 409	**0.16**	0.06	0.31	0.53
Specific impairment charge	**1 907**	1 626	17	3 882	**0.75**	0.71	0.83	0.94

* *Annualised impairment charge for the six months ended 30 June 2012.*
** *Percentages calculated on total average advances.*

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The Bank constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPLs coverage ratio has increased to 36.0% (December 2011: 33.4%; June 2012: 33.4%).

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	**2012**	2011		2012	**2012**	2011	2012
SPECIFIC IMPAIRMENTS*							
Retail	**3 936**	3 641	8	3 869	**32.4**	28.5	30.0
Retail – secured	**2 446**	2 651	(8)	2 629	**23.8**	23.0	23.2
Residential mortgages	**1 615**	1 798	(10)	1 728	**20.8**	19.6	19.9
Vehicle and asset finance**	**831**	853	(3)	901	**33.4**	36.6	34.2
Retail – unsecured	**1 490**	990	51	1 240	**79.5**	79.5	79.7
Card	**187**	204	(8)	178	**70.0**	68.2	65.7
Personal loans	**1 029**	630	63	827	**80.0**	84.1	80.8
– FNB loans	**736**	414	78	590	**80.5**	89.2	83.1
– WesBank loans	**293**	216	36	237	**78.8**	75.8	75.7
Retail – other	**274**	156	76	235	**85.1**	79.2	89.7
Corporate	**2 200**	2 293	(4)	2 033	**45.0**	45.6	42.5
FNB Commercial	**795**	788	1	786	**47.2**	48.0	47.2
WesBank Corporate	**431**	684	(37)	452	**39.9**	47.6	42.0
RMB Investment Banking	**966**	804	20	785	**45.6**	41.7	38.7
RMB Corporate Banking	**8**	17	(53)	10	**100.0**	>100	>100
Corporate Centre	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default**	**6 136**	5 934	3	5 902	**36.0**	33.4	33.4
Portfolio impairments#	**5 065**	3 411	48	4 676	**29.8**	19.1	26.5
Total impairments/total impairment coverage ratio†	**11 201**	9 345	20	10 578	**65.8**	52.5	59.9

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

** *The decline in coverage ratio in the current year is a result of a 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 restructure 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.*

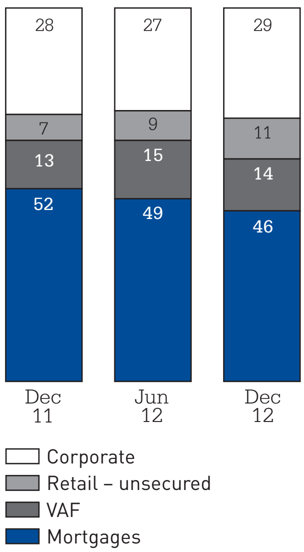
\# *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book as a percentage of NPLs.*

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

Credit continued

The graph below provides the NPLs distribution across the product categories, showing a decrease in the proportion of residential mortgage NPLs since December 2011.

NPLs distribution (%)



RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet amortised cost impairments and credit fair value adjustments.

	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	**2012**	2011	2012	**2012**	2011	2012	**2012**	2011	2012
Non-performing book	**5 182**	5 130	5 119	**954**	804	783	**6 136**	5 934	5 902
Performing book	**3 405**	2 127	3 102	**1 660**	1 284	1 574	**5 065**	3 411	4 676
Total impairments	**8 587**	7 257	8 221	**2 614**	2 088	2 357	**11 201**	9 345	10 578

The following table provides an analysis of the amortised cost-specific impairments.

	Balance sheet specific impairments – amortised cost			
	As at 31 December			As at 30 June
R million	**2012**	2011	% change	2012
Opening balance	**5 119**	5 527	(7)	5 527
Reclassifications and transfers	**25**	(47)	(>100)	(33)
Acquisitions	**–**	17	(>100)	3
Exchange rate difference	**1**	2	(50)	2
Unwinding and discounted present value on NPLs	**(100)**	(65)	54	(122)
Bad debts written off	**(2 234)**	(2 418)	(8)	(5 340)
Net new impairments created	**2 371**	2 114	12	5 082
Closing balance	**5 182**	5 130	1	5 119

