analysis of financial results

for the year ended 30 June 2014

FIRSTRAND

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FIRSTRAND

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

INTRODUCTION

This report covers the audited summarised financial results of FirstRand Limited (FirstRand or the Group) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2014.

The primary results and accompanying commentary are presented on a normalised basis as the Group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results. Prior year numbers have been restated as a result of the adoption of new and revised IFRS standards (refer to pages 121 to 126).

Normalised results include a summarised consolidated income statement, statement of comprehensive income, statement of financial position and statement of cash flows. A detailed description of the difference between normalised and IFRS results is provided on pages 14 and 15. Detailed reconciliations of normalised to IFRS results are provided on pages 28 to 33. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand's annual integrated report will be published on the Group's website, www.firstrand.co.za, on or about 7 October 2014.

Financial highlights

	Year ended 30 June		
	2014	**2013***	**% change**
Normalised earnings (R million)	**18 663**	15 420	21
Diluted normalised earnings per share (cents)	**331.0**	273.5	21
Normalised net asset value per share (cents)	**1 447.2**	1 289.4	12
Dividend per ordinary share (cents)	**174.0**	136.0	28
Normalised ROE (%)	**24.2**	22.7	

* *Refer to restatement of prior year numbers on pages 121 to 126.*

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

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

for the year ended 30 June

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

* *Refer to restatement of prior year numbers on pages 121 to 126.*
** *75.56% of FNB prime lending rate.*
# *Comparatives have not been restated for IFRS changes.*

STATEMENT OF HEADLINE EARNINGS – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Profit for the year (refer page 16)	**19 786**	15 954	24
Non-controlling interests	**(1 058)**	(872)	21
NCNR preference shareholders	**(288)**	(297)	(3)
Earnings attributable to ordinary equityholders	**18 440**	14 785	25
Adjusted for:	**231**	542	(57)
Loss on disposal of investment securities and other investments of a capital nature	**27**	13	
Gain on disposal of available-for-sale assets	**(69)**	(33)	
(Gain)/loss on disposal of investments in associates	**(61)**	24	
Gain on disposal of investments in joint ventures	**–**	(23)	
Gain on disposal of investments in subsidiaries	**(18)**	(63)	
Loss on the disposal of property and equipment	**32**	77	
Fair value movement on investment properties	**–**	(7)	
Impairment of goodwill	**128**	438	
Impairment of assets in terms of IAS 36	**151**	283	
Gain from a bargain purchase	**–**	(14)	
Other	**–**	(138)	
Tax effects of adjustments	**26**	(35)	
Non-controlling interests adjustments	**15**	20	
Headline earnings	**18 671**	15 327	22

* *Refer to restatement of prior year numbers on pages 121 to 126.*

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS (AUDITED)

for the year ended 30 June

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

* *Refer to restatement of prior year numbers on pages 121 to 126.*

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

OVERVIEW OF RESULTS

INTRODUCTION

The operating environment remained difficult throughout the financial year, largely the consequence of uncertainty in the global macroeconomic arena combined with subdued domestic demand growth and protracted industrial action in the platinum sector.

South Africa is vulnerable to slowing capital flows due to its large current account deficit and this translated into rand weakness and higher domestic inflation, together with similar issues in other emerging markets. This triggered the start of an interest rate hiking cycle.

Subdued domestic demand growth was evident across most of the economy: household consumption and government spending slowed as sluggish employment growth, rising inflation, a 50 bps interest rate hike and a weaker rand exchange rate weighed on consumer and business confidence.

While some of these headwinds also affected the rest of the sub-Saharan region, most economies continued to expand at a brisk pace. Domestic demand – fuelled by credit growth and investment in infrastructure development – remained the major catalyst.

OVERVIEW OF RESULTS

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

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

FNB benefited from:

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

RMB benefited from:

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

WesBank benefited from:

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

Sources of normalised earnings

	Year ended 30 June				
R million	**2014**	**% composition**	**2013**	**% composition**	**% change**
FNB	**9 462**	**51**	7 998	52	18
RMB	**5 342**	**29**	4 383*	28	22
WesBank	**2 830**	**15**	2 774	18	2
FCC (including Group Treasury) and other**,#	**1 317**	**7**	562	4	>100
NCNR preference dividend	**(288)**	**(2)**	(297)	(2)	(3)
Normalised earnings	**18 663**	**100**	15 420	100	21

* *Includes R155 million of IT enablement impairments relating to financial years prior to and including June 2012.*
** *The significant year-on-year improvement is primarily due to the unwind of certain accounting anomalies recorded by Group Treasury during the financial year ended 30 June 2013, e.g. mark-to-market losses on economic hedges partially unwinding or not recurring during the year ended 30 June 2014. Refer to margin analysis on page 35 for additional information.*
# *Includes FirstRand Limited (company).*

The Group's income statement benefited from an increase of 19% in net interest income (NII), driven by ongoing gains in new business, repricing in certain asset classes and lower overall NPLs. There was also a marginal endowment benefit resulting from the 50 bps increase in interest rates in January 2014. Group Treasury's strategies to hedge capital, investment risk and liquidity risk further positively impacted NII.

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

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

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

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

Whilst overall bad debts continued to trend down, NPLs showed a mixed picture. Residential mortgages, FNB commercial, FNB personal loans and RMB's investment banking division saw NPLs reduced whilst NPLs in FNB card, vehicle and asset finance (VAF) and WesBank personal loans increased. Strong book growth resulted in an increase in NPLs in FNB's business segment and the FNB Africa portfolio.

Portfolio overlays at a franchise level increased 40% year-on-year. This reflects the Group's view that the negative retail credit cycle will continue to emerge, already reflected in the higher levels of arrears being experienced in the VAF, WesBank personal loans and card books. In addition, portfolio overlays increased on the back of deteriorating macroeconomic indicators, resulting in the creation of an additional R450 million of central portfolio overlays. The total performing book coverage ratio increased from 97 bps to 106 bps.

The overall credit picture remains in line with expectations and all of the Group's portfolios are tracking as anticipated, reflecting decisions taken as early as 2011 to exit origination in high-risk segments, particularly in personal loans.

The Group's balance sheet continued to show good growth in advances year-on-year, particularly from FNB's card and commercial books and certain of the rest of Africa subsidiaries. RMB's core advances book also posted strong growth, particularly benefiting from activities in the rest of Africa and renewable energy drawdowns in South Africa. On a rolling six-month basis, growth in certain retail portfolios, such as personal loans and VAF, continued to moderate.

OVERVIEW OF OPERATING FRANCHISES

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

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

With regard to expansion into the rest of Africa, there are three pillars to its execution:

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

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

FNB

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

FNB financial highlights

R million	2014	2013	% change
	Year ended 30 June		
Normalised earnings	**9 462**	7 998	18
Normalised profit before tax	**13 995**	11 644	20
Total assets	**328 110**	297 035	10
Total liabilities	**314 126**	282 358	11
NPLs (%)	**3.14**	3.95	
Credit loss ratio* (%)	**0.85**	1.18	
ROE (%)	**37.4**	34.5	
ROA (%)	**3.12**	2.91	
Cost-to-income ratio (%)	**54.9**	54.7	
Advances margin (%)	**3.38**	3.21	

* *2013 figure includes special impairment relating to the merchant acquiring event of R215 million.*

Segment results

Normalised PBT R million	2014	2013	% change
	Year ended 30 June		
Retail	**7 942**	6 568	21
FNB Africa	**1 899**	1 570	21
Commercial	**4 154**	3 506	18
Total FNB	**13 995**	11 644	20

FNB produced an excellent performance for the year, increasing pre-tax profits 20%, driven by strong growth in both NII and NIR, and a decrease in bad debts, particularly in residential mortgages. This performance can continue to be attributed to FNB's primary strategy to grow and retain core transactional accounts through offering a compelling value proposition to the customer (innovative products and channels at an acceptable cost) supported by rewards programmes. This strategy resulted in ongoing growth in new customers within the targeted segments and increased cross-sell, particularly as customers migrate up FNB's value chain.

FNB's NII increased 15% driven by growth in both advances (+10%) and deposits (+17%). The lending businesses, residential mortgages in particular, performed extremely well with new business margin improving and bad debt levels continuing to decline. FNB's year-to-date bad debt charge dropped to 0.85% of advances, while preserving overall provisioning levels. Deposit margins benefited slightly from the interest rate increase during the year. Deposit and advances growth came from across all segments as indicated in the following table.

Segment analysis of advances and deposit growth

	Year ended 30 June 2014			
	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	**13**	**16.3**	**6**	**12.6**
FNB Africa	**21**	**8.5**	**23**	**7.5**
Commercial	**19**	**22.2**	**18**	**7.8**

In terms of advances, residential mortgages grew 5% in line with property prices. Card increased 13% on the back of new customer acquisition. Personal loans declined 3% year-on-year, reflecting adjustments in credit appetite in that segment, especially at the bottom end of the market.

FNB's overall NPLs decreased 12% due to ongoing proactive workout strategies (particularly in residential mortgages). The year-on-year decrease is mainly attributable to residential mortgages (-19%), commercial (-8%) and personal loans (-23%).

FNB's NIR increased 10% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic volumes up 15%. Customers continue to migrate to electronic channels with year-on-year ADT deposits increasing 17%, whilst branch-based deposits decreased 15%. The rollout of FNB's innovative customer proposition in the commercial and business segments resulted in strong NIR growth of 8% and 21%, respectively.

FNB's overall operating expenditure increased 13%, reflecting ongoing investment in its operating footprint, particularly in the rest of Africa (costs up 22%).

FNB's African subsidiaries performed well, growing pre-tax profits 21%. The Namibia, Swaziland, Lesotho and Mozambique businesses were able to generate significantly higher profits on the back of balance sheet growth, improved margins and increased transactional volumes. Zambia, Mozambique and Tanzania continued to invest in footprint and product rollout.

FNB produced an ROE of 37.4%, which remains well above hurdle rates, despite ongoing investment in platforms and new territories.

RMB

RMB represents the Group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business continues to benefit from its strategy to generate more income from client-driven activities, which is anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns.

This strategy, coupled with steady investment returns and a growing focus on originating asset management products, is delivering a high quality and sustainable earnings profile.

RMB financial highlights

R million	2014	2013	% change
	Year ended 30 June		
Normalised earnings	**5 342**	4 383*	22
Normalised profit before tax	**7 459**	6 150	21
Total assets	**390 208**	354 758	10
Total liabilities	**380 107**	346 133	10
ROE (%)	**27.1**	25.1	
ROA (%)	**1.46**	1.30	
Credit loss ratio (%)	**0.21**	0.55	
Cost-to-income ratio (%)	**43.5**	42.4	

* *Includes R155 million of IT enablement impairments relating to financial years prior to and including June 2012.*

Divisional performance

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

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

RMB corporate and investment banking produced strong results for the year. Pre-tax profits increased 21% to R7.5 billion and the ROE improved to 27.1%. This performance was achieved against a very challenging backdrop for investment banking and can be attributed to the strength of the domestic franchise combined with growing momentum from the African expansion strategy.

During the year, RMB continued to focus on building scale in the corporate banking franchise, generating growth from the rest of Africa, strengthening the balance sheet and consolidating market share in the more established business lines.

The investment banking division (IBD) delivered strong results, increasing pre-tax profits 22% to R4 083 million. This performance was supported by good balance sheet growth, with advances up 27% for the year under review and the core loan book's risk profile remains robust. IBD also benefited from strong growth in bespoke investment grade lending on the back of client balance sheet restructures. In addition, there was a significant increase in knowledge-based fee income, as the franchise continued to benefit from its market leadership position.

The global markets division delivered a solid performance for the year across all business lines. This was achieved in spite of challenging volatile market conditions, a subdued macroeconomic environment and increased competitive pressures. Good growth was reported from activities in the rest of Africa whilst the domestic performance was in line with the prior year, resulting in profit growth of 13% to R1 991 million.

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

Corporate banking had a solid year, with total revenue increasing due to gains in interest turn on both advances and deposits on the back of strong growth, especially in liabilities. Deriving further value from the transactional banking platform remains a priority.

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

WesBank

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

WesBank financial highlights

R million	2014	2013	% change
	Year ended 30 June		
Normalised earnings	**2 830**	2 774	2
Normalised profit before tax	**4 060**	3 983	2
Total assets	**170 194**	145 179	17
Total liabilities	**166 137**	140 814	18
NPLs (%)	**2.86**	2.76	
Credit loss ratio (%)	**1.35**	1.26	
ROE (%)	**26.6**	31.5	
ROA (%)	**1.89**	2.20	
Cost-to-income ratio (%)	**43.3**	41.2	
Net interest margin (%)	**5.05**	5.30	

WesBank's performance remained resilient despite its sensitivity to the motor retail market and the credit cycle. Notwithstanding higher credit and operating costs, new business volumes continued and pre-tax profits grew 2% to R4.1 billion. WesBank delivered an ROE of 26.6% and an ROA of 1.89%.

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

Breakdown of profit contribution by activity*

Normalised PBT R million	2014	2013	% change
	Year ended 30 June		
VAF			
– Local retail	**1 706**	1 889	(10)
– International (MotoNovo)	**651**	444	47
– Corporate and commercial	**550**	528	4
Personal loans	**1 153**	1 122	3
Total WesBank	**4 060**	3 983	2

* *Refer to additional segmental disclosure on page 62.*

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

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

Interest margins remained resilient despite increased competition across all portfolios with origination well within agreed risk thresholds. As corporate grows faster relative to local retail VAF, the average margin is expected to contract.

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

NPLs are 22% up year-on-year with local retail VAF increasing 39%. However, this is inflated by an increasing proportion of restructured debt review accounts, most of which are still paying according to arrangement. This conservative treatment is in line with Group practice. 33% of NPLs are currently under debt review (compared to 23% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when they went into debt review.

Credit origination remains well within agreed risk appetite and vintage performance is very closely monitored. Systematic scorecard adjustments have been effected where early warning signs of underlying stress have been evident, and/or where warranted by changes in the macro environment.

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

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

Ashburton Investments

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

The focus in the year under review was to continue to build the required platforms, systems and skills to support growth going forward. To this end, Ashburton Investments switched on the Linked Investment Service Provider (LISP) platform to the Group's internal channels, which has resulted in customer migration from simple banking products to investment solutions. Relationships are also being developed with independent financial advisors and institutional clients such as pension funds.

Ashburton Investments also undertook a full overview of its investment processes to deal with the underperformance of its international traditional offering and the changes implemented have already started to show benefits. Its single manager offering in South Africa has continued to perform in the top quartile.

During the year under review, the business achieved significant traction on its core strategy in that 41% of its assets under management are now composed of non-traditional assets such as inflation-linked bonds, private equity, unlisted corporate credit and longer dated loans. Ashburton Investments' unique positioning within FirstRand has allowed it to channel non-traditional assets, originated within the Group, to investors who have not previously been in a position to access such investments.

Since the launch in June 2013, assets under management have grown 14% to R115 billion and profitability is tracking in line with expectations given the current level of investment in people and platforms.

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

Segment analysis of normalised earnings

	Year ended 30 June				
R million	**2014**	**% contribution**	**2013***	**% contribution**	**% change**
Retail	**8 905**	**48**	7 868	51	13
FNB	**6 471**		5 474		
WesBank	**2 434**		2 394		
Commercial banking	**3 387**	**18**	2 904	19	17
FNB	**2 991**		2 524		
WesBank	**396**		380		
Corporate and investment banking	**5 342**	**29**	4 383	28	22
RMB	**5 342**		4 383		
Other	**1 029**	**5**	265	2	>100
FirstRand and dividends paid on NCNR preference shares	**264**		55		
FCC (including Group Treasury) and consolidation adjustments	**765**		210		
Normalised earnings	**18 663**	**100**	15 420	100	21

* *Refer to restatement of prior year numbers on pages 121 to 126.*

STRATEGIES TO ENSURE SUSTAINABILITY OF GROWTH AND RETURNS

FirstRand's franchises have consistently executed on a set of operational strategies which are aligned to certain Group financial strategies and frameworks which are designed to ensure earnings resilience and growth, balance sheet strength and an appropriate return profile.

Ultimately the Group seeks to create long-term sustainable franchise value and believes it is currently delivering this through the operating franchises, all of which have strong market positioning, unique customer value propositions, efficient platforms, a relentless focus on innovation and a proven entrepreneurial culture.

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

Risk management framework

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

Performance management framework

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

Balance sheet framework

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

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

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

The financial strategies are also focused on ensuring that the Group extracts the maximum quality of earnings from its operations. The improved quality of the Group's earnings is manifested in the upward shift over the past five years in the Group's ROA, particularly as RMB has adapted its business model to focus on client-centric activities and FNB has built a market leading transactional and deposit franchise. Further proof lies in the fact that 93% of revenues are derived from client activities. The Group's commitment to pricing appropriately for risk has also had a meaningful impact on the quality of earnings generated from its lending businesses.

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

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

The Group has maintained its very strong capital position.

Current targeted ranges and actual ratios are summarised below.

Capital ratios and targets

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

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

The Group's internal target levels have been revised in order to meet the 2019 end-state regulatory minimum requirements including the capital conservation buffer, and also after considering various stakeholder constraints.

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

Currently the Group believes that the relative contribution from each franchise is appropriate, given the cycle, however, there are still segments where the Group is under-represented, such as corporate transactional banking, insurance and investment management, and there are strategies in place to address these gaps.

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

The Group remains comfortable that its approach to growing outside of South Africa is appropriate, given its stated intention to protect its return profile. There has been material success in the deployment of the balance sheet in the rest of Africa, by both RMB and FNB. In addition, the established subsidiaries continue to generate good growth in earnings and strong ROEs whilst the newer subsidiaries are also gaining momentum in terms of customer acquisition, product and platform rollout (particularly digital) and deposit gathering.

Dividend strategy

When assessing the appropriate level of payout to shareholders, the Group considers the following:

- To ensure it meets its long-term ROE target of 18% – 22%, FirstRand assesses the robustness of the ongoing capital generation of its business. The Group remains of the view that its ROE is at a cyclical high and, therefore, the dividend cover needs to be sustainable on a risk view as well as a core view.
- The anticipated growth in risk weighted assets (RWA) given the operating environment and the overall growth plans of the operating franchises.

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

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

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

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

- actual performance
- forward macros
- demand for capital; and
- potential changes in regulation.

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

PROSPECTS

South Africa is currently in an interest rate hiking cycle which will place further pressure on the South African consumer. The Group believes that its strategy to grow customers, drive NIR and exercise discipline in its credit origination strategies in the retail market places it in a strong position to weather the difficult credit cycle as it continues to emerge over the next 12 to 18 months.

Economic headwinds are increasing and growth in the system continues to slow. The Group believes its franchises have the appropriate strategies in place to deliver good operational performances. The strength of its balance sheet and the resilience of its diverse income streams should allow FirstRand to deliver sustainable and superior returns to shareholders.

BASIS OF PRESENTATION

The summarised consolidated financial statements are considered preliminary based on the JSE Listing Requirements and are summarised from a complete set of the Group annual financial statements.

FirstRand prepares its summarised consolidated financial results in accordance with:

- IFRS, including *IAS 34 Interim Financial Reporting*;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- JSE Listing Requirements for provisional reports; and
- the requirements by the Companies Act 71 of 2008 applicable to summary financial statements.

The accounting policies applied in the preparation of the consolidated financial statements from which the summarised financial statements were derived, are in terms of IFRS. The Group applied a number of new or revised IFRS standards for the first time this year. Comparatives have been restated. Details of changes in accounting policies and the impact of these on the comparatives can be found on pages 121 to 126.

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

This *Analysis of financial results* booklet itself is not audited but is extracted from audited information. The independent auditors' report does not necessarily encompass all the information contained in this booklet. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the auditors' report together with the accompanying financial statements. The summarised consolidated financial statements for the year ended 30 June 2014 have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited. The forward looking information has not been commented or reported on by the Group's external auditors.

FirstRand's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

The auditors also expressed an unmodified opinion dated 8 September 2014 on the annual financial statements from which these summarised consolidated financial statements were derived. A copy of the auditors' report on the summarised consolidated financial statements and of the auditors' report on the annual consolidated financial statements are available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the respective auditors' reports.

EVENTS AFTER THE REPORTING PERIOD

The directors are not aware of any material events, as defined in *IAS 10 Events After the Reporting Period*, occurring between 30 June 2014 and the date of authorisation of the results announcement.

BOARD CHANGES

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

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

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

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

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

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

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors have declared a gross cash dividend totalling 174 cents per ordinary share out of income reserves for the year ended 30 June 2014.

Ordinary dividends

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

The salient dates for the final dividend are as follows:

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

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

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

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

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

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

B preference shares

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

Dividends declared and paid

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

LL Dippenaar
Chairman

SE Nxasana
CEO

C Low
Company secretary

8 September 2014

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

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

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

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

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

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

From an IFRS perspective the following expenses are recognised:

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

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

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

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

ECONOMIC INTEREST RATE HEDGES

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

FAIR VALUE ANNUITY INCOME – LENDING

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

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

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

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments that are required by *Circular 2/2013 Headline Earnings* in calculating headline earnings are included in normalised results on a line-by-line basis based on the nature of the adjustment.