The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

	Income statement impairments			
	Six months ended 31 December			As at 30 June
R million	**2012**	2011	% change	2012
Specific impairment charge	**2 371**	2 114	12	5 082
Recoveries of bad debts written off	**(637)**	(588)	8	(1 279)
Net specific impairment charge (amortised cost)	**1 734**	1 526	14	3 803
Portfolio impairment charge (amortised cost)	**327**	89	>100	1 082
Credit fair value adjustments	**259**	137	89	406
– Non-performing book	**173**	100	73	79
– Performing book	**86**	37	>100	327
Total impairments	**2 320**	1 752	32	5 291

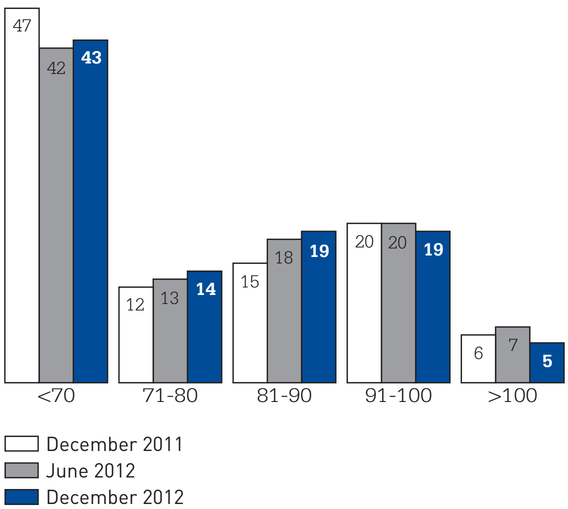
RISK ANALYSES

This section provides further information on selected risk analyses of the credit portfolios.

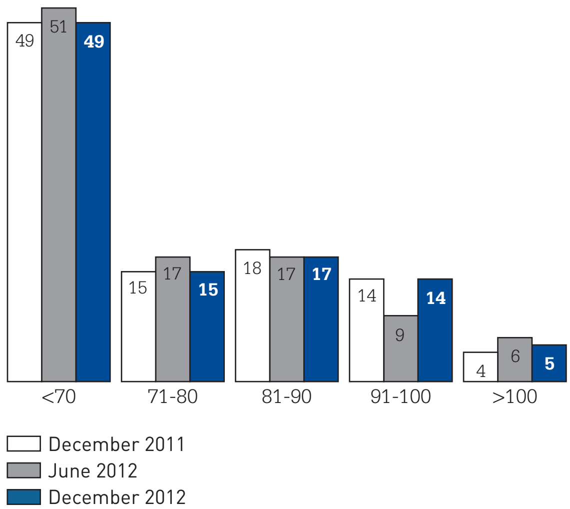
The graphs below provide the balance-to-value distributions and the ageing of the residential mortgages portfolios. The recent focus on the loan-to-value ratios for new business resulted in an improvement in the balance-to-original value although the broader strategy is to place more emphasis on the counterparty creditworthiness as opposed to only the underlying security. Pressures on property market values have, however, negatively impacted the balance-to-market value distribution.

The age distribution is reflective of the low growth in the residential mortgages portfolio over the three reporting periods.

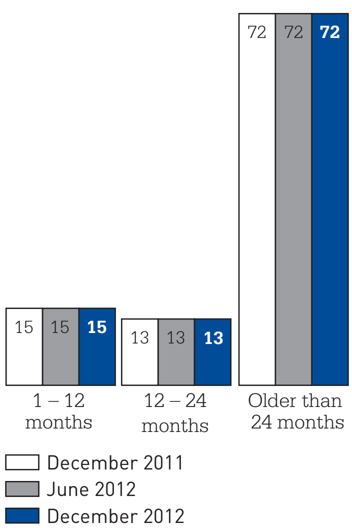
Residential mortgages balance-to-original value (%)



Residential mortgages balance-to-market value (%)

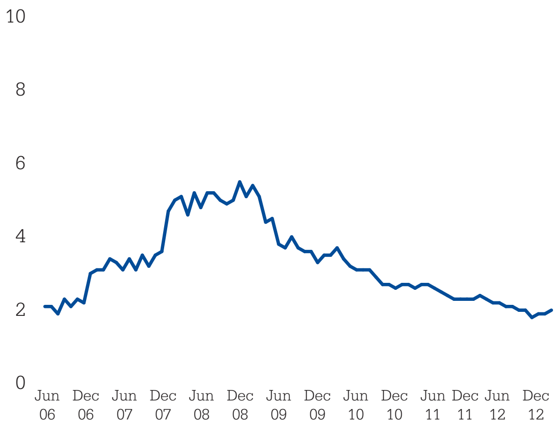


Residential mortgages age distribution (%)



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

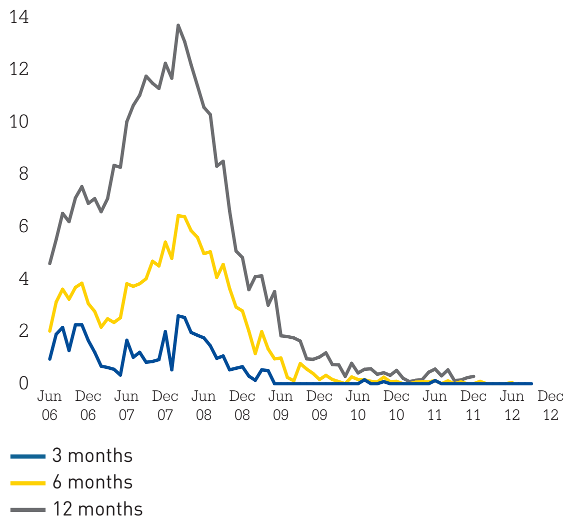
FNB HomeLoans arrears (%)



The following graphs provide the vintage analysis for FNB HomeLoans and WesBank retail. Vintage graphs provide the default experience three, six and twelve months after each origination date, indicating the impact of origination strategies and the macroeconomic environment.

For FNB HomeLoans, the three, six and twelve month cumulative vintage analysis illustrates a marked improvement in the quality of business written since mid-2008 despite further deterioration in macro conditions in the succeeding period.

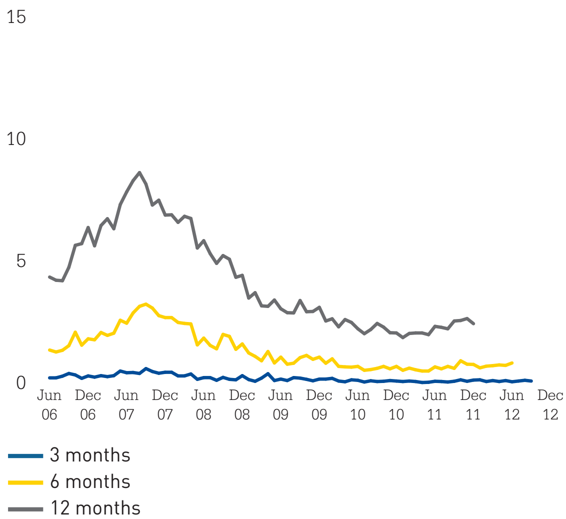
FNB HomeLoans vintage analysis (%)



The more recent decreases in the default experience reflect a combination of the credit origination strategies which has resulted in an improved risk profile.

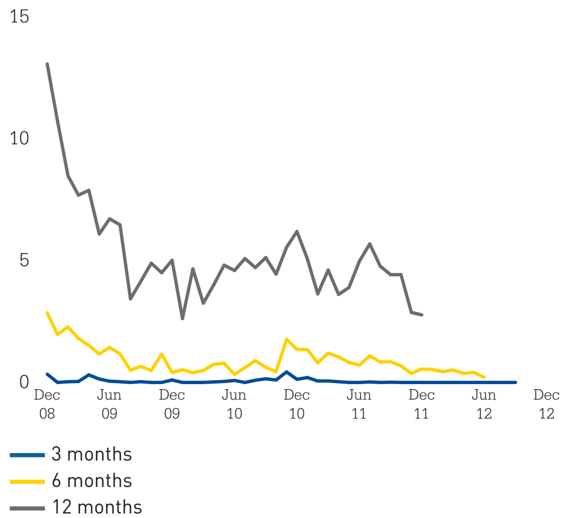
Credit continued

WesBank retail vintage analysis (%)