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

SUMMARISED CONSOLIDATED INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Net interest income before impairment of advances	**29 878**	24 769	21
Impairment of advances	**(5 252)**	(4 807)	9
Net interest income after impairment of advances	**24 626**	19 962	23
Non-interest revenue	**36 150**	30 734	18
Income from operations	**60 776**	50 696	20
Operating expenses	**(35 448)**	(30 804)	15
Net income from operations	**25 328**	19 892	27
Share of profit of associates after tax	**670**	523	28
Share of profit of joint ventures after tax	**257**	301	(15)
Income before tax	**26 255**	20 716	27
Indirect tax	**(878)**	(645)	36
Profit before tax	**25 377**	20 071	26
Income tax expense	**(5 591)**	(4 117)	36
Profit for the year	**19 786**	15 954	24
Attributable to:			
Ordinary equityholders	**18 440**	14 785	25
NCNR preference shareholders	**288**	297	(3)
Equityholders of the Group	**18 728**	15 082	24
Non-controlling interests	**1 058**	872	21
Profit for the year	**19 786**	15 954	24
Earnings per share (cents)			
– Basic	**336.2**	269.7	25
– Diluted	**332.7**	266.4	25
Headline earnings per share (cents)			
– Basic	**340.4**	279.6	22
– Diluted	**336.8**	276.2	22

* *Refer to restatement of prior year numbers on pages 121 to 126.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Profit for the year	**19 786**	15 954	24
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**363**	853	(57)
(Losses)/gains arising during the year	**(109)**	417	(>100)
Reclassification adjustments for amounts included in profit or loss	**613**	768	(20)
Deferred income tax	**(141)**	(332)	(58)
Available-for-sale financial assets	**(82)**	(104)	(21)
Losses arising during the year	**(82)**	(117)	(30)
Reclassification adjustments for amounts included in profit or loss	**(69)**	(33)	>100
Deferred income tax	**69**	46	50
Exchange differences on translating foreign operations	**346**	998	(65)
Gains arising during the year	**346**	998	(65)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**131**	129	2
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**(82)**	22	(>100)
(Losses)/gains arising during the year	**(157)**	30	(>100)
Deferred income tax	**75**	(8)	(>100)
Other comprehensive income for the year	**676**	1 898	(64)
Total comprehensive income for the year	**20 462**	17 852	15
Attributable to:			
Ordinary equityholders	**19 086**	16 625	15
NCNR preference shareholders	**288**	297	(3)
Equityholders of the Group	**19 374**	16 922	14
Non-controlling interests	**1 088**	930	17
Total comprehensive income for the year	**20 462**	17 852	15

* *Refer to restatement of prior year numbers on pages 121 to 126.*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June

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

* *Refer to restatement of prior year numbers on pages 121 to 126.*

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS (AUDITED)

for the year ended 30 June

R million	2014	2013
Cash generated from operating activities	**24 422**	24 298
Net cash utilised from operations	**(5 833)**	(4 241)
Taxation paid	**(6 711)**	(5 642)
Net cash generated from operating activities	**11 878**	14 415
Net cash outflow from investing activities	**(4 190)**	(3 803)
Net cash outflow from financing activities	**4 343**	325
Net increase in cash and cash equivalents	**12 031**	10 937
Cash and cash equivalents at the beginning of the year	**48 565**	37 317
Cash and cash equivalents acquired*	**–**	2
Cash and cash equivalents disposed of*	**(11)**	–
Effect of exchange rate changes on cash and cash equivalents	**179**	309
Transfer to non-current assets held for sale	**(8)**	–
Cash and cash equivalents at the end of the year	**60 756**	48 565
Mandatory reserve balances included above**	**17 322**	16 160

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

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

FLOW OF FUNDS ANALYSIS

	June 2014 vs June 2013	June 2013 vs June 2012
R million	**12-month movement**	**12-month movement**
Sources of funds		
Capital account movement (including profit and reserves)	**9 182**	9 641
Working capital movement	**3 590**	1 227
Derivatives positions	**4 341**	(2 670)
Investments	**(4 475)**	(2 796)
Deposits and long-term liabilities	**75 066**	90 966
Advances	**(84 861)**	(73 786)
Total	**2 843**	22 582
Application of funds		
Cash and cash equivalents	**(12 191)**	(11 248)
Investment securities and other investments	**9 348**	(11 334)

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS (AUDITED)

for the year ended 30 June

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

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

detailed financial analysis

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 28 to 33.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

for the year ended 30 June

R million	2014	2013*	% change
Earnings performance			
Normalised earnings contribution by franchise	**18 663**	15 420	21
FNB	**9 462**	7 998	18
RMB	**5 342**	4 383	22
WesBank	**2 830**	2 774	2
FCC (including Group Treasury)	**765**	210	>100
FirstRand Limited (company)	**552**	352	57
NCNR preference dividend	**(288)**	(297)	(3)
Attributable earnings – IFRS (refer page 16)	**18 440**	14 785	25
Headline earnings	**18 671**	15 327	22
Normalised earnings	**18 663**	15 420	21
Normalised net asset value	**81 590**	72 696	12
Normalised net asset value per share (cents)	**1 447.2**	1 289.4	12
Tangible normalised net asset value	**80 543**	71 527	13
Tangible normalised net asset value per share (cents)	**1 428.6**	1 268.7	13
Average normalised net asset value	**77 143**	68 019	13
Market capitalisation	**229 746**	163 106	41
Normalised earnings per share (cents)			
– Basic	**331.0**	273.5	21
– Diluted	**331.0**	273.5	21
Earnings per share (cents)			
– Basic	**336.2**	269.7	25
– Diluted	**332.7**	266.4	25
Headline earnings per share (cents)			
– Basic	**340.4**	279.6	22
– Diluted	**336.8**	276.2	22
Ordinary dividend per share (cents)	**174.0**	136.0	28
NCNR B preference dividend** paid (cents per share)	**640.6**	653.4	(2)
Capital adequacy – FirstRand#			
Capital adequacy ratio (%)	**16.7**	16.3	
Tier 1 ratio (%)	**14.8**	14.8	
CET1 ratio (%)	**13.9**	13.8	
Balance sheet			
Normalised total assets	**946 609**	866 807	9
Loans and advances (net of credit impairment)	**685 926**	601 065	14
Ratios and key statistics			
ROE (%)	**24.2**	22.7	
Return on assets (%)	**2.06**	1.89	
Price earnings ratio (times)	**12.3**	10.6	
Price-to-book ratio (times)	**2.8**	2.2	
Dividend cover (times)	**1.9**	2.0	
Average loan-to-deposit ratio (%)	**89.6**	88.4	
Diversity ratio (%)	**48.8**	49.8	
Credit impairment charge	**5 519**	5 700	(3)
NPLs as % of advances	**2.33**	2.81	
Credit loss ratio (%)	**0.84**	0.99	
Credit loss ratio (%) excluding impact of merchant acquiring event	**0.84**	0.95	
Specific coverage ratio	**40.8**	40.1	
Total impairment coverage ratio (%)	**85.4**	73.6	
Performing book coverage ratio (%)	**1.06**	0.97	
Cost-to-income ratio (%)	**51.1**	51.5	
Effective tax rate (%)	**21.4**	20.2	
Number of employees	**38 989**	37 231	5

* *Refer to restatement of prior year numbers on pages 121 to 126.*
** *75.56% of FNB prime lending rate.*
# *Comparatives have not been restated for IFRS changes.*

SUMMARISED CONSOLIDATED INCOME STATEMENT – NORMALISED (AUDITED)
for the year ended 30 June

R million	2014	2013*	% change
Net interest income before impairment of advances	**33 362**	28 100	19
Impairment of advances	**(5 519)**	(5 700)	(3)
Net interest income after impairment of advances	**27 843**	22 400	24
Non-interest revenue**	**30 692**	27 018	14
Income from operations	**58 535**	49 418	18
Operating expenses**	**(33 276)**	(28 817)	15
Net income from operations	**25 259**	20 601	23
Share of profit of associates after tax	**809**	502	61
Share of profit of joint ventures after tax	**256**	301	(15)
Income before tax	**26 324**	21 404	23
Indirect tax	**(878)**	(645)	36
Profit before tax	**25 446**	20 759	23
Income tax expense	**(5 448)**	(4 190)	30
Profit for the year	**19 998**	16 569	21
Non-controlling interests	**(1 047)**	(852)	23
NCNR preference shareholders	**(288)**	(297)	(3)
Normalised earnings attributable to ordinary equityholders of the Group	**18 663**	15 420	21

* *Refer to restatement of prior year numbers on pages 121 to 126.*
** *The 2013 normalised results have been restated for the presentation of the portion of staff costs relating to the remeasurement of the share-based payment liability as a result of changes in the share price. These were previously included in operating expenses and are now included in NIR.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED (AUDITED)

for the year ended 30 June

R million	2014	2013*	% change
Profit for the year	**19 998**	16 569	21
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**363**	853	(57)
(Losses)/gains arising during the year	**(109)**	417	(>100)
Reclassification adjustments for amounts included in profit or loss	**613**	768	(20)
Deferred income tax	**(141)**	(332)	(58)
Available-for-sale financial assets	**(186)**	(209)	(11)
Losses arising during the year	**(186)**	(222)	(16)
Reclassification adjustments for amounts included in profit or loss	**(69)**	(33)	>100
Deferred income tax	**69**	46	50
Exchange differences on translating foreign operations	**346**	998	(65)
Gains arising during the year	**346**	998	(65)
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**131**	129	2
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**22**	132	(83)
(Losses)/gains arising during the year	**(12)**	183	(>100)
Deferred income tax	**34**	(51)	(>100)
Other comprehensive income for the year	**676**	1 903	(64)
Total comprehensive income for the year	**20 674**	18 472	12
Attributable to:			
Ordinary equityholders	**19 309**	17 265	12
NCNR preference shareholders	**288**	297	(3)
Equityholders of the Group	**19 597**	17 562	12
Non-controlling interests	**1 077**	910	18
Total comprehensive income for the year	**20 674**	18 472	12

* *Refer to restatement of prior year numbers on pages 121 to 26.*

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED (AUDITED)

as at 30 June

R million	2014	2013*	2012*
ASSETS			
Cash and cash equivalents	**60 756**	48 565	37 317
Derivative financial instruments	**39 038**	52 277	52 711
Commodities	**7 904**	6 016	5 108
Accounts receivable	**8 141**	7 752	6 173
Current tax asset	**83**	218	327
Advances	**685 926**	601 065	527 279
Investment securities and other investments	**118 495**	127 843	116 509
Loans to share trusts	**1 759**	1 727	1 866
Investments in associates	**5 847**	4 486	4 016
Investments in joint ventures	**1 198**	903	737
Property and equipment	**14 495**	13 453	11 228
Intangible assets	**1 047**	1 169	1 743
Reinsurance assets	**408**	394	898
Post-employment benefit asset	**5**	–	–
Investment properties	**419**	459	215
Deferred income tax asset	**862**	460	343
Non-current assets and disposal groups held for sale	**226**	20	599
Total assets	**946 609**	866 807	767 069
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**5 442**	2 991	5 343
Derivative financial instruments	**41 659**	53 008	53 760
Creditors and accruals	**13 437**	11 079	8 997
Current tax liability	**367**	510	331
Deposits	**768 234**	697 035	606 299
Provisions	**797**	600	592
Employee liabilities	**7 441**	5 857	4 983
Other liabilities	**6 586**	6 101	5 794
Policyholder liabilities under insurance contracts	**540**	646	1 089
Deferred income tax liability	**796**	753	1 412
Tier 2 liabilities	**11 983**	8 116	7 886
Liabilities directly associated with disposal groups held for sale	**34**	–	113
Total liabilities	**857 316**	786 696	696 599
Equity			
Ordinary shares	**56**	56	56
Share premium	**7 083**	7 083	7 083
Reserves	**74 451**	65 557	56 203
Capital and reserves attributable to ordinary equityholders	**81 590**	72 696	63 342
NCNR preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the Group	**86 109**	77 215	67 861
Non-controlling interests	**3 184**	2 896	2 609
Total equity	**89 293**	80 111	70 470
Total equity and liabilities	**946 609**	866 807	767 069

* *Refer to restatement of prior year numbers on pages 121 to 126.*

RECONCILIATION OF NORMALISED TO IFRS CONSOLIDATED INCOME STATEMENT (AUDITED)

for the year ended 30 June 2014

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

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

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

RECONCILIATION OF NORMALISED TO IFRS CONSOLIDATED INCOME STATEMENT (AUDITED)

for the year ended 30 June 2013

R million	Normalised	IFRS 2 Share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	28 100	–	–	(131)	(403)
Impairment of advances	(5 700)	–	–	–	–
Net interest income after impairment of advances	22 400	–	–	(131)	(403)
Non-interest revenue	27 018	–	1 124	45	403
Income from operations	49 418	–	1 124	(86)	–
Operating expenses	(28 817)	(43)	(1 124)	(2)	–
Net income from operations	20 601	(43)	–	(88)	–
Share of profit of associates after tax	502	–	–	7	–
Share of profit of joint ventures after tax	301	–	–	–	–
Income before tax	21 404	(43)	–	(81)	–
Indirect tax	(645)	–	–	–	–
Profit before tax	20 759	(43)	–	(81)	–
Income tax expense	(4 190)	–	–	48	
Profit for the year	16 569	(43)	–	(33)	–
Attributable to:					
Non-controlling interests	(852)	–	–	–	–
NCNR preference shareholders	(297)	–	–	–	–
Ordinary equityholders of the Group	15 420	(43)	–	(33)	–
Headline and normalised earnings adjustments	–	43	–	33	–
Normalised earnings	15 420	–	–	–	–

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

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

Fair value annuity income (lending)	IAS 19 adjustments	Private equity subsidiary realisations	Impairment of goodwill and other assets	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment**	IFRS
(2 797)	–	–	–	–	–	24 769
893	–	–	–	–	–	(4 807)
(1 904)	–	–	–	–	–	19 962
1 904	–	(42)	–	153	129	30 734
–	–	(42)	–	153	129	50 696
–	153	–	(672)	(52)	(247)	(30 804)
–	153	(42)	(672)	101	(118)	19 892
–	–	–	–	14	–	523
–	–	–	–	–	–	301
–	153	(42)	(672)	115	(118)	20 716
–	–	–	–	–	–	(645)
–	153	(42)	(672)	115	(118)	20 071
–	(43)	–	69	(34)	33	(4 117)
–	110	(42)	(603)	81	(85)	15 954
–	–	–	–	(20)	–	(872)
–	–	–	–	–	–	(297)
–	110	(42)	(603)	61	(85)	14 785
–	(110)	42	603	(61)	85	635
–	–	–	–	–	–	15 420

RECONCILIATION OF NORMALISED TO IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AUDITED)

as at 30 June 2014

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

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

RECONCILIATION OF NORMALISED TO IFRS CONSOLIDATED STATEMENT OF FINANCIAL POSITION (AUDITED)

as at 30 June 2013

R million	Normalised	Treasury shares*	IFRS
ASSETS			
Cash and cash equivalents	48 565	–	48 565
Derivative financial instruments	52 277	–	52 277
Commodities	6 016	–	6 016
Accounts receivable	7 752	52	7 804
Current tax asset	218	48	266
Advances	601 065	–	601 065
Investment securities and other investments	127 843	545	128 388
Loans to share trusts	1 727	(1 727)	–
Investments in associates	4 486	–	4 486
Investments in joint ventures	903	7	910
Property and equipment	13 453	–	13 453
Intangible assets	1 169	–	1 169
Reinsurance assets	394	–	394
Post-employment benefit asset	–	–	–
Investment properties	459	–	459
Deferred income tax asset	460	–	460
Non-current assets and disposal groups held for sale	20	–	20
Total assets	866 807	(1 075)	865 732
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	2 991	–	2 991
Derivative financial instruments	53 008	–	53 008
Creditors and accruals	11 079	–	11 079
Current tax liability	510	3	513
Deposits	697 035	–	697 035
Provisions	600	–	600
Employee liabilities	5 857	–	5 857
Other liabilities	6 101	–	6 101
Policyholder liabilities under insurance contracts	646	–	646
Deferred income tax liability	753	–	753
Tier 2 liabilities	8 116	–	8 116
Liabilities directly associated with disposal groups held for sale	–	–	–
Total liabilities	786 696	3	786 699
Equity			
Ordinary shares	56	(1)	55
Share premium	7 083	(1 474)	5 609
Reserves	65 557	397	65 954
Capital and reserves attributable to ordinary equityholders	72 696	(1 078)	71 618
NCNR preference shares	4 519	–	4 519
Capital and reserves attributable to equityholders of the Group	77 215	(1 078)	76 137
Non-controlling interests	2 896	–	2 896
Total equity	80 111	(1 078)	79 033
Total equity and liabilities	866 807	(1 075)	865 732

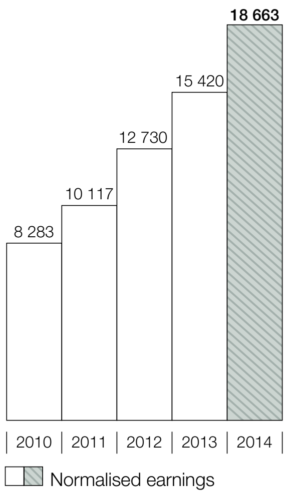
* *Includes FirstRand shares held for client trading activities.*

OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

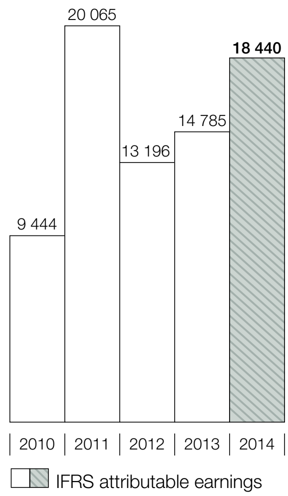
Normalised earnings (R million)

CAGR 23%



IFRS attributable earnings (R million)

CAGR 18%

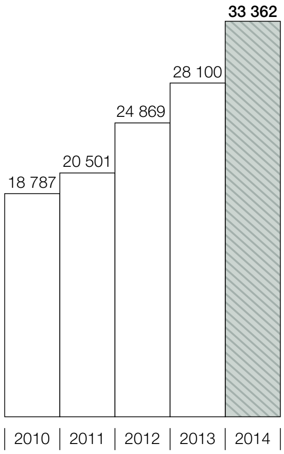


Note: Figures from 2010 to 2012 presented on a continuing normalised basis.
2013 and 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 19%

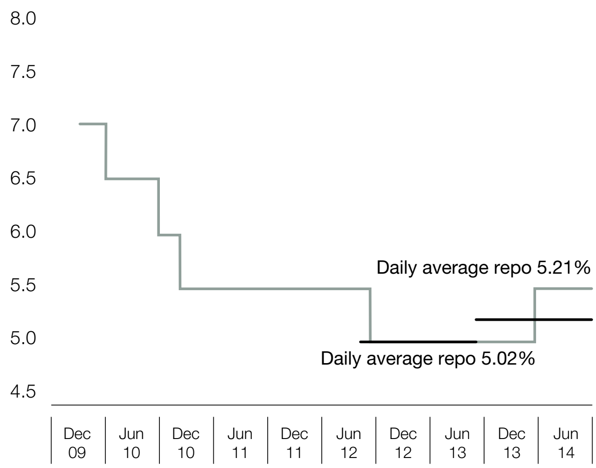
Net interest income (R million)

CAGR 15%



Note: Figures from 2010 to 2012 presented on a continuing normalised basis. 2013 and 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Repo rate (%)



Note: R120 billion = average endowment book for the year. Rates were higher by 19 bps on average in the current year, which translates into a positive endowment impact of approximately R228 million for the year.

Margin cascade table

Percentage of average interest-earning banking assets	%
June 2013 normalised margin	**4.97**
Capital and deposit endowment	**0.04**
Advances	**–**
– Change in balance sheet mix	**(0.01)**
– Asset pricing	**0.01**
Liabilities	**0.02**
– Change in balance sheet mix (deposits)	**–**
– Change in balance sheet mix (capital)	**0.02**
– Term funding cost	**0.01**
– Deposit pricing	**(0.01)**
Group Treasury and other movements:	**0.08**
– Foreign currency liquidity buffer carry cost	**0.02**
– Accounting mismatches and interest rate risk hedges	**0.06**
June 2014 normalised margin	**5.11**

Segmental analysis of net interest income before impairment of advances

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
FNB	**17 917**	15 536	15
Retail	**10 152**	8 899	14
– Residential mortgages	**3 033**	2 477	22
– Card	**1 382**	1 215	14
– Personal loans	**2 069**	2 194	(6)
– Other	**3 668**	3 013	22
Commercial	**4 900**	4 262	15
FNB Africa	**2 865**	2 375	21
RMB	**4 580**	3 897	18
Investment banking	**3 868**	3 290	18
Corporate banking	**712**	607	17
WesBank	**7 775**	6 853	13
FCC (including Group Treasury)	**3 024**	1 817	66
Net interest income – banking activities	**33 296**	28 103	18
Other*	**66**	(3)	(>100)
Net interest income	**33 362**	28 100	19

* *Includes FirstRand company and consolidation adjustments.*

Key drivers

- Strong advances growth and ongoing asset repricing benefits in certain asset classes, such as residential mortgages, overdrafts, commercial and RMB corporate banking.
- Continued reduction in overall NPLs, primarily driven by residential mortgages, wealth and commercial resulting in lower interest in suspense (ISP), although this benefit was tempered by increasing levels of NPLs in VAF and WesBank loans.
- Higher capital levels.
- Marginal endowment benefit resulting from the 50 bps increase in interest rates in January 2014.
- Non-repeat of hedging costs of R215 million associated with the capital investment in RMB Nigeria in 2013.
- Unwind of the majority of the mark-to-market losses of R304 million on fair value term funding instruments relating to the narrowing of term funding spreads in the prior year, as these instruments pull to par.
- Reduced dollar funding carry costs associated with dollar excess liquidity compared to the prior year.
- Deposit margins remained flat, although marginally negatively affected by some competitive pricing pressures.