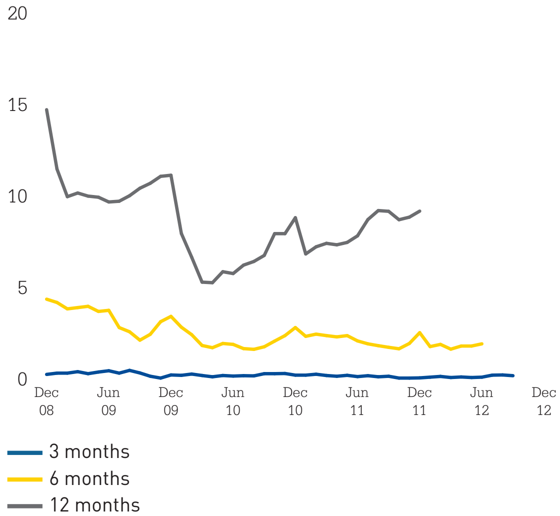
The WesBank retail six and twelve month cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

FNB Card vintage analysis (%)



The level of inflows into NPLs continues to decrease.

Unsecured vintage analysis
(excluding FNB Card) (%)



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

The increasing trend in the 12-month vintage analysis above is expected to moderate given a more conservative credit origination strategy during the period.

Continued actions are undertaken to ensure these portfolios remain within risk appetite.

Credit continued

SUPPLEMENTARY INFORMATION

Segmental advances, NPLs and impairment analysis

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

	Six months ended 31 December 2012					
R million/%	Advances	NPLs	NPLs as a % of advances	Total impairment charge	Impairments as % of average advances	Advances
FNB	**228 281**	**10 963**	**4.80**	**1 406**	**1.25**	209 497
FNB Retail	**188 981**	**9 278**	**4.91**	**1 295**	**1.39**	176 880
Residential mortgages	**159 311**	**7 775**	**4.88**	**309**	**0.39**	154 299
Card	**11 877**	**267**	**2.25**	**2**	**0.03**	10 446
Personal loans	**12 587**	**914**	**7.26**	**742**	**12.18**	9 415
Retail – other	**5 206**	**322**	**6.19**	**242**	**10.92**	2 720
FNB Commercial	**39 300**	**1 685**	**4.29**	**111**	**0.59**	32 617
WesBank	**119 617**	**3 937**	**3.29**	**634**	**1.10**	103 858
WesBank asset-backed finance	**113 143**	**3 565**	**3.15**	**475**	**0.87**	98 381
– WesBank Retail	**82 341**	**2 486**	**3.02**	**389**	**0.99**	68 382
– WesBank Corporate	**30 802**	**1 079**	**3.50**	**86**	**0.56**	29 999
WesBank loans	**6 474**	**372**	**5.75**	**159**	**5.14**	5 477
RMB Investment Banking	**172 470**	**2 120**	**1.23**	**275**	**0.33**	142 421
RMB Corporate Banking	**3 512**	**8**	**0.23**	**5**	**0.32**	3 655
Corporate Centre	**3 201**	**–**	**–**	**–**	**–**	8 879
Subtotal	**527 081**	**17 028**	**3.23**	**2 320**	**0.91**	468 310
Special impairments*	**–**	**–**	**–**	**–**	**–**	–
Total	**527 081**	**17 028**	**3.23**	**2 320**	**0.91**	468 310

* *Impairments relate to FNB (R405 million) and RMB Corporate Banking, previously GTS (R300 million).*

Six months ended 31 December 2011				Year ended 30 June 2012				
NPLs	NPLs as a % of advances	Total impair-ment charge	Impair-ments as % of average advances	Advances	NPLs	NPLs as a % of advances	Total impair-ment charge	Impair-ments as % of average advances
11 790	5.63	1 051	1.02	220 551	11 605	5.26	2 372	1.12
10 147	5.74	917	1.05	184 591	9 940	5.38	2 205	1.24
9 187	5.95	430	0.56	157 851	8 697	5.51	922	0.59
299	2.86	20	0.38	11 291	271	2.40	27	0.24
464	4.93	377	9.12	11 790	710	6.02	955	10.10
197	7.24	90	9.54	3 659	262	7.16	301	12.77
1 643	5.04	134	0.84	35 960	1 665	4.63	167	0.50
4 052	3.90	543	1.08	110 390	4 025	3.65	1 019	0.98
3 767	3.83	428	0.89	104 489	3 712	3.55	755	0.76
2 330	3.41	252	0.77	74 346	2 636	3.55	378	0.55
1 437	4.79	176	1.18	30 143	1 076	3.57	377	1.26
285	5.20	115	4.39	5 901	313	5.30	264	4.84
1 930	1.36	153	0.23	155 989	2 028	1.30	422	0.30
15	0.41	5	0.32	2 669	9	0.34	(27)	(1.03)
–	–	–	–	3 724	–	–	800	0.17
17 787	3.80	1 752	0.77	493 323	17 667	3.58	4 586	0.99
–	–	–	–	–	–	–	705	0.15
17 787	3.80	1 752	0.77	493 323	17 667	3.58	5 291	1.14