Average balance sheet

		As at 30 June					
		2014			2013		
R million	**Notes**	**Average balance**	**Interest income/ (expense)**	**Average rate %**	**Average balance**	**Interest income/ (expense)**	**Average rate %**
INTEREST-EARNING ASSETS							
Average prime rate				**8.71**			8.52
Balances with central banks		**17 723**	**–**	**–**	15 368	–	–
Cash and cash equivalents		**18 527**	**822**	**4.44**	16 606	558	3.36
Liquid assets portfolio		**50 081**	**3 938**	**7.86**	45 475	3 415	7.51
Loans and advances to customers	1	**566 363**	**53 144**	**9.38**	487 947	45 335	9.29
Interest-earning assets		**652 694**	**57 904**	**8.87**	565 396	49 308	8.72
INTEREST-BEARING LIABILITIES							
Average JIBAR				**5.33**			5.18
Deposits due to customers	2	**(393 206)**	**(13 665)**	**3.48**	(346 051)	(11 293)	3.26
Group Treasury funding		**(221 748)**	**(11 837)**	**5.34**	(206 759)	(10 738)	5.19
Interest-bearing liabilities		**(614 954)**	**(25 502)**	**4.15**	(552 810)	(22 031)	3.99
ENDOWMENT AND TRADING BOOK							
Other assets*		**167 520**	**960**	**0.57**	184 148	823	0.45
Other liabilities**		**(122 778)**	**–**	**–**	(126 898)	–	–
NCNR preference shares		**(4 519)**	**–**	**–**	(4 519)	–	–
Equity		**(77 963)**	**–**	**–**	(65 317)	–	–
Endowment and trading book		**(37 740)**	**960**	**(2.54)**	(12 586)	823	(6.54)
Total interest-bearing liabilities, endowment and trading book		**(652 694)**	**(24 542)**	**3.76**	(565 396)	(21 208)	3.75
Net interest margin on average interest-earning assets		**652 694**	**33 362**	**5.11**	565 396	28 100	4.97

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

* *Includes preference share advances and trading assets.*

** *Includes trading liabilities.*

Note 1 – Margin analysis on loans and advances to customers

	Year ended 30 June			
	2014		2013	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**8.71**		8.52
Advances				
Retail – secured	**278 279**	**2.88**	249 936	2.71
Residential mortgages	**166 620**	**1.73**	159 579	1.46
VAF	**111 659**	**4.59**	90 357	4.92
Retail – unsecured	**41 409**	**13.08**	36 244	13.60
Card	**13 841**	**9.13**	12 192	9.08
Personal loans	**21 091**	**17.49**	19 373	17.99
– FNB loans	**12 696**	**15.49**	12 804	16.39
– WesBank loans	**8 395**	**20.51**	6 569	21.10
Overdrafts	**6 477**	**7.17**	4 679	7.18
Corporate and commercial	**211 173**	**2.56**	172 214	2.58
FNB commercial	**45 008**	**3.76**	38 930	3.73
– Mortgages	**12 490**	**2.58**	11 057	2.17
– Overdrafts	**18 911**	**4.93**	16 360	5.23
– Term loans	**13 607**	**3.21**	11 513	3.10
WesBank corporate	**34 116**	**2.77**	30 178	3.00
RMB investment banking	**129 403**	**2.09**	100 943	2.03
RMB corporate banking	**2 646**	**2.22**	2 163	2.05
FNB Africa	**35 502**	**5.23**	29 553	4.83
Total advances*	**566 363**	**3.65**	487 947	3.60

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

* *Excluded from loans and advances to customers are assets under agreements to resell and preference share advances.*

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

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

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

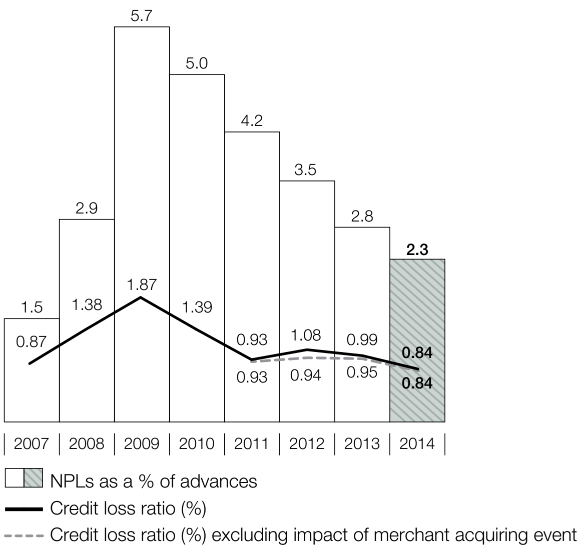
Note 2 – Margin analysis on deposits due to customers

	Year ended 30 June			
	2014		**2013**	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**8.71**		8.52
Deposits				
Retail	**119 277**	**2.57**	107 173	2.56
Current and savings	**41 146**	**4.91**	35 953	4.80
Call	**3 111**	**2.63**	3 083	2.64
Money market	**28 032**	**1.55**	27 242	1.69
Term	**46 988**	**1.12**	40 895	1.16
Commercial	**129 098**	**2.32**	114 421	2.33
Current and savings	**48 898**	**4.37**	42 748	4.34
Call	**31 301**	**1.26**	27 019	1.37
Money market	**18 138**	**1.84**	17 328	1.89
Term	**30 761**	**0.43**	27 326	0.39
Corporate and investment banking	**99 483**	**0.69**	87 198	0.74
Current and savings	**40 623**	**1.21**	32 883	1.45
Call	**30 559**	**0.38**	31 783	0.37
Term	**28 301**	**0.29**	22 532	0.24
FNB Africa	**45 348**	**2.03**	37 259	1.80
Total deposits	**393 206**	**1.95**	346 051	1.94

Average balances are daily averages for FNB and WesBank and monthly averages for RMB and non-South African operations.
Institutional funding is excluded from deposits due to customers.

CREDIT HIGHLIGHTS

NPLs and impairment history



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

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Total gross advances*,^	**699 826**	613 748	14
NPLs^	**16 281**	17 231	(6)
NPLs as a % of advances	**2.33**	2.81	
Impairment charge – total^	**5 519**	5 700	(3)
– Business as usual	**5 519**	5 470	1
– Special impairment**	**–**	230	(100)
Impairment charge as a % of average advances	**0.84**	0.99	
– Business as usual	**0.84**	0.95	
– Special impairment	**–**	0.04	
Total impairments*,^	**13 900**	12 683	10
– Portfolio impairments	**7 259**	5 776	26
– Specific impairments	**6 641**	6 907	(4)
Implied loss given default (coverage)#	**40.8**	40.1	
Total impairments coverage ratio†	**85.4**	73.6	
Performing book coverage ratio‡	**1.06**	0.97	

* *Includes cumulative credit fair value adjustments.*
** *This impairment relates to the discovery of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit during the year ended June 2012. This was classified as a boundary event. The amount shown in June 2013 is the final impairment charge for that 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.*
‡ *Portfolio impairments as a percentage of the performing book.*
^ *Audited.*

Credit impairments trended down 3% during the year.

Excluding the impact of the merchant acquiring event of R230 million in 2013, operational credit impairments increased 1%. Strong book growth resulted in an increase in NPLs in business banking and the FNB Africa portfolio, whilst the emergence of a worsening credit cycle resulted in higher NPLs in certain of the other retail portfolios.

The increased impairment coverage ratio reflects the change in NPL mix and higher portfolio impairments. Portfolio impairments were driven by increasing levels of arrears in VAF, WesBank loans and card (which remain in line with expectations) and strong book growth. In addition, portfolio overlays increased on the back of deteriorating macroeconomic indicators, resulting in the net creation of an additional R450 million of central portfolio overlays. The total performing book coverage ratio increased from 97 bps in the prior year to 106 bps.

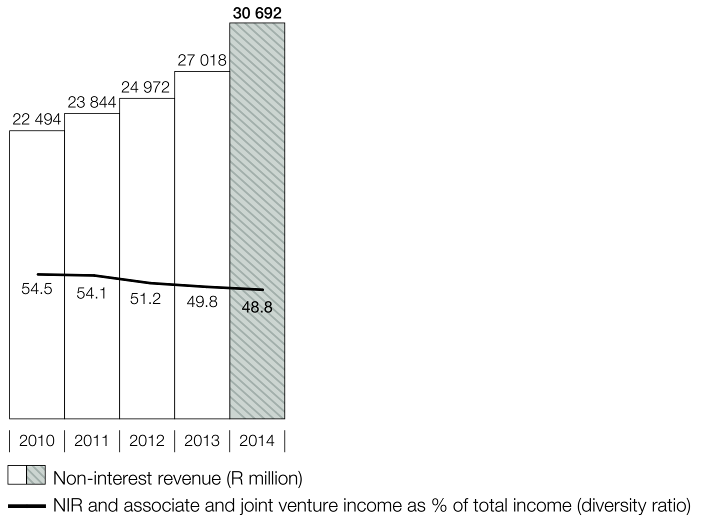
Key drivers

- The 19% reduction in residential mortgage NPLs reflecting stable new inflow levels on the back of disciplined origination strategies, continued high curing rates of defaulted accounts and the effectiveness of workout strategies.
- FNB commercial and RMB IBD NPLs reduced as a result of a combination of workout and debt restructuring opportunities.
- Increased NPLs in card, other retail, VAF and WesBank loans, impacted by a combination of strong book growth in the current and prior financial years and the worsening credit cycle.
- Post write-off recoveries in excess of R1.6 billion, primarily driven by card, personal loans and VAF.
- Increased NPLs in business banking, impacted by strong book growth and the worsening cycle.
- Higher NPL levels in FNB Africa, reflecting in part, strong book growth as well as cyclical pressures in certain of the subsidiaries.

NON-INTEREST REVENUE – UP 14%

Non-interest revenue and diversity ratio

NIR CAGR 8%



Note: Figures from 2010 to 2012 presented on a continuing normalised basis.
2013 and 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.
2013 and 2014 figures are presented net of staff costs relating to the remeasurement of the share-based payment liability as a result of changes in the share price.

NIR growth was underpinned by ongoing strategies to grow volumes and a robust performance from the investing activities. Fee and commission income represents 77% of total NIR.

Analysis of non-interest revenue

		Year ended 30 June		
R million	**Notes**	**2014**	**2013**	**% change**
Fee and commission income	1	**23 663**	21 707	9
Fair value income	2	**3 899**	3 049	28
Investment income	3	**1 184**	738	60
Other non-interest revenue		**1 946**	1 524	28
– Consolidated private equity income		**289**	285	1
– Other		**1 657**	1 239	34
Total non-interest revenue		**30 692**	27 018	14

Note 1 – Fee and commission income – up 9%

R million	Year ended 30 June 2014	2013	% change
Bank commissions and fee income	**20 698**	18 857	10
– Card commissions	**3 407**	2 887	18
– Cash deposit fees	**1 969**	1 854	6
– Commissions on bills, drafts and cheques	**1 658**	1 318	26
– Bank charges	**13 664**	12 798	7
Knowledge-based fees	**1 183**	1 121	6
Management and fiduciary fees	**1 238**	1 003	23
Insurance income	**2 688**	2 483	8
Other non-bank commissions	**1 236**	1 208	2
Gross fee and commission income	**27 043**	24 672	10
Fee and commission expenditure	**(3 380)**	(2 965)	14
Total fee and commission income	**23 663**	21 707	9

Key drivers

- FNB grew fee and commission income 9%, underpinned by a 12% increase in transaction volumes on the back of ongoing growth in core transactional accounts and an increase in product cross-sell.
- Total electronic volumes increased 15%:

	Year-on-year increase in transaction volumes %
Cellphone banking (excludes prepaid)	**30**
Internet banking	**17**
Debit card	**16**
Cheque card	**24**
Banking app	**>100**

- WesBank's NIR growth of 16% was driven by new business volume growth of 15% and a strong contribution from the full maintenance rental book.
- Resilient levels of knowledge-based fees at RMB, driven by:
  - structuring and origination fees on the back of robust balance sheet growth in the current year;
  - a solid performance from M&A advisory activities especially in the second half of the financial year, benefiting from certain key transactions and a strong rebound in equity capital markets activity; and
  - lower capital raising and underwriting fees due to a slowdown in both debt and equity capital market activity, impacted by lower business confidence levels.

Note 2 – Fair value income – up 28%

Key drivers

- The 15% growth in RMB's client execution revenues was mainly driven by the rest of Africa (up 40%), whilst South African revenue growth remained muted due to increased competition, compressed margins and lower volumes.
- RMB's revenues generated from the subsidiaries in the rest of Africa benefited from an 18% increase in client revenues in the currency product set, underpinned by solid performances from the established businesses, such as Botswana, as well as increasing momentum in the newer operations in Nigeria and Mozambique.
- The flow trading and residual risk business benefited from higher levels of client flow across various product classes, resulting in income increasing 19%.
- The commodities product set increased profits more than 100%.
- The Group's net TRS fair value income increased by c. R280 million during the year as a result of the 41% increase in the FirstRand share price, after taking account of the partial offset due to the remeasurement of the current share-based payment liability.

Note 3 – Investment income – up 60%

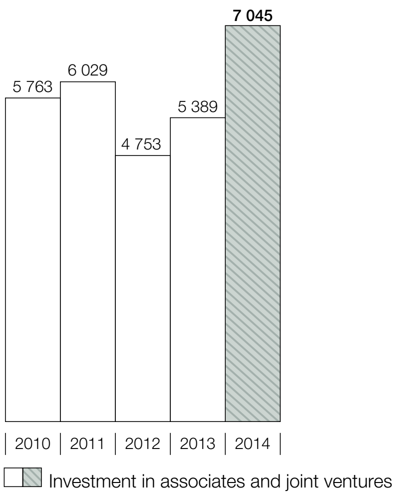
	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Private equity realisations and dividends received	**371**	269	38
Profit on realisation of private equity investments	**347**	233	49
Dividends received	**–**	3	(100)
Other private equity income	**24**	33	(27)
Other income from investments	**813**	469	73
Profit on assets held against employee liabilities	**230**	246	(7)
RMB resources	**(12)**	(84)	(86)
Other investment income	**595**	307	94
Total investment income	**1 184**	738	60

Key drivers

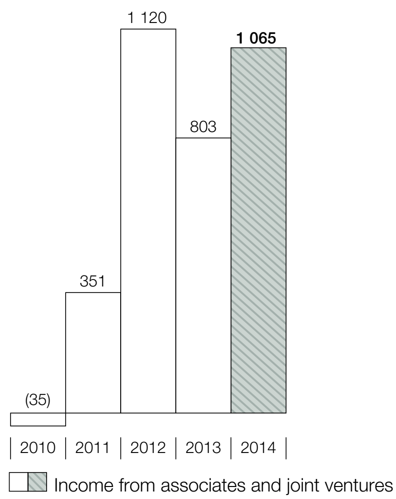
- Strong investment realisation profits, including a significant realisation of c. R820 million, before tax and minorities, emanating from a debt restructure in prior years.
- A reduction in the loss incurred by the RMB resources portfolio, benefiting from a change in underlying mix within the portfolio during the year.
- Resilient post-tax performance from the Group's ELI asset portfolio, in part due to the increase in the ALSI. The corresponding increase in related post-retirement medical liability is reflected in other staff costs.

SHARE PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 33%

Investment in associates and joint ventures (R million)



Income from associates and joint ventures (R million)



Note: Figures from 2010 to 2012 presented on a continuing normalised basis.
2012 to 2014 balance sheet figures, and 2013 and 2014 income statement figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Share of profits from associates and joint ventures

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Private equity associates and joint ventures	**992**	702	41
Operational performance	**1 113**	913	22
Less: impairments	**(121)**	(211)	(43)
WesBank associates	**214**	261	(18)
Toyota Financial Services (Pty) Ltd	**185**	164	13
Other	**29**	97	(70)
Other operational associates and joint ventures	**299**	205	46
RMB Morgan Stanley (Pty) Ltd	**90**	70	29
Other	**209**	135	55
Share of profits from associates and joint ventures before tax	**1 505**	1 168	29
Tax on profits from associates and joint ventures	**(440)**	(365)	21
Share of profits from associates and joint ventures after tax	**1 065**	803	33

Key drivers

- An excellent performance from RMB's private equity associates and joint ventures, driven by:
  – strong underlying operational performances across most sectors;
  – the impact of new income streams relating to investments made over the last three years; and
  – a turnaround in the performance and positive contribution from the Australian portfolio.
- The contribution from WesBank's associates reduced as a result of:
  – start-up and investment costs for the establishment of new associates; and
  – a reduction in profitability in a component of WesBank's personal loans business, due to the worsening credit cycle.

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

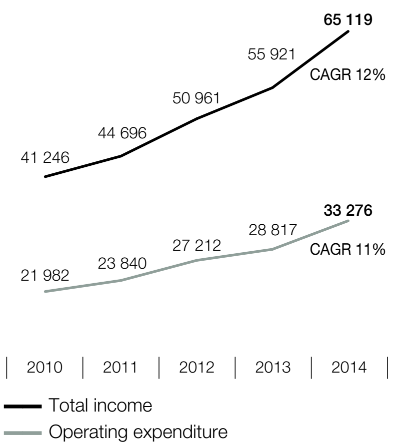
RMB earns private equity-related income primarily from its private equity division. However, other divisions within RMB also engage in or hold private equity-related investments (as defined in *Circular 02/2013 Headline Earnings)*, which are not reported as part of the private equity division's results.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

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
RMB private equity division	**1 652**	1 239	33
Income from associates and joint ventures	**992**	685	45
– Equity-accounted income*	**1 113**	896	24
– Impairments*	**(121)**	(211)	(43)
Realisations and dividends**	**347**	236	47
Other investment property income**	**24**	33	(27)
Consolidated private equity income#	**289**	285	1
Legacy	**–**	17	(100)
Income from associates and joint ventures	**–**	17	(100)
– Equity-accounted income*	**–**	17	(100)
Other business units	**712**	360	98
Income from associates and joint ventures	**160**	98	63
– Equity-accounted income*	**160**	98	63
– Impairments*	**–**	–	–
Other investment income**	**552†**	262	>100
Private equity activities	**2 364**	1 616	46
Tax on equity-accounted private equity investments	**(334)**	(276)	21
Private equity activities	**2 030**	1 340	51

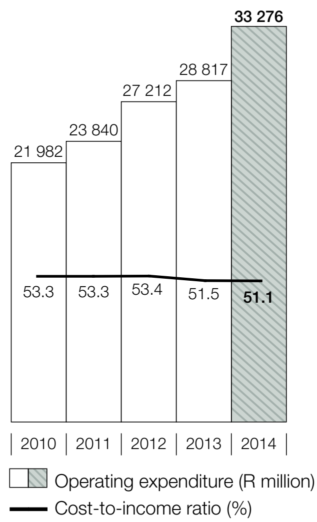
* *Refer to analysis of income from associates and joint ventures on page 45.*
** *Refer to investment income analysis on page 44.*
# *Refer to non-interest revenue analysis on page 42.*
† *Includes profits from an investment realisation reflected in IBD resulting from a debt-to-equity restructure in prior years.*

OPERATING EXPENSES – UP 15%

Operating jaws (R million)



Operating efficiency



Note: Figures from 2010 to 2012 presented on a continuing normalised basis.
2013 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

Operating expenses

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Staff expenditure	**19 532**	16 649	17
– Direct staff expenditure	**12 076**	10 600	14
– Other staff-related expenditure*	**7 456**	6 049	23
Depreciation	**1 928**	1 899	2
Amortisation of other intangible assets	**90**	129	(30)
Advertising and marketing	**1 376**	1 280	8
Insurance	**70**	80	(13)
Lease charges	**1 205**	1 096	10
Professional fees	**1 411**	1 127	25
Audit fees	**236**	217	9
Computer expenses	**1 564**	1 181	32
Maintenance	**741**	825	(10)
Telecommunications	**401**	397	1
Cooperation agreements and joint ventures	**865**	764	13
Property	**787**	788	–
Business travel	**355**	314	13
Other expenditure	**2 715**	2 071	31
Total operating expenses	**33 276**	28 817	15

* *2013 figures have been restated, staff costs relating to the remeasurement of the share-based payment liability as a result of changes in the share price are now included in NIR and not operating expenses.*

Key drivers

- Cost growth of 15% was driven by higher levels of variable costs associated with income generation and ongoing investment into infrastructure, capacity and expansion. Core cost growth was 12%.
- Staff costs increased 17%:

Description	% change	Reasons
Direct staff costs	14	Unionised increases of 8% and a 5% increase in the staff complement across the Group.
Variable staff costs	27	Directly related to higher levels of profitability.
IFRS 2 Share-based payment expenses	12	Reflecting the increase in share price of the shares granted and the number of new grants.