Notes

SUPPLEMENTARY INFORMATION

Reclassification of prior year numbers

During the reporting period the following reclassifications were made to the statement of financial position in line with the reclassifications for the year ended 30 June 2012:

31 December 2011 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Statement of financial position				
Creditors and accruals	7 408	5 520	1 888	During the June 2012 financial year a comprehensive review of liabilities disclosure was undertaken by the Bank to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	530 167	528 902	1 265	
Provisions	2 482	168	2 314	
Post-retirement liabilities	2 305	–	2 305	
Employee liabilities	–	6 189	(6 189)	
Other liabilities	–	1 275	(1 275)	
Tier 2 liabilities	–	6 406	(6 406)	
Long-term liabilities	6 098	–	6 098	

31 December 2010 R million	Amount as previously reported	Amount as restated	Difference	Explanation
Statement of financial position				
Creditors and accruals	5 045	4 312	733	During the June 2012 financial year a comprehensive review of liabilities disclosure was undertaken by the Bank to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation.
Deposits	489 722	489 344	378	
Provisions	2 492	465	2 027	
Post-retirement liabilities	2 166	–	2 166	
Employee liabilities	–	5 297	(5 297)	
Other liabilities	–	385	(385)	
Amounts due to holding company and fellow subsidiary companies	20 626	20 854	(228)	
Tier 2 liabilities	–	6 397	(6 397)	
Long-term liabilities	6 775	–	6 775	
Loans to insurance group	228	–	228	

Contingencies and commitments

R million	As at 31 December 2012	As at 31 December 2011	% change	As at 30 June 2012
Contingencies				
Guarantees	**20 673**	19 680	5	21 446
Acceptances	**285**	267	7	293
Letters of credit	**8 267**	6 349	30	7 301
Total contingencies	**29 225**	26 296	11	29 040
Capital commitments				
Contracted capital commitments	**1 384**	1 697	(18)	1 347
Capital expenditure authorised not yet contracted	**878**	1 040	(16)	1 749
Total capital commitments	**2 262**	2 737	(17)	3 096
Other commitments				
Irrevocable commitments	**67 570**	60 580	12	64 872
Operating lease and other commitments	**2 231**	10 190	(78)	2 452
Total other commitments	**69 801**	70 770	(1)	67 324
Total contingencies and commitments	**101 288**	99 803	1	99 460

Company information

DIRECTORS

LL Dippenaar (Chairman), SE Nxasana (Chief executive officer), VW Bartlett, JJH Bester, MS Bomela, JP Burger (Financial director and chief operating officer), L Crouse, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), KB Schoeman, RK Store, BJ van der Ross, JH van Greuning

SECRETARY AND REGISTERED OFFICE

BW Unser
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Telephone: +27 11 282 1808
Telefax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

(In terms of JSE Debt Listing Requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton 2196
Telephone: +27 11 282 8118

STOCK EXCHANGES

JSE Limited – listed debt instruments

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB03	ZAG000026774
	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
Upper Tier 2	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBI07	ZAG000055849
	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBN05	ZAG000042169
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ13	ZAG000079823
	FirstRand Bank Limited	FRJ14	ZAG000069683
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	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	FRS61	ZAG000090523
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS63	ZAG000091513
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS65	ZAG000094277
	FirstRand Bank Limited	FRS67	ZAG000095720
	FirstRand Bank Limited	FRS69	ZAG000095829
	FirstRand Bank Limited	FRS70	ZAG000095910
	FirstRand Bank Limited	FRS71	ZAG000096009
	FirstRand Bank Limited	FRS72	ZAG000096033
	FirstRand Bank Limited	FRS75	ZAG000096363
	FirstRand Bank Limited	FRS77	ZAG000097361