- Growth in revenues from WesBank's various alliance partners resulted in an increase of 17% in cooperation agreements and JV profit share expense, and 13% in total.
- Advertising and marketing spend increased on the back of ongoing new product and client acquisition campaigns in SA and the rest of Africa.
- The 32% growth in computer expenses reflects the increased spend on electronic platforms and related infrastructure, both domestically and in the rest of Africa.

DIRECT TAXATION – UP 30%

Key drivers

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

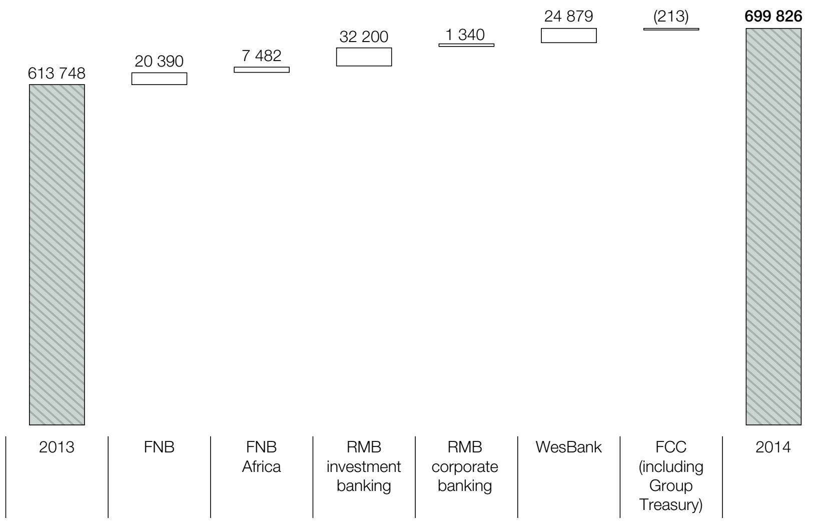
SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
ASSETS			
Derivative financial instruments	**39 038**	52 277	(25)
Advances	**685 926**	601 065	14
Investment securities and other investments	**118 495**	127 843	(7)
Other assets	**103 150**	85 622	20
Total assets	**946 609**	866 807	9
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**768 234**	697 035	10
Short trading positions and derivative financial instruments	**47 101**	55 999	(16)
Other liabilities	**41 981**	33 662	25
Total liabilities	**857 316**	786 696	9
Total equity	**89 293**	80 111	11
Total equity and liabilities	**946 609**	866 807	9

ADVANCES – UP 14%

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Normalised gross advances	**699 826**	613 748	14
Normalised impairment of advances	**(13 900)**	(12 683)	10
Normalised net advances	**685 926**	601 065	14

Gross advances by franchise (R million)

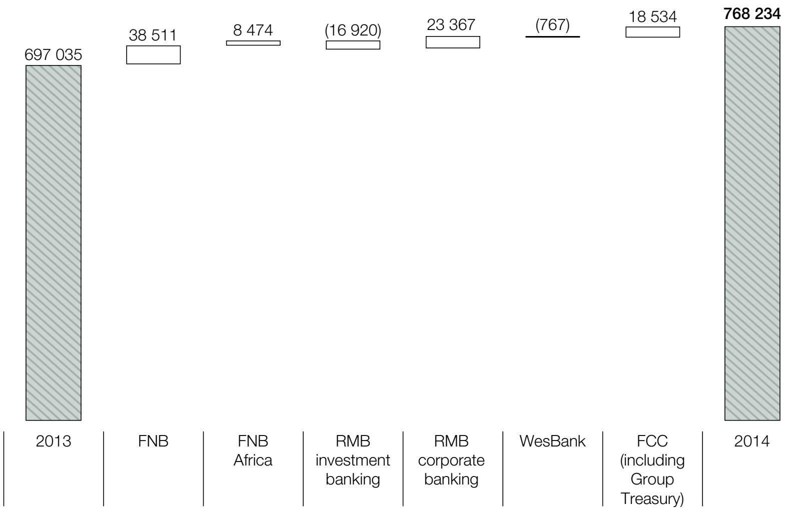


The Group delivered strong advances growth. Although retail is moderating, robust growth continues in the commercial and wholesale portfolios.

Portfolio/product	% change	Key drivers
FNB retail	**6**	
Residential mortgages	5	- Growth of 19% in secured affordable housing, reflecting client demand. - 6% growth in FNB HomeLoans benefiting from an improvement in new business volumes.
Card	13	- Driven by targeted new client acquisition and maturing utilisation profile.
Other	>50	- Growth of 41% in overdrafts and in excess of 50% in revolving credit facilities, although growth has moderated from the comparative period, reflecting lower credit appetite, slowing customer acquisition and competitive pressures.
Personal loans	(3)	- Reflects conservative origination strategies and risk appetite, with consumer personal loans (including student loans) growing modestly at 5%, and mass market loans reducing 16% year-on-year.
FNB Africa	**23**	
Namibia	15	- Driven primarily by growth in residential mortgages and term loans.
Botswana	24	- Underpinned by residential and term loan product growth.
Mozambique and Zambia	>50	- Resulting from new client acquisition and successful conversions of pipeline transactions in the commercial sector.
FNB commercial	**18**	- Driven by new client acquisition in the business segment, resulting in a 31% growth in business banking advances, with continuing growth in commercial property finance, agriculture and overdraft product sets resulting in 18% growth in commercial advances.
RMB investment banking core advances (excluding repos)	**27**	- Strong deal flow from the African subsidiaries, specifically in sectors such as oil and gas, telecoms and resources. - Drawdowns relating to infrastructure development in South Africa, in particular renewable energy.
WesBank	**18**	- Strong growth in new business volumes with 58% (in GBP terms) from MotoNovo, 10% from corporate and 21% from personal loans. - Growth in new business volumes moderated to 6% in SA motor retail reflecting the more constrained economic environment and significant year-on-year slowdown in new vehicle sales.

DEPOSITS – UP 10%

Gross deposits by franchise (R million)



Client deposits grew 10% year-on-year.

Key drivers

- FNB's growth of 17% with FNB SA operations reflecting 16% growth and FNB Africa 21%.
- Strong contributions from wealth (30%) and business banking (18%).
- Retail deposit growth of 13% supported by ongoing product innovation. Commercial deposit growth (19%) was assisted by new client acquisition and cross-sell. Growth in the rest of Africa was driven by increased footprint, new client acquisition and new products.

Product	**Growth in deposit balances %**
Current accounts	**13**
Savings and transmission accounts	**10**
Call accounts	**21**
Notice accounts	**19**

segment report

SEGMENT REPORT
for the year ended 30 June 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa	Total FNB
Net interest income before impairment of advances	3 033	1 382	2 069	3 668	**10 152**	4 900	2 865	**17 917**
Impairment of advances	(158)	(88)	(980)	(592)	**(1 818)**	(333)	(262)	**(2 413)**
Net interest income after impairment of advances	2 875	1 294	1 089	3 076	**8 334**	4 567	2 603	**15 504**
Non-interest revenue	477	1 173	848	9 502	**12 000**	5 419	2 240	**19 659**
Income from operations	3 352	2 467	1 937	12 578	**20 334**	9 986	4 843	**35 163**
Operating expenses	(1 444)	(1 255)	(782)	(8 483)	**(11 964)**	(5 802)	(2 876)	**(20 642)**
Net income from operations	1 908	1 212	1 155	4 095	**8 370**	4 184	1 967	**14 521**
Share of profit of associates after tax	2	–	–	28	**30**	–	1	**31**
Share of profit of joint ventures after tax	–	–	–	–	**–**	–	–	**–**
Income before tax	1 910	1 212	1 155	4 123	**8 400**	4 184	1 968	**14 552**
Indirect tax	(37)	(38)	(33)	(350)	**(458)**	(30)	(69)	**(557)**
Profit for the year before tax	1 873	1 174	1 122	3 773	**7 942**	4 154	1 899	**13 995**
Income tax expense	(524)	(329)	(314)	(1 054)	**(2 221)**	(1 163)	(636)	**(4 020)**
Profit for the year	1 349	845	808	2 719	**5 721**	2 991	1 263	**9 975**
Attributable to:								
Ordinary equityholders	1 349	845	808	2 719	**5 721**	2 991	750	**9 462**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	513	**513**
Profit for the year	1 349	845	808	2 719	**5 721**	2 991	1 263	**9 975**
Attributable earnings to ordinary shareholders	1 349	845	808	2 719	**5 721**	2 991	750	**9 462**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 349	845	808	2 719	**5 721**	2 991	750	**9 462**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 Share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings**	1 349	845	808	2 719	**5 721**	2 991	750	**9 462**

* *Refer to additional segmental information on page 62.*
** *Normalised earnings for FNB, RMB and WesBank in the table above exclude return on capital earned, FCC and preference share costs, and therefore differ from the franchise normalised earnings reported on page 5.*

RMB									
Investment banking	Corporate banking	Total RMB	WesBank*	FCC (including Group Treasury)	Consolidation and IFRS adjustments	FirstRand	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
3 868	712	**4 580**	**7 775**	3 024	49	17	**33 362**	(3 484)	**29 878**
(414)	(32)	**(446)**	**(2 081)**	(128)	(451)	–	**(5 519)**	267	**(5 252)**
3 454	680	**4 134**	**5 694**	2 896	(402)	17	**27 843**	(3 217)	**24 626**
7 117	1 221	**8 338**	**3 291**	1 637	(2 259)	26	**30 692**	5 458	**36 150**
10 571	1 901	**12 472**	**8 985**	4 533	(2 661)	43	**58 535**	2 241	**60 776**
(4 805)	(1 351)	**(6 156)**	**(4 886)**	(3 710)	1 429	689	**(33 276)**	(2 172)	**(35 448)**
5 766	550	**6 316**	**4 099**	823	(1 232)	732	**25 259**	69	**25 328**
909	–	**909**	**214**	(8)	(337)	–	**809**	(139)	**670**
328	–	**328**	**–**	–	(72)	–	**256**	1	**257**
7 003	550	**7 553**	**4 313**	815	(1 641)	732	**26 324**	(69)	**26 255**
(69)	(25)	**(94)**	**(253)**	27	2	(3)	**(878)**	–	**(878)**
6 934	525	**7 459**	**4 060**	842	(1 639)	729	**25 446**	(69)	**25 377**
(1 907)	(147)	**(2 054)**	**(1 137)**	(173)	2 113	(177)	**(5 448)**	(143)	**(5 591)**
5 027	378	**5 405**	**2 923**	669	474	552	**19 998**	(212)	**19 786**
4 964	378	**5 342**	**2 830**	669	96	264	**18 663**	(223)	**18 440**
–	–	**–**	**–**	–	–	288	**288**	–	**288**
63	–	**63**	**93**	–	378	–	**1 047**	11	**1 058**
5 027	378	**5 405**	**2 923**	669	474	552	**19 998**	(212)	**19 786**
4 964	378	**5 342**	**2 830**	669	96	264	**18 663**	(223)	**18 440**
–	–	**–**	**–**	–	–	–	**–**	231	**231**
4 964	378	**5 342**	**2 830**	669	96	264	**18 663**	8	**18 671**
–	–	**–**	**–**	–	–	–	**–**	(198)	**(198)**
–	–	**–**	**–**	–	–	–	**–**	182	**182**
–	–	**–**	**–**	–	–	–	**–**	97	**97**
–	–	**–**	**–**	–	–	–	**–**	(104)	**(104)**
–	–	**–**	**–**	–	–	–	**–**	15	**15**
4 964	378	**5 342**	**2 830**	669	96	264	**18 663**	–	**18 663**

	FNB							
	Retail							
R million	**Residential mortgages**	**Card**	**Personal loans**	**Retail other**	**Retail**	**Commercial**	**FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	41.1	49.1	26.8	64.3	**53.9**	56.2	56.3	**54.9**
Diversity ratio (%)	13.6	45.9	29.1	72.2	**54.2**	52.5	43.9	**52.4**
Credit loss ratio (%)	0.09	0.64	7.72	6.76	**0.90**	0.71	0.72	**0.85**
NPLs as a percentage of advances (%)	3.30	2.33	5.82	5.29	**3.48**	2.61	2.01	**3.14**
Consolidated income statement includes:								
Depreciation	(6)	(5)	(2)	(1 152)	**(1 165)**	(24)	(148)	**(1 337)**
Amortisation	–	–	–	(11)	**(11)**	(13)	(12)	**(36)**
Impairment charges	–	–	–	(17)	**(17)**	–	–	**(17)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	170 677	14 634	12 516	10 596	**208 423**	50 642	40 202	**299 267**
– Normal advances	170 677	14 634	12 516	10 596	**208 423**	50 642	40 202	**299 267**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
NPLs	5 625	341	729	561	**7 256**	1 321	809	**9 386**
Investment in associated companies	–	–	–	244	**244**	–	4	**248**
Investment in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	128	1 232	25	140 304	**141 689**	139 394	49 245	**330 328**
Total assets	169 379	14 102	11 448	27 022	**221 951**	49 710	56 449	**328 110**
Total liabilities**	167 568	12 928	10 327	24 007	**214 830**	45 568	53 728	**314 126**
Capital expenditure	6	9	1	2 330	**2 346**	45	355	**2 746**

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

* *Refer to additional segmental information on page 62.*

** *Total liabilities are net of interdivisional balances.*

RMB									
Investment banking	Corporate banking	**Total RMB**	**WesBank***	FCC (including Group Treasury)	Consolidation and IFRS adjustments	FirstRand	**FirstRand Group – normalised**	Normalised adjustments	**FirstRand Group – IFRS**
39.3	69.9	**43.5**	**43.3**	79.7	54.6	(>100)	**51.1**	–	**52.9**
68.4	63.2	**67.6**	**31.1**	35.0	>100	60.5	**48.8**	–	**55.4**
0.20	0.55	**0.21**	**1.35**	2.28	(>100)	–	**0.84**	–	**0.80**
0.95	0.09	**0.93**	**2.86**	–	–	–	**2.33**	–	**2.34**
(102)	(7)	**(109)**	**(434)**	(47)	(1)	–	**(1 928)**	(114)	**(2 042)**
(10)	–	**(10)**	**(44)**	(2)	2	–	**(90)**	(5)	**(95)**
(2)	–	**(2)**	**(12)**	–	(10)	–	**(41)**	(282)	**(323)**
221 764	6 441	**228 205**	**167 037**	5 511	(194)	–	**699 826**	(3 515)	**696 311**
221 764	6 441	**228 205**	**156 966**	5 511	(194)	–	**689 755**	(3 515)	**686 240**
–	–	**–**	**10 071**	–	–	–	**10 071**	–	**10 071**
2 105	6	**2 111**	**4 784**	–	–	–	**16 281**	–	**16 281**
4 172	–	**4 172**	**1 436**	11	(20)	–	**5 847**	–	**5 847**
1 214	–	**1 214**	**–**	–	(16)	–	**1 198**	7	**1 205**
124 930	69 222	**194 152**	**48**	249 002	(5 296)	–	**768 234**	–	**768 234**
383 083	7 125	**390 208**	**170 194**	119 610	(118 179)	56 666	**946 609**	(1 074)	**945 535**
373 661	6 446	**380 107**	**166 137**	55 351	(58 961)	556	**857 316**	2	**857 318**
289	4	**293**	**1 172**	41	–	–	**4 252**	–	**4 252**

SEGMENT REPORT
for the year ended 30 June 2013

	FNB							
	Retail							
R million	**Residential mortgages**	**Card**	**Personal loans**	**Retail other**	**Retail**	**Commercial**	**FNB Africa**	**Total FNB**
Net interest income before impairment of advances	2 477	1 215	2 194	3 013	**8 899**	4 262	2 375	**15 536**
Impairment of advances	(507)	(23)	(1 402)	(613)	**(2 545)**	(318)	(190)	**(3 053)**
Net interest income after impairment of advances	1 970	1 192	792	2 400	**6 354**	3 944	2 185	**12 483**
Non-interest revenue	453	1 182	1 031	8 666	**11 332**	4 743	1 791	**17 866**
Income from operations	2 423	2 374	1 823	11 066	**17 686**	8 687	3 976	**30 349**
Operating expenses	(1 358)	(1 163)	(834)	(7 446)	**(10 801)**	(5 149)	(2 353)	**(18 303)**
Net income from operations	1 065	1 211	989	3 620	**6 885**	3 538	1 623	**12 046**
Share of profit of associates after tax	6	–	–	32	**38**	–	2	**40**
Share of profit of joint ventures after tax	–	–	–	–	**–**	–	–	**–**
Income before tax	1 071	1 211	989	3 652	**6 923**	3 538	1 625	**12 086**
Indirect tax	(34)	(38)	(34)	(249)	**(355)**	(32)	(55)	**(442)**
Profit for the year before tax	1 037	1 173	955	3 403	**6 568**	3 506	1 570	**11 644**
Income tax expense	(290)	(328)	(267)	(904)	**(1 789)**	(981)	(462)	**(3 232)**
Profit for the year	747	845	688	2 499	**4 779**	2 525	1 108	**8 412**
Attributable to:								
Ordinary equityholders	747	845	688	2 499	**4 779**	2 524	695	**7 998**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	1	413	**414**
Profit for the year	747	845	688	2 499	**4 779**	2 525	1 108	**8 412**
Attributable earnings to ordinary shareholders	747	845	688	2 499	**4 779**	2 524	695	**7 998**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	747	845	688	2 499	**4 779**	2 524	695	**7 998**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 Share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings**	747	845	688	2 499	**4 779**	2 524	695	**7 998**

* *Refer to additional segmental information on page 62.*

** *Normalised earnings for FNB, RMB and WesBank in the table above exclude return on capital earned, FCC and preference share costs, and therefore differ from the franchise normalised earnings reported on page 5.*

RMB									
Investment banking	Corporate banking	Total RMB	WesBank*	FCC (including Group Treasury)	Consolidation and IFRS adjustments	FirstRand	FirstRand Group – normalised	Normalised adjustments	FirstRand Group – IFRS
3 290	607	**3 897**	**6 853**	1 817	(21)	18	**28 100**	(3 331)	**24 769**
(954)	(44)	**(998)**	**(1 649)**	–	–	–	**(5 700)**	893	**(4 807)**
2 336	563	**2 899**	**5 204**	1 817	(21)	18	**22 400**	(2 438)	**19 962**
6 659	1 148	**7 807**	**2 830**	1 495	(3 194)	214	**27 018**	3 716	**30 734**
8 995	1 711	**10 706**	**8 034**	3 312	(3 215)	232	**49 418**	1 278	**50 696**
(4 187)	(1 141)	**(5 328)**	**(4 093)**	(3 177)	1 809	275	**(28 817)**	(1 987)	**(30 804)**
4 808	570	**5 378**	**3 941**	135	(1 406)	507	**20 601**	(709)	**19 892**
498	–	**498**	**261**	(19)	(278)	–	**502**	21	**523**
367	–	**367**	**–**	–	(66)	–	**301**	–	**301**
5 673	570	**6 243**	**4 202**	116	(1 750)	507	**21 404**	(688)	**20 716**
(60)	(33)	**(93)**	**(219)**	110	–	(1)	**(645)**	–	**(645)**
5 613	537	**6 150**	**3 983**	226	(1 750)	506	**20 759**	(688)	**20 071**
(1 564)	(150)	**(1 714)**	**(1 114)**	23	2 001	(154)	**(4 190)**	73	**(4 117)**
4 049	387	**4 436**	**2 869**	249	251	352	**16 569**	(615)	**15 954**
3 996	387	**4 383**	**2 774**	249	(39)	55	**15 420**	(635)	**14 785**
–	–	**–**	**–**	–	–	297	**297**	–	**297**
53	–	**53**	**95**	–	290	–	**852**	20	**872**
4 049	387	**4 436**	**2 869**	249	251	352	**16 569**	(615)	**15 954**
3 996	387	**4 383**	**2 774**	249	(39)	55	**15 420**	(635)	**14 785**
–	–	**–**	**–**	–	–	–	**–**	542	**542**
3 996	387	**4 383**	**2 774**	249	(39)	55	**15 420**	(93)	**15 327**
–	–	**–**	**–**	–	–	–	**–**	85	**85**
–	–	**–**	**–**	–	–	–	**–**	43	**43**
–	–	**–**	**–**	–	–	–	**–**	33	**33**
–	–	**–**	**–**	–	–	–	**–**	(110)	**(110)**
–	–	**–**	**–**	–	–	–	**–**	42	**42**
3 996	387	**4 383**	**2 774**	249	(39)	55	**15 420**	–	**15 420**

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa	**Total FNB**
Cost-to-income ratio (%)	46.3	48.5	25.9	63.6	**53.3**	57.2	56.5	**54.7**
Diversity ratio (%)	15.6	49.3	32.0	74.3	**56.1**	52.7	43.0	**53.5**
Credit loss ratio (%)	0.32	0.19	11.39	11.51	**1.34**	0.81	0.65	**1.18**
NPLs as a percentage of advances (%)	4.24	2.32	7.32	6.64	**4.40**	3.34	2.07	**3.95**
Consolidated income statement includes:								
Depreciation	(9)	(4)	(2)	(1 112)	**(1 127)**	(24)	(123)	**(1 274)**
Amortisation	–	–	–	(51)	**(51)**	(13)	(13)	**(77)**
Impairment charges	–	–	–	(10)	**(10)**	–	–	**(10)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	163 046	13 001	12 885	6 909	**195 841**	42 834	32 720	**271 395**
– Normal advances	163 046	13 001	12 885	6 909	**195 841**	42 834	32 720	**271 395**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
NPLs	6 911	302	943	459	**8 615**	1 429	677	**10 721**
Investment in associated companies	18	–	–	216	**234**	–	4	**238**
Investment in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	129	1 212	–	124 014	**125 355**	117 217	40 771	**283 343**
Total assets	161 402	12 499	11 713	21 724	**207 338**	42 035	47 662	**297 035**
Total liabilities**	160 367	11 333	10 758	19 264	**201 722**	38 546	42 090	**282 358**
Capital expenditure	7	7	1	2 172	**2 187**	102	514	**2 803**