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS78	ZAG000097916
	FirstRand Bank Limited	FRS79	ZAG000100397
	FirstRand Bank Limited	FRS80	ZAG000100801
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS82	ZAG000101601
	FirstRand Bank Limited	FRS83	ZAG000102112
	FirstRand Bank Limited	FRX14	ZAG000079815
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI04	ZAG000044306
	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
	FirstRand Bank Limited	FRI15	ZAG000051137
Credit-linked notes	FirstRand Bank Limited	FRC08	ZAG000051749
	FirstRand Bank Limited	FRC11	ZAG000054131
	FirstRand Bank Limited	FRC29	ZAG000069857
	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC41	ZAG000081670
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC47	ZAG000084310
	FirstRand Bank Limited	FRC55	ZAG000085507
	FirstRand Bank Limited	FRC57	ZAG000086414
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC70	ZAG000088840
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956

Company information continued

	Issuer	Bond code	ISIN code
Credit-linked notes	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	FRC90	ZAG000092388
	FirstRand Bank Limited	FRC91	ZAG000092370
	FirstRand Bank Limited	FRC92	ZAG000092511
	FirstRand Bank Limited	FRC93	ZAG000092545
	FirstRand Bank Limited	FRC94	ZAG000092677
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96	ZAG000093204
	FirstRand Bank Limited	FRC97	ZAG000093212
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC103	ZAG000093840
	FirstRand Bank Limited	FRC104	ZAG000093857
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC110	ZAG000094954
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC114	ZAG000095837
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC119	ZAG000096298
	FirstRand Bank Limited	FRC120	ZAG000096306
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC123	ZAG000096272
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC126	ZAG000096934
	FirstRand Bank Limited	FRC127	ZAG000096942

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC129	ZAG000096967
	FirstRand Bank Limited	FRC130	ZAG000096975
	FirstRand Bank Limited	FRC131	ZAG000096983
	FirstRand Bank Limited	FRC132	ZAG000096991
	FirstRand Bank Limited	FRC133	ZAG000097007
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC136	ZAG000097106
	FirstRand Bank Limited	FRC137	ZAG000097114
	FirstRand Bank Limited	FRC138	ZAG000097130
	FirstRand Bank Limited	FRC139	ZAG000097148
	FirstRand Bank Limited	FRC140	ZAG000097155
	FirstRand Bank Limited	FRC141	ZAG000097189
	FirstRand Bank Limited	FRC142	ZAG000097445
	FirstRand Bank Limited	FRC143	ZAG000097551
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC146	ZAG000099425
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC157	ZAG000101973
	FirstRand Bank Limited	FRC158	ZAG000101981
	FirstRand Bank Limited	FRC159	ZAG000101999
	FirstRand Bank Limited	FRC160	ZAG000102013
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC162	ZAG000102286

	Issuer	Bond code	ISIN code
Senior unsecured callable bonds	FirstRand Bank Limited	FR002U	ZAG000042748
	FirstRand Bank Limited	FR003U	ZAG000042755
Investment security index contracts	Rand Merchant Bank	RMBI01	ZAG000050865
	Rand Merchant Bank	RMBI02	ZAG000052986
	Rand Merchant Bank	RMBI03	ZAG000054032
	Rand Merchant Bank	RMBI04	ZAG000055013
	Rand Merchant Bank	RMBI05	ZAG000055864
	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	OILRMB	ZAG000152732
	FirstRand Bank Limited	COLRMB	ZAE000155222

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0595260141
	FirstRand Bank Limited	XS0635404477

Simplified group structure

FIRSTRAND

Listed holding company (FirstRand Limited, JSE: FSR)

100% — FirstRand Bank Limited (JSE bond code: BIFR1)

Banking

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

100% — FirstRand EMA Holdings Limited

Africa and emerging markets

59%	FNB Namibia
70%	FNB Botswana
100%	FNB Swaziland
90%	FNB Mozambique
100%	FNB Zambia
100%	FNB Lesotho
100%	FNB Tanzania
100%	RMB Nigeria
100%	FirstRand International – Mauritius

100% — FirstRand Investment Holdings (Pty) Ltd (FRIHL)

Other activities[4, 5]

96%	RMB Private Equity Holdings
93%	RMB Private Equity
100%	RMB Securities
50%	RMB Morgan Stanley
100%	FNB International Wealth
100%	BJM Private Clients
100%	Rentworks
65%	Direct Axis
100%	First Auto (Pty) Ltd
100%	FirstRand International – Guernsey (includes RMB Australia Holdings)
100%	Ashburton Fund Managers (Pty) Ltd

Structure shows effective consolidated shareholding.

1. Division
2. Branch
3. Representative office
4. For segmental analysis purposes entities included in FRIHL are reported as part of the results of the managing franchise
5. 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 5 March 2013

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency counterparty credit rating		
Long-term	**BBB**	BBB
Outlook	**Negative**	Negative
Short-term	**A-2**	A-2
Local currency counterparty credit rating		
Long-term	**BBB**	A-
Outlook	**Negative**	Negative
Short-term	**A-2**	A-2
National scale		
Long-term	**zaAA**	
Short-term	**zaA-1**	

Summary of rating actions:

- On 12 October 2012, S&P lowered the long-term foreign currency sovereign rating on South Africa to BBB from BBB+ and the long-term local currency rating to A- from A. The agency also lowered the short-term local currency rating to A-2 from A-1 and affirmed the short-term foreign currency rating at A-2. The outlook remained negative.
- Consequently, FRB's long-term foreign and local currency ratings were lowered to BBB from BBB+ with the short-term foreign and local currency ratings affirmed at A-2. The South Africa national scale ratings on FRB were affirmed at zaAA/zaA-1.

Credit ratings assigned by Moody's Investors Service (Moody's) as at 5 March 2013

	FirstRand Bank Limited (FRB)	Sovereign rating South Africa
Foreign currency deposit rating (FRB) and foreign currency bond rating (sovereign)		
Long-term	**Baa1**	Baa1
Outlook	**Negative**	Negative
Short-term	**P-2**	
Local currency deposit ratings (FRB) and local currency bond rating (sovereign)		
Long-term	**A3**	Baa1
Outlook	**Negative**	Negative
Short-term	**P-2**	
National scale		
Long-term	**Aa2.za**	
Short-term	**P-1.za**	
Bank financial strength rating		
C-		
Outlook	**Stable**	

Summary of rating actions:

- On 27 September 2012, Moody's lowered the government bond rating by one notch to Baa1 from A3. The outlook remained negative.
- Consequently, on 4 October 2012, FRB's foreign currency deposit rating was lowered to Baa1 from A3. Local currency deposit and debt ratings were assigned a negative outlook in line with the sovereign rating outlook. The national scale deposit ratings of Aa2.za/P-1.za remained unaffected.

Credit ratings continued

Credit ratings assigned by Fitch Ratings (Fitch) as at 5 March 2013

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

Summary of rating actions:

- On 10 January 2013, Fitch downgraded South Africa's long-term foreign currency issuer default rating (IDR) to BBB from BBB+ and long-term local currency IDR to BBB+ from A. The agency also downgraded the short-term IDR to F3 from F2. The outlooks are stable.
- Consequently, on 15 January 2013, FRB's long-term foreign currency IDR was downgraded to BBB from BBB+, short-term foreign currency IDR downgraded to F3 from F2, long-term local currency IDR downgraded to BBB from BBB+, viability rating downgraded to bbb from bbb+, support rating downgraded to 3 from 2 and the support rating floor downgraded to BB+ from BBB-. The national ratings remained unaffected.

Definitions

Capital adequacy ratio (CAR)	Capital divided by risk weighted assets.
Common Equity Tier 1	Tier 1 less NCNR preference share capital.
Core Tier 1 ratio	Tier 1 less NCNR preference share capital divided by RWA.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the period).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per the income statement divided by the income before direct tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The Bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies. Refer to page 9 for a detailed description of the difference between normalised and IFRS results.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risks multiplied by on- and off-balance sheet assets.
Tier 1 ratio	Tier 1 capital divided by RWA.

Notes

FIRSTRAND BANK

www.firstrand.co.za