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

* *Refer to additional segmental information on page 62.*

** *Total liabilities are net of interdivisional balances.*

RMB									
Investment banking	**Corporate banking**	**Total RMB**	**WesBank***	**FCC (including Group Treasury)**	**Consolidation and IFRS adjustments**	**FirstRand**	**FirstRand Group – normalised**	**Normalised adjustments**	**FirstRand Group – IFRS**
38.7	65.0	**42.4**	**41.2**	96.5	50.8	(>100)	**51.5**	–	**54.7**
69.6	65.4	**69.0**	**31.1**	44.8	99.4	92.2	**49.8**	–	**56.0**
0.54	1.13	**0.55**	**1.26**	–	–	–	**0.99**	–	**0.84**
1.36	0.18	**1.33**	**2.76**	–	–	–	**2.81**	–	**2.82**
(140)	(35)	**(175)**	**(354)**	(92)	(4)	–	**(1 899)**	(112)	**(2 011)**
(18)	–	**(18)**	**(31)**	(5)	2	–	**(129)**	(5)	**(134)**
(4)	–	**(4)**	**–**	(3)	–	–	**(17)**	(784)	**(801)**
189 564	5 101	**194 665**	**142 158**	5 704	(174)	–	**613 748**	(3 250)	**610 498**
189 564	5 101	**194 665**	**135 132**	5 704	(174)	–	**606 722**	(3 250)	**603 472**
–	–	**–**	**7 026**	–	–	–	**7 026**	–	**7 026**
2 571	9	**2 580**	**3 930**	–	–	–	**17 231**	–	**17 231**
3 435	–	**3 435**	**832**	1	(20)	–	**4 486**	–	**4 486**
920	–	**920**	**–**	–	(17)	–	**903**	7	**910**
141 850	45 855	**187 705**	**815**	230 849	(5 677)	–	**697 035**	–	**697 035**
349 427	5 331	**354 758**	**145 179**	121 707	(110 200)	58 328	**866 807**	(1 075)	**865 732**
341 221	4 912	**346 133**	**140 814**	69 692	(52 530)	229	**786 696**	3	**786 699**
199	107	**306**	**1 423**	24	–	–	**4 556**	–	**4 556**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Year ended 30 June 2014				
	VAF				
	Retail				
R million	**South Africa**	**MotoNovo**	**Corporate and commercial**	**Personal loans**	**Total WesBank**
Net interest income before impairment of advances	**3 902**	**1 148**	**1 010**	**1 715**	**7 775**
Impairment of advances	**(1 209)**	**(135)**	**(135)**	**(602)**	**(2 081)**
Profit before tax	**1 706**	**651**	**550**	**1 153**	**4 060**
Normalised earnings	**1 228**	**469**	**396**	**737**	**2 830**
Advances	**96 445**	**22 675**	**38 763**	**9 154**	**167 037**
– Normal advances	**95 864**	**13 185**	**38 763**	**9 154**	**156 966**
– Securitised advances	**581**	**9 490**	**–**	**–**	**10 071**
NPLs	**3 409**	**83**	**633**	**659**	**4 784**
Advances margin (%)	**4.24**	**6.34**	**2.77**	**20.51**	**5.05**
NPLs (%)	**3.53**	**0.37**	**1.63**	**7.20**	**2.86**
Credit loss ratio (%)	**1.32**	**0.75**	**0.37**	**7.32**	**1.35**

	Year ended 30 June 2013				
	VAF				
	Retail				
R million	**South Africa**	**MotoNovo**	**Corporate and commercial**	**Personal loans**	**Total WesBank**
Net interest income before impairment of advances	3 577	777	1 070	1 429	6 853
Impairment of advances	(945)	(97)	(177)	(430)	(1 649)
Profit before tax	1 889	444	528	1 122	3 983
Normalised earnings	1 360	320	380	714	2 774
Advances	87 309	13 256	34 293	7 300	142 158
– Normal advances	85 850	7 689	34 293	7 300	135 132
– Securitised advances	1 459	5 567	–	–	7 026
NPLs	2 461	50	975	444	3 930
Advances margin (%)	4.65	6.96	3.00	21.10	5.30
NPLs (%)	2.82	0.38	2.84	6.08	2.76
Credit loss ratio (%)	1.18	0.86	0.53	6.48	1.26

balance sheet and return analysis

PERFORMANCE MEASUREMENT

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

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

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

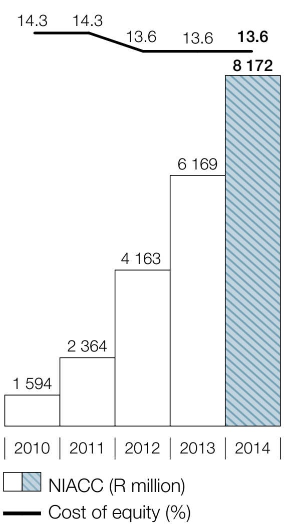
The Group's NIACC increased largely due to the growth in earnings with no change in the Group's cost of equity, as illustrated in the table below.

NIACC and ROE

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Normalised earnings attributable to ordinary shareholders	**18 663**	15 420	21
Charge for capital*	**(10 491)**	(9 251)	13
NIACC**	**8 172**	6 169	32
Average ordinary shareholders' equity and reserves	**77 143**	68 019	13
ROE (%)	**24.2**	22.7	
Cost of equity (%)	**13.6**	13.6	
Return on average RWA (%)	**3.42**	3.11	

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

NIACC and cost of equity



SHAREHOLDER VALUE CREATION

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

Decomposition of the ROE indicates that, although gearing levels are lower due to the implementation of Basel III, the Group's focus on improving ROA has delivered an increased ROE of 24.2% (2013: 22.7%).

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

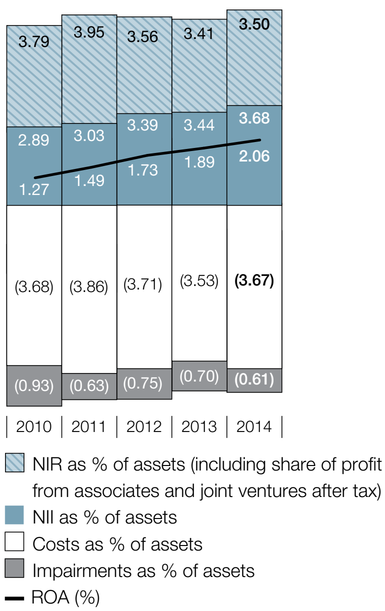
Historical analysis of ROA, gearing and ROE

	Year ended 30 June				
	2014	**2013**	**2012**	**2011**	**2010***
ROA (%)	**2.06**	1.89	1.73	1.49	1.27
Gearing**	**11.8**	12.0	11.9	12.5	13.9
ROE (%)	**24.2**	22.7	20.7	18.7	17.7

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

ROA analysis

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



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

FRANCHISE PERFORMANCE AND ROE

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

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

Normalised earnings and ROE

	Year ended 30 June		
	2014		2013‡
R million	Normalised earnings*	ROE %	ROE %
FNB**	**9 748**	**37.4**	34.5
RMB#	**5 436**	**27.1**	25.1
WesBank	**2 977**	**26.6**	31.5
FCC (including Group Treasury)	**502**	**2.5**	(1.2)
FirstRand	**18 663**	**24.2**	22.7
Total Africa†	**1 194**	**19.4**	22.4

* *Includes the return on capital earned by the respective franchises, FCC costs and cost of preference shares, and, therefore, differ from franchise normalised earnings in the segment report on pages 53 to 61.*

** *Includes FNB Africa.*

\# *Includes RMB Africa.*

† *Reflects FNB's and RMB's combined African operations in the legal entities in the rest of Africa.*

‡ *The comparative ROEs were restated for the following:*
- *IFRS-related restatements;*
- *refinement of the allocation of return on capital to the franchises;*
- *refinement of the allocation of FCC costs to the franchises; and*
- *changes to capital allocation methodologies.*

ECONOMIC VIEW OF THE BALANCE SHEET

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

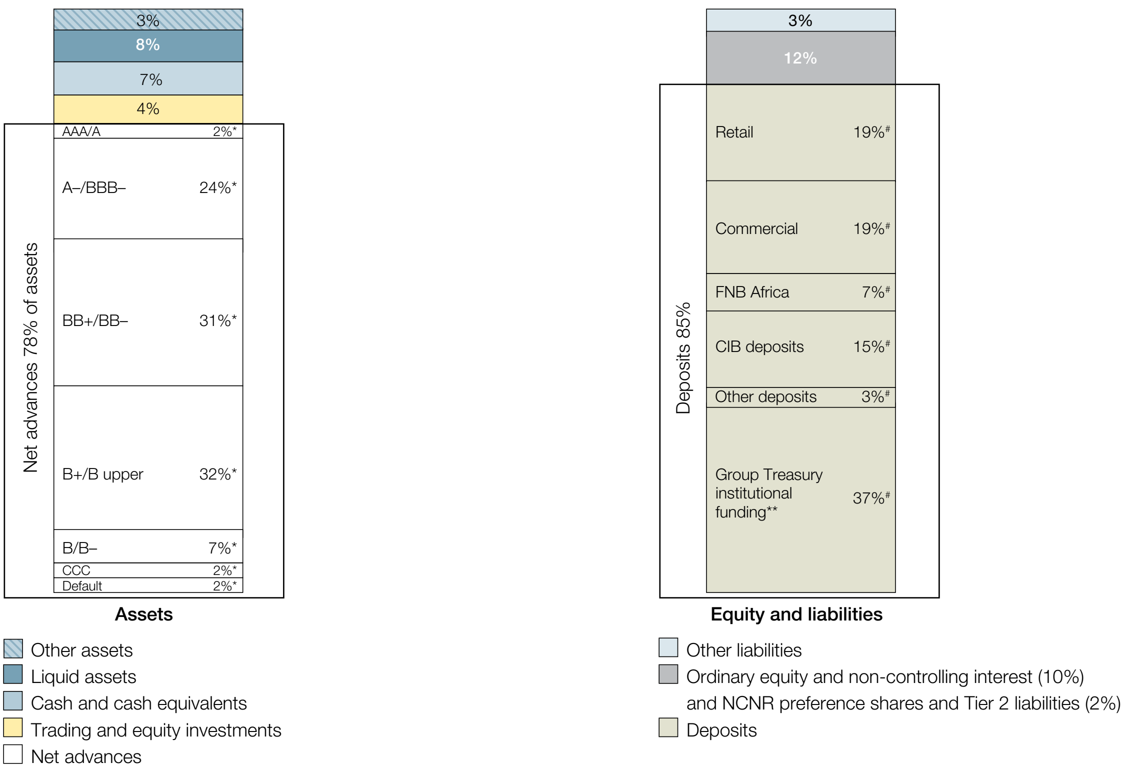
When assessing the underlying risk in the balance sheet, the Group's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets. The composition of the net advances portfolio consists of retail secured (42%), retail unsecured (6%), corporate and commercial (45%) and FNB Africa and other (7%). Total NPLs were R16.3 billion (2.33% as a percentage of advances) with a credit loss ratio of 0.84% and 89% of advances are rated B upper or better.

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

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

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

Economic view of the balance sheet as at 30 June 2014 (%)



* *Of net advances*

\# *Of deposits*

** *Includes consolidation and IFRS adjustments*

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

CAPITAL

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

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

YEAR UNDER REVIEW

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

FirstRand operated above its targeted capitalisation range throughout the year under review, reporting a total capital adequacy ratio of 16.7% and a CET1 ratio of 13.9% at 30 June 2014. Similarly FirstRand Bank (FRB) comfortably exceeded its target ranges with a total capital adequacy of 16.1% and CET1 ratio of 13.6%.

The add-on for domestic systemically important banks (D-SIB) was finalised during the current financial year, however, remains confidential. The Group's internal targets have been revised in order to take into account the end-state regulatory minimum requirements, including the capital conservation buffer, and also after considering various stakeholder constraints.

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

Capital adequacy position

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
FirstRand actual	**13.9**	**14.8**	**16.7**
FRB actual**	**13.6**	**14.2**	**16.1**

* *Excludes the bank-specific individual capital requirement.*
** *Reflects solo supervision, i.e. FRB excluding foreign branches.*

The Group aims to back all economic risk with the supply of economic capital, which is defined as CET1 capital adjusted for volatile reserves (foreign currency translation and available-for-sale reserves) and remains well capitalised in the current environment.

Basel III

The Basel Committee on Banking Supervision (BCBS) issued a number of consultative documents over the past year. These papers cover various topics and are at different stages of testing, finalisation and implementation.

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

CAPITAL ADEQUACY

Composition of capital

The tables below show the composition of regulatory capital for FirstRand and FirstRand Bank.

Composition of qualifying capital

	For the year ended 30 June	
	FirstRand	
R million	**2014**	**2013***
CET1 capital	**79 344**	71 869
Tier 1 capital	**84 647**	77 212
Total qualifying capital and reserves	**95 368**	84 690
Total RWA	**572 446**	519 960

	For the year ended 30 June	
	FirstRand Bank**	
R million	**2014**	**2013***
CET1 capital	**57 532**	50 173
Tier 1 capital	**59 932**	52 873
Total qualifying capital and reserves	**68 164**	59 572
Total RWA	**423 257**	398 519

* *Comparatives have not been restated for IFRS changes.*
** *Reflects solo supervision, i.e. excluding foreign branches.*

Supply of capital

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

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

For more detail on the Basel III additional capital disclosure templates (as required per SARB Directive 8 of 2013) refer to www.firstrand.co.za/investorcentre/pages/capitaldisclosures.aspx.

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

Demand for capital

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

Composition of RWA

	For the year ended 30 June	
	FirstRand	
R million	**2014**	**2013***
Credit risk**	**399 477**	360 681
Operational risk	**93 613**	83 219
Market risk	**13 118**	9 785
Equity investment risk	**34 128**	38 190
Other assets#	**32 110**	28 085
Total RWA	**572 446**	519 960

* *Comparatives have not been restated for IFRS changes.*
** *Includes counterparty credit risk.*
\# *Includes investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

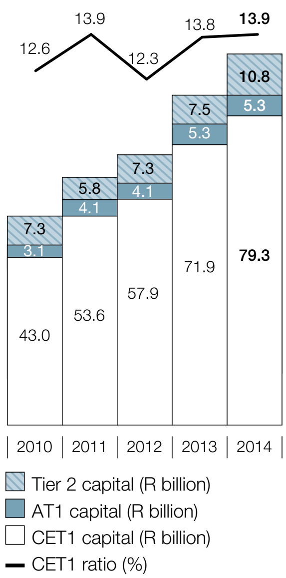
Overall movement in RWA can be attributed to the following:

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

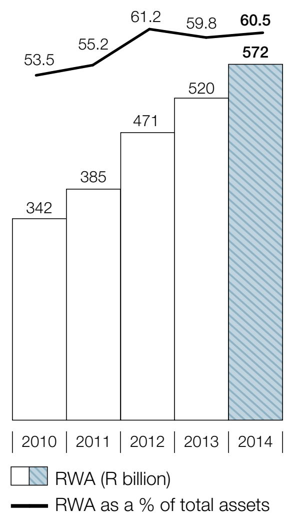
HISTORICAL OVERVIEW OF CAPITAL ADEQUACY

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

Capital adequacy position



RWA history



Capital adequacy position of FirstRand, its subsidiaries and foreign branches

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

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

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

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

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

FUNDING AND LIQUIDITY

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

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

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

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

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

FUNDING MANAGEMENT

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. A portion of these contractual savings translate into institutional funding for banks which have higher liquidity risk than deposits raised through the deposit franchise. Recent observations suggest that South African corporates and the public sector are also making use of financial intermediaries that provide bulking and maturity transformation services with their cyclical cash surpluses. The structural liquidity risk is, therefore, higher in South Africa than in most other markets. This risk is, however, to some extent mitigated by the following factors:

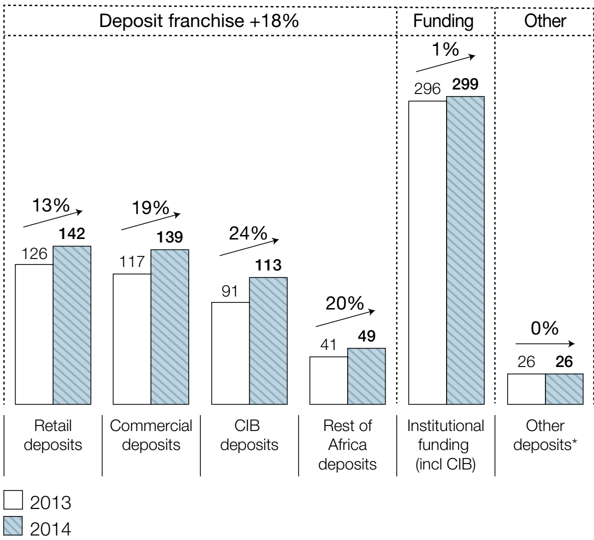
- the closed rand system where all rand transactions are cleared and settled in South Africa through registered banks and clearing institutions domiciled in South Africa;
- concentration of customer current accounts with the four largest banks;
- prudential exchange control framework in place in South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

During the year under review, there has been increased liquidity demand by banks as a consequence of the money supply constraints introduced by the LCR. In light of the structural features discussed above, focus is currently placed on achieving a risk-adjusted diversified funding profile which also supports the Basel III requirements.

The Group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 63% of domestic funding liabilities at 30 June 2014. During the year under review, the Group has continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings products and term savings. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing. To fund operations, the Group accesses the domestic money markets daily and has, during the course of the year, accessed both domestic and foreign capital markets. The Group has frequently issued various capital and funding instruments within the domestic capital markets on an auction and reverse enquiry basis with strong support from investors.

The graph below provides a segmental analysis of the Group's funding base and illustrates the success of its deposit franchise focus.

Group funding by segment (R billion)



* *Consists of liabilities relating to conduits and securitisations.*

Funds transfer pricing

The Group operates a funds transfer pricing framework which incorporates liquidity costs and benefits as well as regulatory friction costs into product pricing and performance measurement for all on- and off- balance sheet activities. Franchises are incentivised to:

- preserve and enhance funding stability;
- ensure that asset pricing is aligned to liquidity risk;
- reward liabilities in accordance with behavioural characteristics and maturity; and
- manage contingencies with respect to potential funding drawdowns.

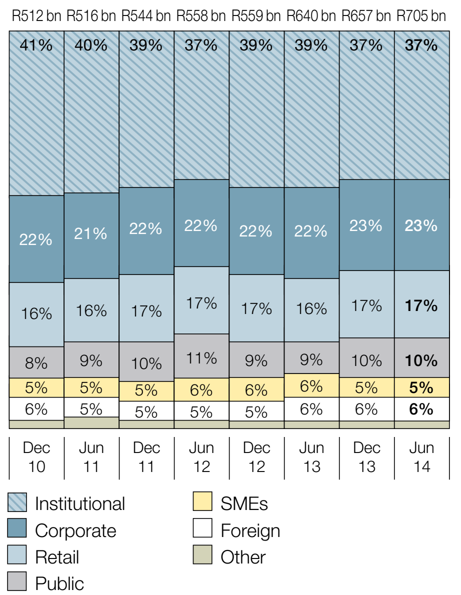
Funding measurement and activity

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

FirstRand Bank's funding sources

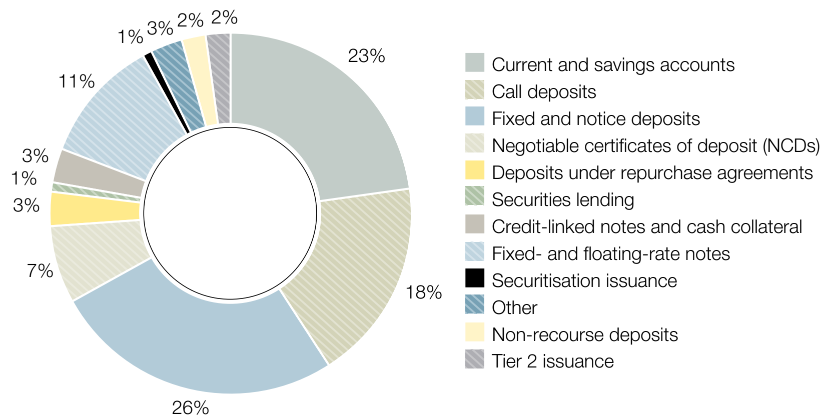
	As at 30 June 2014			
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**
Institutional funding	**37.0**	**12.2**	**8.2**	**16.6**
Deposit franchise	**63.0**	**47.8**	**6.5**	**8.7**
Corporate	**22.7**	**19.5**	**1.4**	**1.8**
Retail	**17.0**	**12.7**	**2.9**	**1.4**
SME	**5.2**	**4.6**	**0.4**	**0.2**
Government and parastatals	**9.6**	**7.9**	**1.2**	**0.5**
Foreign	**6.1**	**3.0**	**0.4**	**2.7**
Other	**2.4**	**0.1**	**0.2**	**2.1**
Total	**100.0**	**60.0**	**14.7**	**25.3**

FirstRand Bank's funding analysis by source



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

Group's funding analysis by instrument type

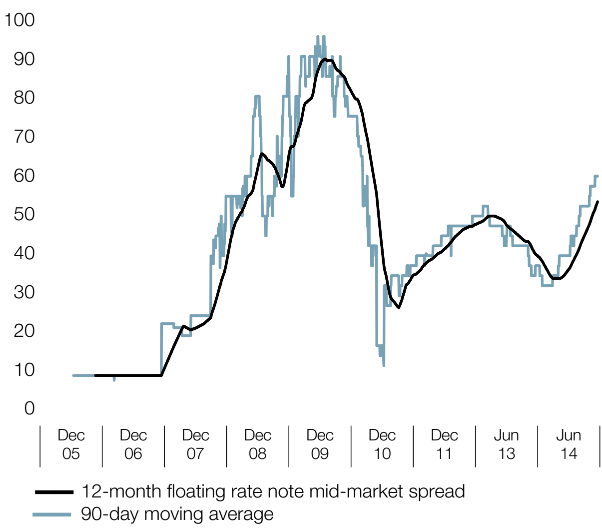


The Group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-issued money market instrument by banks, namely 12-month NCDs. During the year under review, spreads initially reduced to a low point in October 2013, after which they started to increase slowly through to December 2013. Between January and June 2014, spreads increased considerably, as illustrated in the graph below. This appears to be a result of banks competing for longer term funding, while savings flows are not increasing.

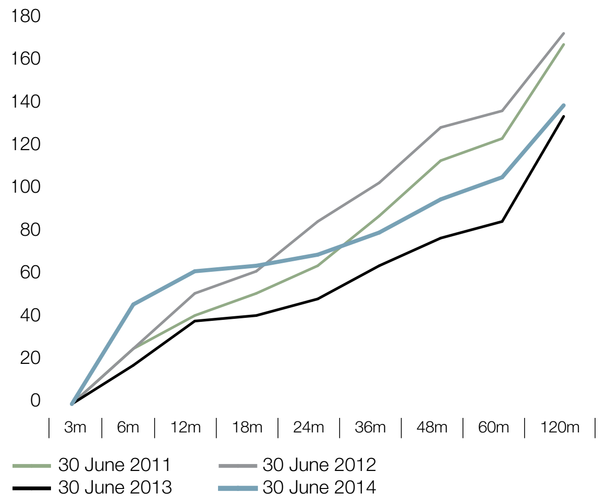
12-month liquidity spread (bps)



Source: Bloomberg (RMBP screen) and Reuters

The following graph shows that long-term funding spreads are elevated from a historical perspective. On the basis of the Group's improved risk profile, higher capital adequacy and greater predictability of earnings, the credit risk component of funding spreads should be lower. Long-term funding spreads, therefore, still appear to be reflecting a high liquidity premium. The Group is consistently able to raise funds in the capital markets in line with its funding curve, which it views as an important test as the Group's asset origination is linked to its funding curve.

Long-term funding spreads (bps)

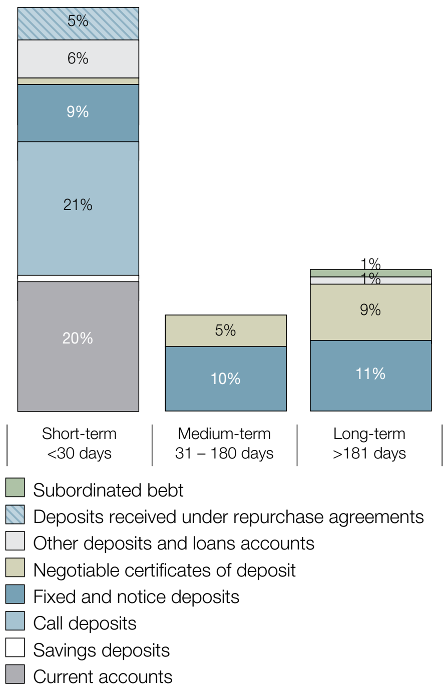


Source: Bloomberg (RMBP screen) and Reuters

As a result of the Group's focus on growing its deposit and transactional banking franchise, a significant proportion of funds are contractually short-dated. As these deposits are anchored to clients' service requirements and given the balance granularity created by individual clients' independent activity, the resultant liquidity risk profile is improved.

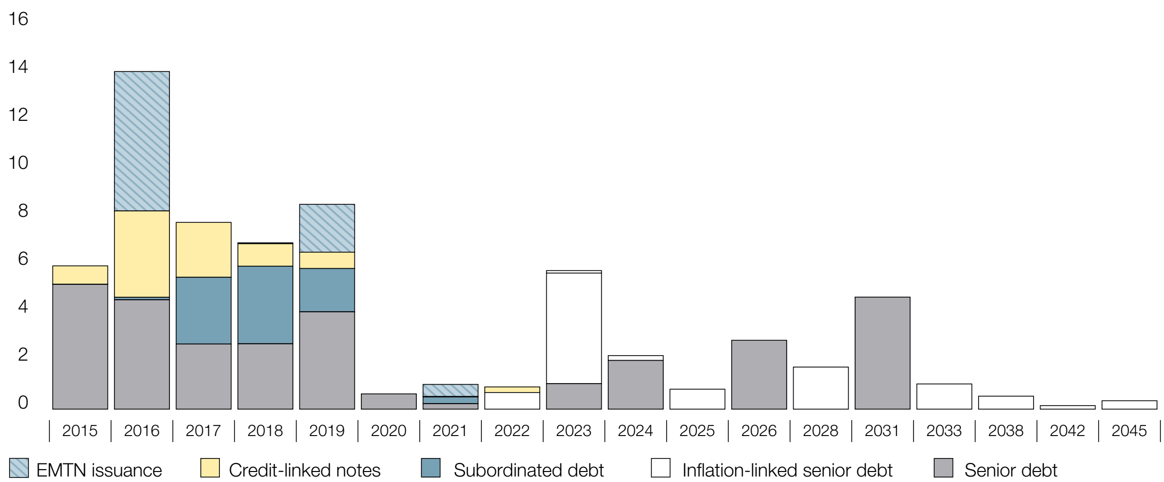
The following chart illustrates a breakdown of the Group's funding liabilities by instrument and term.

The Group's funding liabilities by instrument type and term at 30 June 2014



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

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



FOREIGN CURRENCY BALANCE SHEET

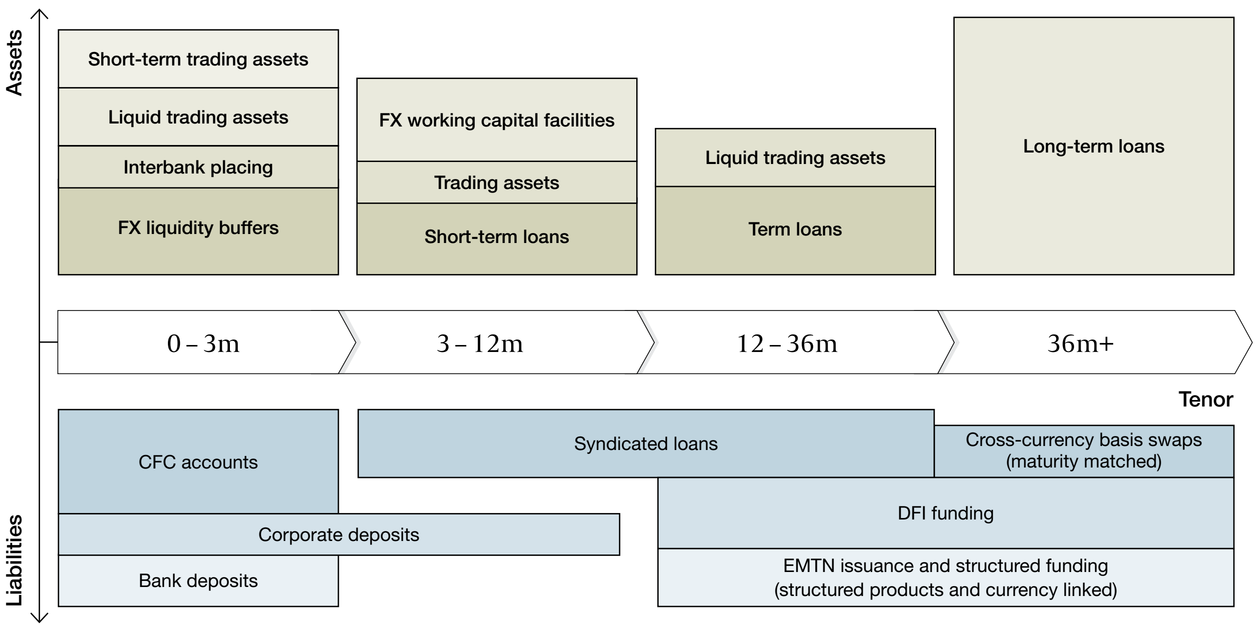
Given the Group's objective to grow its franchise in the rest of Africa, India and the corridors, and given the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus. The Group seeks to avoid exposing itself to undue liquidity risk within the risk appetite approved by the board and risk committee. The SARB via *Exchange Control Circular 9 of 2011* introduced macro-prudential limits applicable to authorised dealers. The Group utilises its own foreign currency measurement balance sheet measures based on economic risk and has set internal limits below that are allowed by the macro-prudential limits framework.

FirstRand's expansion strategy means that its foreign currency activities, specifically lending and trade finance, have increased. It is, therefore, important to have a sound framework for the assessment and management of foreign currency external debt, given the inherent vulnerabilities and liquidity risks associated with cross-border financing. This limit includes FirstRand Bank's exposure to branches, foreign currency assets and guarantees.

Philosophy on foreign currency external debt

A key determinant in an institution's ability to fund and refinance in currencies other than its domestic currency is the sovereign risk and associated external financing requirement. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity. In order to achieve this, the Group considers risks arising from unsustainable debt path, liquidity, exchange rate and macroeconomic crises. To determine South Africa's foreign currency funding capacity, the Group considers the external debt of all South African entities (private and public sector, financial institutions) as these entities all utilise the South African system's capacity – confidence and export receipts.

Graphical representation of the foreign currency balance sheet



REGULATORY UPDATE

Basel III

Post the financial crisis, the BCBS instituted a framework for sound and prudent liquidity risk management. The liquidity reforms seek to address two aspects of liquidity risk:

- the LCR addresses short-term liquidity risk and cash management; and
- the Net Stable Funding Ratio (NSFR) addresses the structural liquidity risk of the balance sheet.

In January 2013, the BCBS released an amendment to the LCR and finalised minimum requirements and implementation dates.

The BCBS released an update on the NSFR in January 2014, proposing a better alignment between the LCR and NSFR. The Group believes that the calibration and alignment has improved the NSFR, however, some concerns remain with respect to the treatment of secured funding transactions, such as repos and the application of the calibration to derivative transactions. The Group will continue to participate in the consultative process on the NSFR.

Liquidity coverage ratio

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility, and will be phased in from 2015 to 2019. The minimum LCR requirement will be 60% at 1 January 2015, with 10% incremental step ups each year to 100% on 1 January 2019.

In addition to level 1 assets, eligible collateral will include levels 2A and 2B with qualifying criteria and ratings requirements referenced to national scale ratings for liquidity risk in that local currency.

Disclosure requirements

In March 2014 the BCBS published the *Liquidity coverage ratio disclosure standards* proposing consistent and transparent disclosure of banks' liquidity positions as measured by Basel III regulations. The objective of the document is to reduce market uncertainty around these liquidity positions.

Disclosure is effective from the first reporting date after 1 January 2015 and will follow the quarterly capital disclosures. It is the Group's intention to comply with these requirements in 2015 onwards.

The LCR disclosure standards require banks to provide in a standardised template:

- available sources of liquidity by level of liquidity;
- cash outflows attributed by customer, category type and relationship; and
- cash inflows attributed by source.

Committed liquidity facility

On 2 August 2013, the SARB released *Guidance Note 6 of 2013* which outlines the provision of a committed liquidity facility to assist banks in meeting the LCR. The guidance note confirms that the maximum facility size would initially be set at 40% of high-quality liquid assets. Banks would, therefore, be required to meet the 60% requirement through adjustment to their balance sheets. It is envisaged that, as capital markets develop and the liquid asset shortage is addressed, the SARB may reduce the size of the committed liquidity facility.

The committed liquidity facility remains broadly as defined in *Guidance Note 5 of 2012* but with revisions to acceptable collateral. The SARB has, however, provided a detailed operational notice on the committed liquidity facility as an addendum to *Guidance Note 6 of 2013*.

Eligible collateral for the committed liquidity facility includes but is not limited to:

- listed debt securities (minimum A-national scale credit rating);
- listed equities on the main board of the JSE;
- notes of self-securitised eligible residential mortgages; and
- selection of on-balance sheet ring-fenced assets.

In order to include the committed liquidity facility in banks' available liquidity resources, a considerable amount of work is required to appropriately structure and prepare the banks' assets to access this facility. The collateral requirements include structuring features, eligibility criteria and haircuts designed to protect all counterparties. The committed liquidity facility has provided more clarity on the nature of liquidity transactions under stress and is a step towards reducing systemic risk in the banking sector. FRB is in the process of applying to the SARB for a committed liquidity facility.

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

Net Stable Funding Ratio

The latest consultative paper of the BCBS reflects the NSFR as a more structural balance sheet ratio and no longer a one-year stressed balance sheet ratio. The BCBS maintains the principle that a stable funding profile in relation to the composition of a bank's assets and off-balance sheet items promotes a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The ratio has to at least equal 100%. It is anticipated that the ratio will become a requirement on 1 January 2018, once the calibration is finalised.

Recovery and resolution regime

Financial Stability Board member countries are required to have recovery and resolution plans in place for all systemically significant financial institutions as per *Key Attributes of Effective Resolution Regimes*. The SARB has adopted this requirement and has, as the first phase, required South African domestically significant banking institutions to develop their own recovery plans. Improving the stability of the banking system by strengthening banks' ability to manage themselves through a potentially severe stress situation is of national importance. Guidance issued by the Financial Stability Board and the SARB has been incorporated into the Group's comprehensive recovery plan.

Recovery planning

The purpose of the recovery plan is to document how the board and management of FirstRand including its franchises and key subsidiary, FirstRand Bank, will recover from a severe stress event/scenario that threatened the Group's commercial viability. The recovery plan:

- analyses the potential for severe stress in the Group that causes material disruption to the South African financial system;
- identifies the type of stress event/s that would be necessary to trigger its activation;
- analyses how the Group might potentially be affected by the event/s;
- lists a menu of potential recovery actions available to the board and management to counteract the event/s; and
- assesses how the Group might recover from the event/s as a result of those actions.

The recovery plan requires the Group to perform an extensive self-assessment exercise to determine if there are any potential idiosyncratic vulnerabilities that it may be exposed to, and then to reconcile these exposures to its own risk appetite and strategy. Strategies to optimise the balance sheet structure and preserve the bank's critical functions to support recovery from a severe stress event with the least negative impact are being considered. This process enables banks to better understand what functions are critical for its customers and for the financial system as well as which assets are most marketable to facilitate recovery. Where inefficiencies are identified, these can be amended to make the bank more streamlined, adaptable and resilient to stress.

Resolution plan

To date the SARB has focused on bedding down the recovery plans for South African banks, but it is expected that the SARB is likely to issue guidance relating to resolution planning for banks before the end of 2014. These resolution plans will allow the SARB to pre-plan for an event from which the Group is unable to recover. It is envisaged, that based on global best practice, the resolution plan would be owned and managed by the SARB, however, this would require individual banks to submit a significant amount of data to the SARB.

LIQUIDITY RISK POSITION

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

FirstRand Bank's composition of liquid assets

	As at 30 June 2014			
		After Basel III haircut		
R billion	**High-quality liquid assets**	**Level 1**	**Level 2**	**Management buffer after haircuts**
Cash and deposits with central banks	**21**	**–**	**–**	**21**
Government bonds and bills*	**68**	**68**	**–**	**66**
Corporate bonds	**4**	**–**	**3**	**3**
Other liquid assets	**–**	**–**	**–**	**22**
Total	**93**	**68**	**3**	**112**

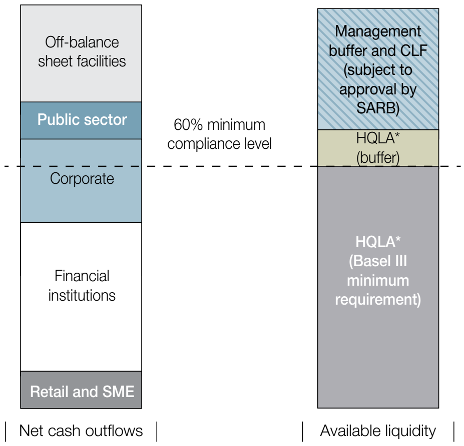
* *SARB specified haircuts for management buffers.*

Liquidity buffers are actively managed via high quality, highly-liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of available liquidity resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business franchise activity.

Funding from institutional clients is the largest contributor to the Group's net cash outflows as measured under the LCR at nearly 40%, and is reflective of the South African market structure. Other significant contributors to the cash outflows are corporate funding and off-balance sheet facilities granted to clients, specifically those related to corporate clients. The Group has strategies in place to increase funding sourced through its deposit franchise and to reduce reliance on institutional funding, as well as to offer utilised facilities more efficiently.

The graph below gives an indication of FRB's LCR position as at 30 June 2014 and demonstrates the Bank's compliance with the 60% minimum requirement.

FirstRand Bank LCR



* *High quality liquid assets.*

CREDIT

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

CREDIT HIGHLIGHTS AT A GLANCE

The Group's total gross advances increased 14% year-on-year with growth in corporate and commercial advances particularly robust at 17%. Retail advances growth of 11% was achieved within the Group's risk appetite framework.

Total NPLs continued to trend downwards and decreased 6% year-on-year. Retail NPLs declined 1% mainly as a result of the continued improvement in the residential mortgage portfolio offset by the 7% increase in the unsecured lending portfolio. The workout of certain non-performing accounts led to the significant improvement of 18% in corporate and commercial NPLs at June 2014. Total NPLs as a percentage of advances improved to 2.33% from 2.81% at June 2013.

NPL coverage is 40.8%. The decline in retail coverage to 33% is expected and attributable to the positive performance of the underlying portfolios in recent years due to proactive risk mitigating measures implemented by the Group since 2011. The increasing proportion of debt review accounts (on which a lower coverage ratio applies) continues to drive the VAF coverage ratio down. Corporate coverage increased significantly to 63% from 53% at June 2013 as a result of the enhancement of collateral information and ongoing actions to resolve certain non-performing accounts.

The credit loss ratio of 0.84% is a significant improvement on the prior year as specific impairment losses continued to reduce. The portfolio impairment loss ratio of 0.22% is consistent with that of the prior year and incorporates increased portfolio overlays both in the franchises and at the centre.

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

		Year ended 30 June		
R million	**Notes**	**2014**	**2013**	**% change**
Total gross advances*,^	1	**699 826**	613 748	14
NPLs^	2	**16 281**	17 231	(6)
NPLs as a % of advances		**2.33**	2.81	
Impairment charge – total^	3	**5 519**	5 700	(3)
– Business as usual		**5 519**	5 470	1
– Special impairment**		**–**	230	(100)
Impairment charge as a % of average advances		**0.84**	0.99	
– Business as usual		**0.84**	0.95	
– Special impairment		**–**	0.04	
Total impairments*,^	4	**13 900**	12 683	10
– Portfolio impairments		**7 259**	5 776	26
– Specific impairments		**6 641**	6 907	(4)
Implied loss given default (coverage)#	4	**40.8**	40.1	
Total impairments coverage ratio†		**85.4**	73.6	
Performing book coverage ratio‡		**1.06**	0.97	

* *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. The amount shown in June 2013 is the final impairment charge for that 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.*
‡ *Portfolio impairments as a percentage of the performing book.*
^ *Audited.*

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

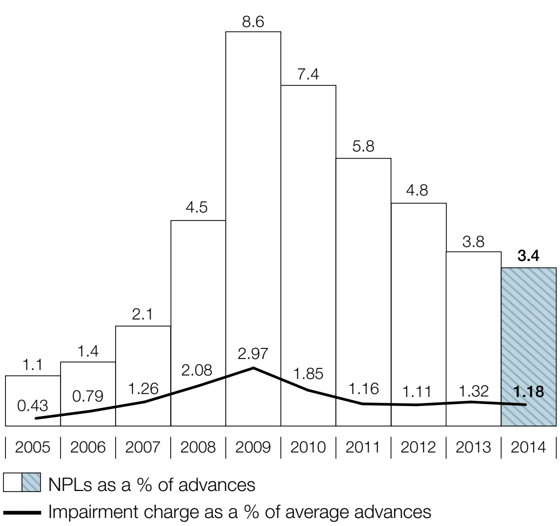
The credit information in this section is presented on a normalised basis. The normalised basis differs from IFRS in that the credit fair value adjustments on fair value advances were reversed to reflect the advances and impairments as if accounted for on an accrual basis. The adjustments had the following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

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 515 million (June 2013: R3 250 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R267 million (June 2013: R893 million). Under IFRS, these are accounted for under NIR.

Retail credit portfolios

- Retail NPLs decreased 1%. NPLs as a percentage of advances decreased to 3.39% from 3.81%.
- NPLs in the residential mortgage portfolio continue to decline. The rate of inflows into NPLs has also slowed. NPLs as a percentage of advances declined from 4.24% to 3.30%.
- The 48% increase in WesBank personal loans NPLs is due to increased inflows as well as increasing debt review restructured accounts. At 30 June 2014, debt review restructured accounts represented 51% of NPLs and, due to the amended repayment profile, debt review restructured accounts remain on the books for an extended period if in adherence with the renegotiated terms. These accounts are reported in NPLs even though clients may be fully performing in terms of the revised repayment terms. This is in line with the Group's policy not to reclassify accounts out of NPLs, i.e. accounts will only migrate out of NPLs when clients have repaid all arrears in terms of their original credit facilities.
- The impairment charge as a percentage of average advances for retail is 1.18% (June 2013: 1.32%). The improvement is due to the slowdown in the inflow of NPLs and benefited from strong post write-off recoveries of R1.6 billion, mainly emanating from the unsecured portfolios and VAF.

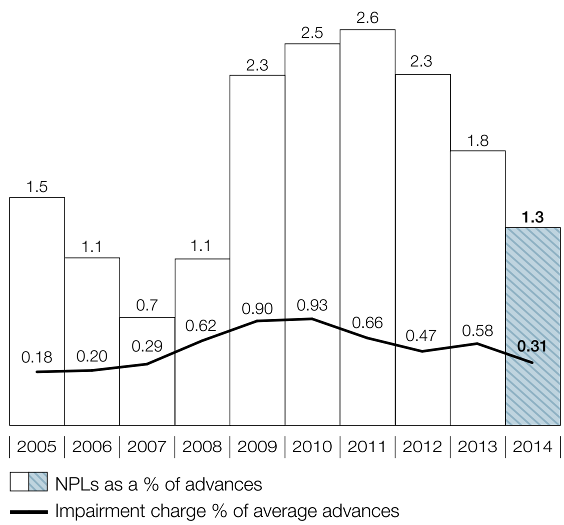
Retail NPLs and impairments



Corporate and commercial credit portfolios

- NPLs in the corporate and commercial portfolios declined year-on-year as a result of various strategies to resolve NPL accounts. NPLs as a percentage of advances improved to 1.28% from 1.83%.
- The increase in NPL coverage ratios is the result of recent collateral valuations and is also due to the resolution of certain accounts which had higher levels of collateral. The write-off of these accounts led to increased coverage on the remaining accounts.
- The impairment charge decreased to 0.31% from 0.58% at June 2013 as a result of lower NPL inflows and includes portfolio impairments of R585 million.

Corporate and commercial NPLs and impairments



NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances			
	As at 30 June			2014
R million	2014	2013	% change	% composition
Retail	**336 697**	303 706	11	48
Retail – secured	**289 797**	263 611	10	41
Residential mortgages	**170 677**	163 046	5	24
VAF	**119 120**	100 565	18	17
Retail – unsecured	**46 900**	40 095	17	7
Card	**14 634**	13 001	13	2
Personal loans	**21 670**	20 185	7	3
– FNB loans	**12 516**	12 885	(3)	2
– WesBank loans	**9 154**	7 300	25	1
Other	**10 596**	6 909	53	2
Corporate and commercial	**317 610**	271 792	17	46
FNB commercial	**50 642**	42 834	18	7
WesBank corporate	**38 763**	34 293	13	6
RMB investment banking	**221 764**	189 564	17	32
RMB corporate banking	**6 441**	5 101	26	1
FNB Africa	**40 202**	32 720	23	6
FCC (including Group Treasury)	**5 317**	5 530	(4)	–
Total advances	**699 826**	613 748	14	100
Of which:				
Accrual book	**512 580**	453 373	13	73
Fair value book*	**187 246**	160 375	17	27

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

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

RMB investment banking core advances

	As at 30 June			2014
R million	2014	2013	% change	% composition
Investment banking advances	**221 764**	189 564	17	100
Less: assets under agreements to resell	**(32 753)**	(40 502)	(19)	(15)
Investment banking advances net of assets under agreements to resell	**189 011**	149 062	27	85

Sector and geographical view of advances

R million	As at 30 June 2014	As at 30 June 2013	% change	2014 % composition
Gross advances	**701 462**	615 614	14	100
Less: interest in suspense	**(1 636)**	(1 866)	(12)	–
Advances net of interest in suspense	**699 826**	613 748	14	100
Sector analysis				
Agriculture	**22 912**	20 873	10	3
Banks	**8 554**	7 178	19	1
Financial institutions	**75 178**	65 969	14	11
Building and property development	**36 814**	35 888	3	5
Government, Land Bank and public authorities	**16 283**	18 169	(10)	2
Individuals	**356 218**	318 296	12	51
Manufacturing and commerce	**89 667**	74 837	20	13
Mining	**22 981**	23 036	–	3
Transport and communication	**19 973**	15 689	27	3
Other services	**51 246**	33 813	52	8
Total advances	**699 826**	613 748	14	100
Geographic analysis				
South Africa	**600 635**	544 296	10	86
Other Africa	**62 300**	45 671	36	9
UK	**28 314**	15 949	78	4
Other Europe	**4 316**	3 398	27	1
North America	**1 223**	1 033	18	–
South America	**161**	601	(73)	–
Australasia	**1 165**	1 359	(14)	–
Asia	**1 712**	1 441	19	–
Total advances	**699 826**	613 748	14	100

NOTE 2: ANALYSIS OF NPLS

Portfolio view of NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			2014	As at 30 June	
R million	2014	2013	% change	% composition	2014	2013
Retail	**11 407**	11 570	(1)	70	**3.39**	3.81
Retail – secured	**9 117**	9 422	(3)	56	**3.15**	3.57
Residential mortgages	**5 625**	6 911	(19)	35	**3.30**	4.24
VAF	**3 492**	2 511	39	21	**2.93**	2.50
Retail – unsecured	**2 290**	2 148	7	14	**4.88**	5.36
Card	**341**	302	13	2	**2.33**	2.32
Personal loans	**1 388**	1 387	–	9	**6.41**	6.87
– FNB loans	**729**	943	(23)	5	**5.82**	7.32
– WesBank loans	**659**	444	48	4	**7.20**	6.08
Other	**561**	459	22	3	**5.29**	6.64
Corporate and commercial	**4 065**	4 984	(18)	25	**1.28**	1.83
FNB commercial	**1 321**	1 429	(8)	8	**2.61**	3.34
WesBank corporate	**633**	975	(35)	4	**1.63**	2.84
RMB investment banking	**2 105**	2 571	(18)	13	**0.95**	1.36
RMB corporate banking	**6**	9	(33)	–	**0.09**	0.18
FNB Africa	**809**	677	19	5	**2.01**	2.07
FCC (including Group Treasury)	**–**	–	–	–	**–**	–
Total NPLs	**16 281**	17 231	(6)	100	**2.33**	2.81
Of which:						
Accrual book	**14 641**	14 941	(2)	90	**2.86**	3.30
Fair value book	**1 640**	2 290	(28)	10	**0.88**	1.43

Sector and geographic analysis of NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			**2014**	**As at 30 June**	
R million	**2014**	**2013**	**% change**	**% composition**	**2014**	**2013**
Sector analysis						
Agriculture	**200**	617	(68)	1	**0.87**	2.96
Financial services	**167**	247	(32)	1	**0.20**	0.34
Building and property development	**2 194**	2 540	(14)	13	**5.96**	7.08
Government, Land Bank and public authorities	**53**	145	(63)	–	**0.33**	0.80
Individuals	**11 729**	11 946	(2)	72	**3.29**	3.75
Manufacturing and commerce	**661**	741	(11)	4	**0.74**	0.99
Mining	**248**	105	>100	2	**1.08**	0.46
Transport and communication	**91**	138	(34)	1	**0.46**	0.88
Other services	**938**	752	25	6	**1.83**	2.22
Total NPLs	**16 281**	17 231	(6)	100	**2.33**	2.81
Geographic analysis						
South Africa	**15 061**	16 041	(6)	93	**2.51**	2.95
Rest of Africa	**810**	678	19	5	**1.30**	1.48
UK	**84**	50	68	1	**0.30**	0.31
North America	**26**	34	(24)	–	**2.13**	3.29
South America	**161**	315	(49)	1	**100.00**	52.41
Australasia	**78**	75	4	–	**6.70**	5.52
Asia	**61**	38	61	–	**3.56**	2.64
Total NPLs	**16 281**	17 231	(6)	100	**2.33**	2.81

Security and recoverable amounts by portfolio

	2014			2013		
R million	**NPLs**	**Security held and expected recoveries**	**Specific impairments***	**NPLs**	**Security held and expected recoveries**	**Specific impairments***
Retail	**11 407**	**7 643**	**3 764**	11 570	7 567	4 003
Retail – secured	**9 117**	**6 926**	**2 191**	9 422	7 041	2 381
Residential mortgages	**5 625**	**4 504**	**1 121**	6 911	5 408	1 503
VAF	**3 492**	**2 422**	**1 070**	2 511	1 633	878
Retail – unsecured	**2 290**	**717**	**1 573**	2 148	526	1 622
Card	**341**	**92**	**249**	302	85	217
Personal loans	**1 388**	**474**	**914**	1 387	353	1 034
– FNB loans	**729**	**159**	**570**	943	173	770
– WesBank loans	**659**	**315**	**344**	444	180	264
Other	**561**	**151**	**410**	459	88	371
Corporate and commercial	**4 065**	**1 491**	**2 574**	4 984	2 345	2 639
FNB commercial	**1 321**	**526**	**795**	1 429	647	782
WesBank corporate	**633**	**199**	**434**	975	450	525
RMB investment banking	**2 105**	**766**	**1 339**	2 571	1 248	1 323
RMB corporate banking	**6**	**–**	**6**	9	–	9
FNB Africa	**809**	**506**	**303**	677	412	265
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Total	**16 281**	**9 640**	**6 641**	17 231	10 324	6 907

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

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

Income statement impairments

	Total impairment charge			As a % of average advances	
	As at 30 June			As at 30 June	
R million	2014	2013	% change	2014	2013
Retail	**3 764**	3 802	(1)	**1.18**	1.32
Retail – secured	**1 502**	1 549	(3)	**0.54**	0.62
Residential mortgages	**158**	507	(69)	**0.09**	0.32
VAF	**1 344**	1 042	29	**1.22**	1.14
Retail – unsecured	**2 262**	2 253	–	**5.20**	6.19
Card	**88**	23	>100	**0.64**	0.19
Personal loans	**1 582**	1 832	(14)	**7.56**	9.67
– FNB loans	**980**	1 402	(30)	**7.72**	11.39
– WesBank loans	**602**	430	40	**7.32**	6.48
Other	**592**	398	49	**6.76**	7.47
Corporate and commercial	**914**	1 478	(38)	**0.31**	0.58
FNB commercial	**333**	318	5	**0.71**	0.81
WesBank corporate	**135**	177	(24)	**0.37**	0.53
RMB investment banking	**414**	954	(57)	**0.20**	0.54
RMB corporate banking	**32**	29	10	**0.55**	0.75
FNB Africa	**262**	190	38	**0.72**	0.65
FCC (including Group Treasury)*	**579**	–	–	**0.09**	–
Business as usual impairment charge*	**5 519**	5 470	1	**0.84**	0.95
Special impairment*	**–**	230	–	**–**	0.04
Total impairment charge	**5 519**	5 700	(3)	**0.84**	0.99
Of which:					
Portfolio impairment charge	**1 466**	1 234	19	**0.22**	0.21
Specific impairment charge	**4 053**	4 466	(9)	**0.62**	0.78

* *Percentages calculated on total average advances.*

NOTE 4: BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The Group constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios. The NPL coverage ratio is 40.8% (2013: 40.1%).

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments			Coverage ratios (% of NPLs)	
	As at 30 June			As at 30 June	
R million	2014	2013	% change	2014	2013
Specific impairments*					
Retail	**3 764**	4 003	(6)	**33.0**	34.6
Retail – secured	**2 191**	2 381	(8)	**24.0**	25.3
Residential mortgages	**1 121**	1 503	(25)	**19.9**	21.7
VAF**	**1 070**	878	22	**30.6**	35.0
Retail – unsecured	**1 573**	1 622	(3)	**68.7**	75.5
Card	**249**	217	15	**73.0**	71.9
Personal loans	**914**	1 034	(12)	**65.9**	74.5
– FNB loans	**570**	770	(26)	**78.2**	81.7
– WesBank loans**	**344**	264	30	**52.2**	59.5
Other	**410**	371	11	**73.1**	80.8
Corporate and commercial	**2 574**	2 639	(2)	**63.3**	52.9
FNB commercial	**795**	782	2	**60.2**	54.7
WesBank corporate	**434**	525	(17)	**68.6**	53.8
RMB investment banking	**1 339**	1 323	1	**63.6**	51.5
RMB corporate banking	**6**	9	(33)	**100.0**	100.0
FNB Africa	**303**	265	14	**37.5**	39.1
FCC (including Group Treasury)	**–**	–	–	**–**	–
Total specific impairments/implied loss given default[#]	**6 641**	6 907	(4)	**40.8**	40.1
Portfolio impairments[†]	**7 259**	5 776	26	**44.6**	33.5
Total impairments/total impairment coverage ratio[‡]	**13 900**	12 683	10	**85.4**	73.6

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

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

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

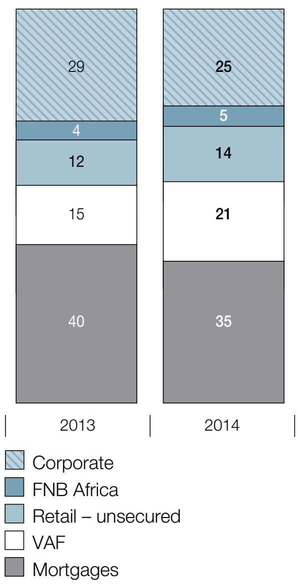
[†] *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book as a percentage of NPLs.*

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

NPL DISTRIBUTION

The graph below provides the NPL distribution across the various portfolios, showing decreases in the proportion of residential mortgage and corporate NPLs since June 2013 and an increase in VAF NPLs.

NPLs distribution (%)



RECONCILIATION OF IMPAIRMENTS

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

Balance sheet impairments and credit fair value adjustments

	As at 30 June					
	Amortised cost book		**Fair value book**		**Total book**	
R million	**2014**	**2013**	**2014**	**2013**	**2014**	**2013**
Non-performing book	**5 575**	5 713	**1 066**	1 194	**6 641**	6 907
Performing book	**4 810**	3 720	**2 449**	2 056	**7 259**	5 776
Total impairments	**10 385**	9 433	**3 515**	3 250	**13 900**	12 683

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

Balance sheet specific impairments – amortised cost

	2014			
R million	**Retail**	**Corporate**	**FNB Africa**	**Total**
Opening balance	**4 003**	**1 445**	**265**	**5 713**
Reclassifications and transfers	**–**	**2**	**(9)**	**(7)**
Acquisitions	**–**	**–**	**–**	**–**
Exchange rate difference	**7**	**6**	**4**	**17**
Unwinding and discounted present value on NPLs	**(120)**	**(8)**	**(7)**	**(135)**
Bad debts written off	**(5 172)**	**(494)**	**(169)**	**(5 835)**
Net new impairments created	**5 040**	**563**	**219**	**5 822**
Closing balance	**3 758**	**1 514**	**303**	**5 575**

	2013			
R million	**Retail**	**Corporate**	**FNB Africa**	**Total**
Opening balance	3 924	1 422	228	5 574
Reclassifications and transfers	54	87	17	158
Acquisitions	–	–	–	–
Exchange rate difference	8	4	18	30
Unwinding and discounted present value on NPLs	(143)	(14)	(11)	(168)
Bad debts written off	(4 469)	(629)	(179)	(5 277)
Net new impairments created	4 629	575	192	5 396
Closing balance	4 003	1 445	265	5 713

The Group's income statement charge continues to benefit from increased post write-off recoveries, particularly in retail. The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

Income statement impairments

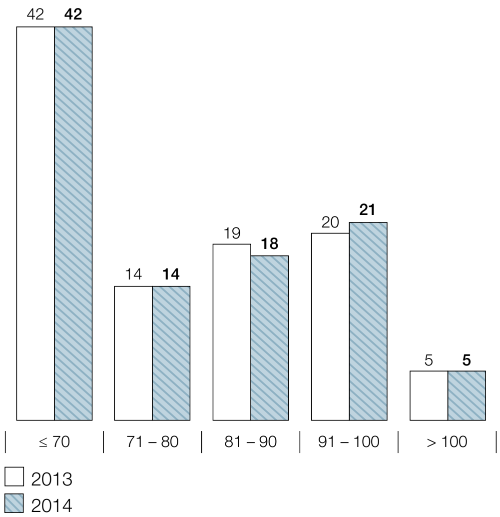
	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Specific impairment charge	**5 822**	5 396	8
Recoveries of bad debts written off	**(1 642)**	(1 137)	44
Net specific impairment charge (amortised cost)	**4 180**	4 259	(2)
Portfolio impairment charge (amortised cost)	**1 072**	548	96
Credit fair value adjustments	**267**	893	(70)
– Non-performing book	**(126)**	207	(161)
– Performing book	**393**	686	(43)
Total impairments	**5 519**	5 700	(3)

RISK ANALYSES

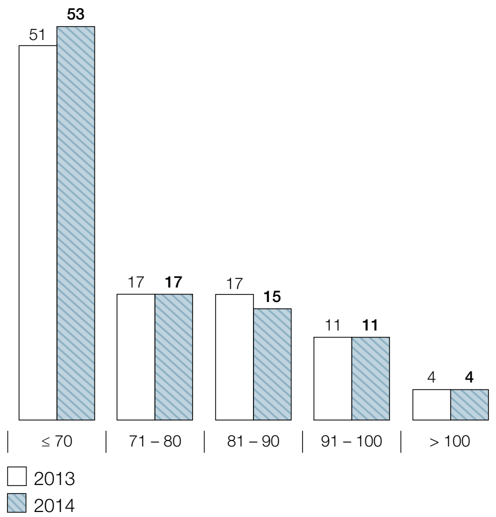
The focus on the loan-to-value ratios for new business resulted in an improvement in the balance-to-original value although the broader strategy is to place more emphasis on the counterparty creditworthiness as opposed to only on the underlying security. Pressures on property market values have negatively impacted the balance-to-market value distribution.

The graphs below provide the balance-to-value and distributions of age of residential mortgage portfolios.

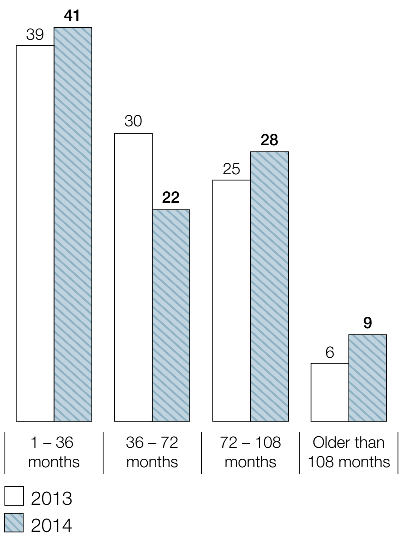
Residential mortgages balance-to-original value (%)



Residential mortgages balance-to-market value (%)

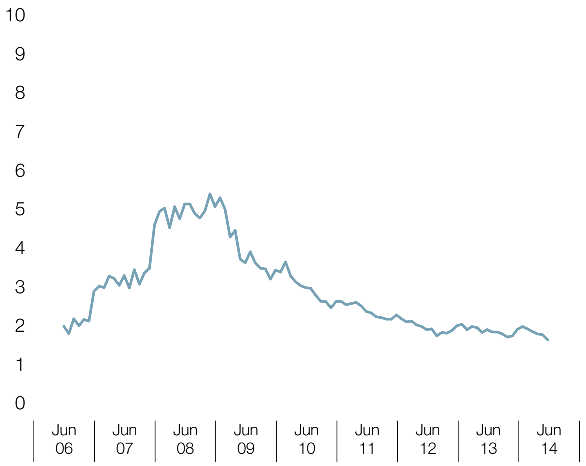


Residential mortgages age distribution (%)



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

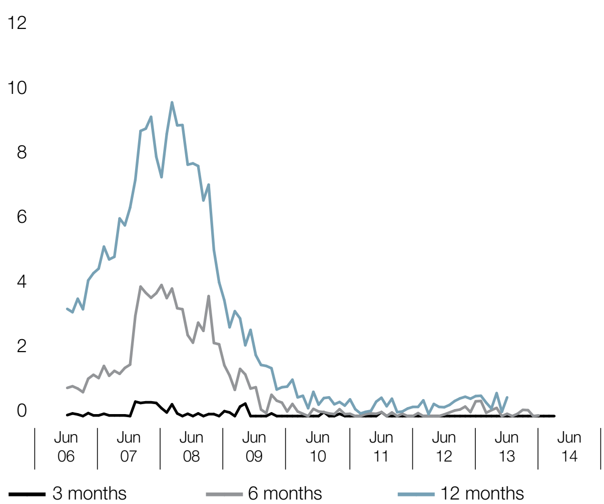
FNB HomeLoans arrears (%)



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

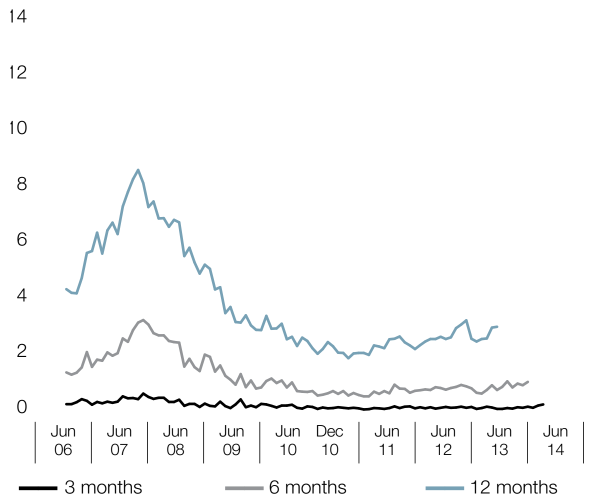
FNB HomeLoan vintages continue to perform at record lows even when considering the pre-2008 period. This can be attributed to risk mitigation actions taken across all residential mortgage portfolios.

FNB HomeLoans vintage analysis (%)



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

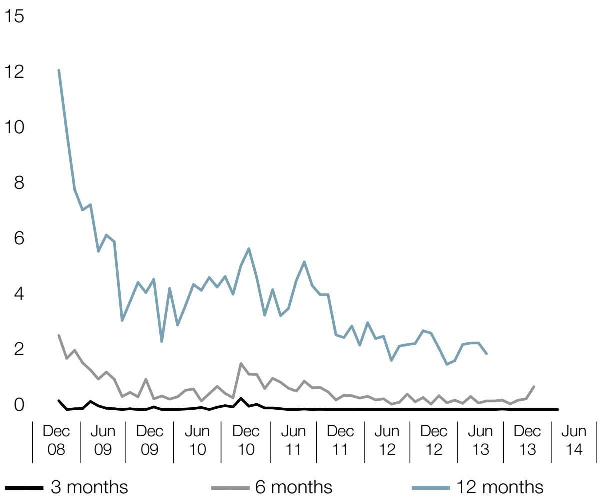
WesBank retail VAF vintage analysis (%)



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

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

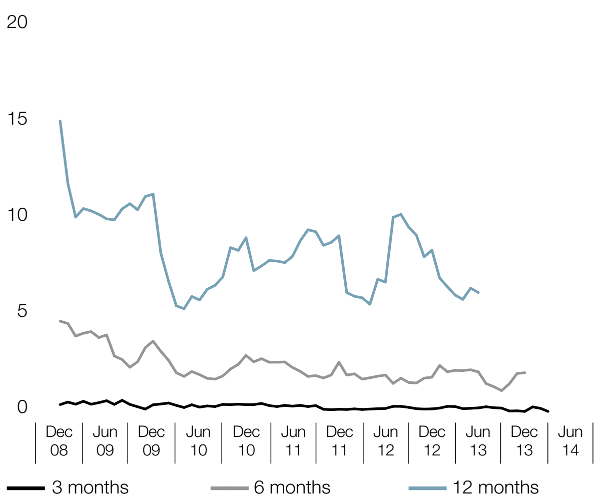
FNB Card vintage analysis (%)



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

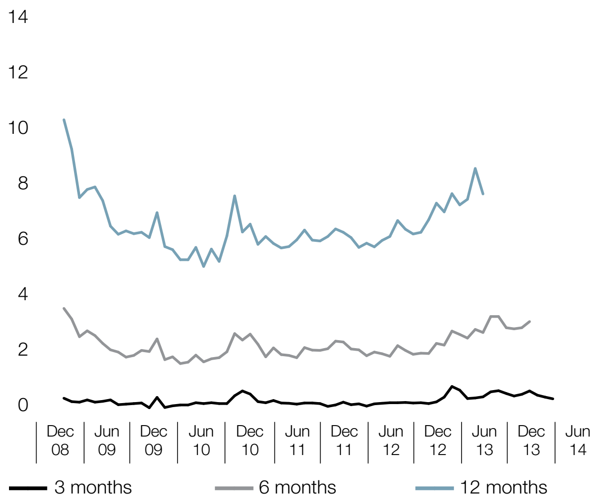
Vintages for personal loans are within thresholds and risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite. FNB loans vintages are performing at the lowest levels since December 2008. The positive risk outcome is the result of active management of credit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

FNB personal loans vintage analysis (%)



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

WesBank personal loans vintage analysis (%)



RETAIL PROPERTIES IN POSSESSION

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

SUPPLEMENTARY INFORMATION

Segmental advances NPLs and impairment analysis

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

	Year ended 30 June 2014				
R million/%	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
FNB*	**299 267**	**9 386**	**3.14**	**2 413**	**0.85**
FNB retail	208 423	7 256	3.48	1 818	0.90
– Residential mortgages	170 677	5 625	3.30	158	0.09
– Card	14 634	341	2.33	88	0.64
– Personal loans	12 516	729	5.82	980	7.72
– Other	10 596	561	5.29	592	6.76
FNB commercial	50 642	1 321	2.61	333	0.71
FNB Africa	40 202	809	2.01	262	0.72
WesBank	**167 037**	**4 784**	**2.86**	**2 081**	**1.35**
WesBank asset-backed finance	157 883	4 125	2.61	1 479	1.01
– WesBank retail	96 445	3 409	3.53	1 209	1.32
– WesBank corporate	38 763	633	1.63	135	0.37
– WesBank international	22 675	83	0.37	135	0.75
WesBank loans	9 154	659	7.20	602	7.32
RMB	**228 205**	**2 111**	**0.93**	**446**	**0.21**
RMB investment banking	221 764	2 105	0.95	414	0.20
RMB corporate banking	6 441	6	0.09	32	0.55
FCC (including Group Treasury)#	**5 317**	**–**	**–**	**579**	**0.09**
Subtotal	**699 826**	**16 281**	**2.33**	**5 519**	**0.84**
Special impairments*,#	–	–	–	–	–
Total	**699 826**	**16 281**	**2.33**	**5 519**	**0.84**

* *Special impairment applicable to June 2013 relates to FNB (R215 million) and RMB corporate banking (R15 million).*
\# *The impairment charge has been calculated as a percentage of total average advances.*

	Year ended 30 June 2013			
Advances	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
271 395	10 721	3.95	2 838	1.10
195 841	8 615	4.40	2 330	1.22
163 046	6 911	4.24	507	0.32
13 001	302	2.32	23	0.19
12 885	943	7.32	1 402	11.39
6 909	459	6.64	398	7.47
42 834	1 429	3.34	318	0.81
32 720	677	2.07	190	0.65
142 158	3 930	2.76	1 649	1.26
134 858	3 486	2.58	1 219	0.98
87 309	2 461	2.82	945	1.18
34 293	975	2.84	177	0.53
13 256	50	0.38	97	0.86
7 300	444	6.08	430	6.48
194 665	2 580	1.33	983	0.54
189 564	2 571	1.36	954	0.54
5 101	9	0.18	29	0.75
5 530	–	–	–	–
613 748	17 231	2.81	5 470	0.95
–	–	–	230	0.04
613 748	17 231	2.81	5 700	0.99

supplementary information

FAIR VALUE MEASUREMENTS (AUDITED)

VALUATION METHODOLOGY

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

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

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

Recurring fair value measurements

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

Financial instruments

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

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

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

Non-financial assets

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

Non-recurring fair value measurements

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

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 118, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

Valuations based on observable inputs include:

Level 1

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

Level 2

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

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Derivative financial instruments					
Option contracts	Level 2 and level 3	Option pricing model	The Black Scholes model is used.	Strike price of the option; market-related discount rate; forward rate, and cap and floor volatility	Volatilities
Futures contracts	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Swaps	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents pertaining to the swap.	Market interest rates and curves	Not applicable
Forward rate agreements	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates and curves	Not applicable
Forward contracts	Level 2	Discounted cash flows	The future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves	Not applicable
Credit derivatives	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market-related interest rate. Where prices are obtainable from the market, individual credit spreads are used.	Market interest rates and curves	Credit inputs
Commodity derivatives	Level 2	Discounted cash flows	Commodity-linked instruments are measured by taking into account the price, location differential, grade differential, silo differential and the discount factor of the most liquidly traded futures linked to the commodity.	Futures prices	Not applicable
Equity derivatives	Level 2 and level 3	Industry standard models	The models calculate fair value based on input parameters such as stock prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates and curves	Volatilities

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Loans and advances to customers					
Investment banking book*	Level 3	Discounted cash flows	The future cash flows are discounted using a market-related interest rate. To calculate the fair value of credit the Group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	The future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However if the market is not active and the listed price is not representative of fair value, these are classified as level 2 and a valuation technique is used, for example the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market-related interest rate.	Market interest rates and curves	Not applicable
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	As at 30 June 2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**22**	**38 896**	**120**	**39 038**
Advances*	**–**	**31 923**	**151 810**	**183 733**
Investment securities and other investments	**57 601**	**38 106**	**3 958**	**99 665**
Non-recourse investments	**–**	**18 370**	**–**	**18 370**
Commodities	**7 904**	**–**	**–**	**7 904**
Investment properties	**–**	**419**	**–**	**419**
Total financial assets measured at fair value	**65 527**	**127 714**	**155 888**	**349 129**
Liabilities				
Recurring fair value measurements				
Short trading positions	**5 442**	**–**	**–**	**5 442**
Derivative financial instruments	**25**	**41 629**	**5**	**41 659**
Deposits	**125**	**84 940**	**1 327**	**86 392**
Non-recourse deposits	**–**	**18 370**	**–**	**18 370**
Other liabilities	**–**	**3 505**	**–**	**3 505**
Tier 2 liabilities	**–**	**1 030**	**–**	**1 030**
Total financial liabilities measured at fair value	**5 592**	**149 474**	**1 332**	**156 398**

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

During the current year there were no assets or liabilities measured at fair value on a non-recurring basis.

There were no transfers of assets or liabilities between level 1 and level 2 during the current year.

R million	As at 30 June 2013 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	181	51 986	110	52 277
Advances*	–	40 376	116 749	157 125
Investment securities and other investments	59 108	44 006	5 330	108 444
Non-recourse investments	–	19 225	–	19 225
Total financial assets measured at fair value	59 289	155 593	122 189	337 071
Liabilities				
Recurring fair value measurements				
Short trading positions	2 991	–	–	2 991
Derivative financial instruments	75	52 932	1	53 008
Deposits	–	84 141	1 517	85 658
Non-recourse deposits	–	19 225	–	19 225
Other liabilities	–	2 023	–	2 023
Tier 2 liabilities	–	1 049	–	1 049
Total financial liabilities measured at fair value	3 066	159 370	1 518	163 954

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

There were no transfers of assets or liabilities between level 1 and level 2 during the prior year.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	As at 30 June 2014		
R million	**Fair value on 30 June 2013**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**110**	**30**	**–**
Advances	**116 749**	**3 511**	**–**
Investment securities and other investments	**5 330**	**361**	**4**
Total financial assets measured at fair value in level 3	**122 189**	**3 902**	**4**
Liabilities			
Derivative financial instruments	**1**	**4**	**–**
Deposits	**1 517**	**59**	**–**
Total financial liabilities measured at fair value in level 3	**1 518**	**63**	**–**

Note: Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

During the current reporting period investment securities to the value of R185 million were transferred out of level 3 into level 1 and 2 due to these investment securities listing on an exchange. Of these, investment securities of R150 million were transferred to level 2 as the market is not yet considered to be active for these investments. In addition, investment securities of R187 million and deposits of R111 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.

As at 30 June 2014					
Purchases, sales, issues and settlements	Acquisitions/ disposals of subsidiaries	Transfers into level 3	Transfer out of level 3	Exchange rate difference	Fair value on 30 June 2014
(20)	–	–	–	–	120
31 110	–	–	–	440	151 810
(1 752)	–	187	(185)	13	3 958
29 338	–	187	(185)	453	155 888
–	–	–	–	–	5
(383)	–	111	–	23	1 327
(383)	–	111	–	23	1 332

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Changes in level 3 instruments with recurring fair value measurements continued

	As at 30 June 2013		
R million	**Fair value on 30 June 2012**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	198	34	–
Advances	101 109	2 106	–
Investment securities and other investments	5 404	(852)	24
Total financial assets measured at fair value in level 3	106 711	1 288	24
Liabilities			
Derivative financial instruments	147	72	–
Deposits	3 267	(243)	–
Total financial liabilities measured at fair value in level 3	3 414	(171)	–

Note: Decreases in level 3 assets and liabilities are included in brackets. Decreases in the value of assets may be as a result of losses, sales and settlements or the disposal of subsidiaries. Decreases in the value of liabilities may be as a result of gains, settlements or the disposal of subsidiaries.

- Advances to the value of R349 million were transferred out of level 2 to level 3 in the prior year. This transfer was as a result of certain unobservable inputs becoming significant to the calculation of fair value. The inclusion of these advances in level 3 of the fair value hierarchy was, therefore, more appropriate.
- Investment securities to the value of R14 million were transferred out of level 3 and into level 1 as these were previously unlisted shares which listed during June 2013.
- Derivative financial liabilities to the value of R200 million were transferred out of level 3 and into level 2 as a result of a change in input into the valuation techniques used to value these derivatives. The inputs around volatility are based on observable market inputs.

As at 30 June 2013					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate difference**	**Fair value on 30 June 2013**
(122)	–	–	–	–	110
12 507	–	349	–	678	116 749
721	(3)	–	(14)	50	5 330
13 106	(3)	349	(14)	728	122 189
(18)	–	–	(200)	–	1
(1 614)	–	–	–	107	1 517
(1 632)	–	–	(200)	107	1 518

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Unrealised gains or losses on level 3 instruments with recurring fair value measurements

The Group classifies assets or liabilities in level 3 of the fair value hierarchy when the significant inputs into the valuation model are not observable. In addition the valuation model for level 3 assets or liabilities typically also relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

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

	As at 30 June 2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**22**	**–**	**22**
Advances*	**3 039**	**–**	**3 039**
Investment securities and other investments	**287**	**(1)**	**286**
Total	**3 348**	**(1)**	**3 347**
Liabilities			
Derivative financial instruments	**4**	**–**	**4**
Deposits	**(23)**	**–**	**(23)**
Total	**(19)**	**–**	**(19)**

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

Note: Decreases in the value of level 3 assets and liabilities are indicated with brackets. Decreases in the value of assets may be as a result of losses recognised in profit or loss and other comprehensive income. Decreases in the value of liabilities may be as a result of gains recognised in profit or loss.

R million	As at 30 June 2013 Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Total gains/losses
Assets			
Derivative financial instruments	32	–	32
Advances*	2 414	–	2 414
Investment securities and other investments	155	24	179
Total	2 601	24	2 625
Liabilities			
Derivative financial instruments	–	–	–
Deposits	(146)	–	(146)
Total	(146)	–	(146)

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

Note: Decreases in level 3 assets and liabilities are indicated with brackets. Decreases in the value of assets may be as a result of losses. Decreases in the value of liabilities may be as a result of gains, recognised in profit or loss.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

	As at 30 June 2014	
R million	**Significant unobservable inputs**	**Reasonably possible changes to significant unobservable inputs**
Assets		
Derivative financial instruments	**Volatilities**	**Volatilities increased and decreased by 10%**
Advances	**Credit**	**Credit migration matrix***
Investment securities and other investments	**Growth rates and P/E ratios of unlisted investments**	**Unobservable inputs increased and decreased by 10%**
Total financial assets measured at fair value in level 3		
Liabilities		
Derivative financial instruments	**Volatilities**	**Volatilities increased and decreased by 10%**
Deposits	**Credit risk of the cash collateral leg of credit linked notes**	**Credit migration matrix****
Total financial liabilities measured at fair value in level 3		

* *The credit migration matrix is used as part of the Group's credit risk management process for advances measured at fair value through profit or loss. The matrix is a simulation model that contains a matrix of probabilities for downgrading or upgrading to another rating bucket. The migration matrix is based on actual observed rating migrations from S&P over the long term and is based on the fair value in the 75th percentile.*

** *The deposits included in level 3 of the hierarchy represent the collateral leg of credit linked notes. The most significant unobservable input in determining the fair value of the credit linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.*

As at 30 June 2014			As at 30 June 2013		
Reasonably possible alternative fair value			Reasonably possible alternative fair value		
Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
120	175	107	110	136	93
151 810	153 180	151 817	116 749	118 166	115 625
3 958	4 381	3 540	5 330	5 985	4 591
155 888	157 736	155 464	122 189	124 287	120 309
5	5	5	1	1	1
1 327	1 195	1 460	1 517	1 365	1 668
1 332	1 200	1 465	1 518	1 366	1 669

OTHER FAIR VALUE MEASUREMENTS

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position, but for which fair value is required to be disclosed.

	As at 30 June 2014					As at 30 June 2013	
R million	**Carrying amount**	**Fair value**	**Level 1**	**Level 2**	**Level 3**	**Carrying amount**	**Fair value**
Assets							
Advances	**502 195**	**505 747**	**–**	**72 581**	**433 166**	443 940	437 876
Investment securities and other investments	**1 072**	**1 070**	**–**	**729**	**341**	719	715
Total financial assets at amortised cost	**503 267**	**506 817**	**–**	**73 310**	**433 507**	444 659	438 591
Liabilities							
Deposits	**663 472**	**664 789**	**18 156**	**646 537**	**96**	592 152	593 585
Other liabilities	**3 075**	**2 850**	**–**	**975**	**1 875**	4 068	3 911
Tier 2 liabilities	**10 953**	**11 216**	**–**	**11 099**	**117**	7 067	7 189
Total financial liabilities at amortised cost	**677 500**	**678 855**	**18 156**	**658 611**	**2 088**	603 287	604 685

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

Day 1 profit or loss

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the entry or exit price) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. Day 1 profit or loss arises on the initial recognition of a financial instrument when the fair value of the instrument is determined using a valuation technique that makes use of inputs that are not observable in an active market. In terms of IAS 39 if the fair value determined in accordance with such a valuation technique differs from the transaction price the initial recognition should take place at the transaction price. The day 1 profits or losses arising as a result of the difference between the two values should only be recognised over the life of the instrument as a result of changes that would also be considered by market participants.

The following table represents the aggregate difference between transaction price and fair value based on a valuation technique yet to be recognised in profit or loss.

R million	2014	2013
Balance at 1 July	**28**	37
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**–**	–
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(8)**	(9)
Balance at 30 June	**20**	28

HEADLINE EARNINGS ADDITIONAL DISCLOSURE

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

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

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Aggregate cost of portfolio	**3 091**	2 431	27
Aggregate carrying value	**5 029**	4 000	26
Aggregate fair value*	**8 252**	5 762	43
Equity-accounted income**	**677**	522	30
Profit on realisation#	**795**	402	98

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

Issue 2 – Capital appreciation on investment products

	Year ended 30 June		
R million	**2014**	**2013**	**% change**
Carrying value of investment properties	**419**	459	(9)
Fair value of investment properties	**419**	459	(9)
Capital appreciation after tax	**–**	7	(100)

RESTATEMENT OF PRIOR YEAR NUMBERS (AUDITED)

DESCRIPTION OF RESTATEMENTS

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

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

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

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

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

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

IAS 19

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

Loans to associates and joint venture

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

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

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

RESTATED SUMMARISED CONSOLIDATED INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2013 – IFRS (AUDITED)

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

RESTATED SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013 – IFRS (AUDITED)

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

RESTATED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013 – IFRS (AUDITED)

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

RESTATED SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2012 – IFRS (AUDITED)

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

RESTATED RECONCILIATION OF IFRS SUMMARISED CONSOLIDATED INCOME STATEMENT TO NORMALISED FOR THE YEAR ENDED 30 JUNE 2013

			Normalised adjustments					
R million	**As previously reported**	**IFRS adjust-ments**	**Treasury shares**	**IAS 19 adjust-ments**	**Private equity sub-realisation**	**HEPS adjust-ments**	**IFRS adjustment and IFRS 2 liabilities remeasure-ment**	**Restated**
Net interest income before impairment of advances	28 064	54	(18)	–	–	–	–	28 100
Impairment of advances	(5 705)	5	–	–	–	–	–	(5 700)
Net interest income after impairment of advances	22 359	59	(18)	–	–	–	–	22 400
Non-interest revenue	28 244	(880)	12	–	42	(153)	(247)	27 018
Income from operations	50 603	(821)	(6)	–	42	(153)	(247)	49 418
Operating expenses	(29 645)	682	–	(153)	–	52	247	(28 817)
Net income from operations	20 958	(139)	(6)	(153)	42	(101)	–	20 601
Share of profit of associates after tax	516	–	–	–	–	(14)	–	502
Share of profit of joint ventures after tax	301	–	–	–	–	–	–	301
Income before tax	21 775	(139)	(6)	(153)	42	(115)	–	21 404
Indirect tax	(645)	–	–	–	–	–	–	(645)
Profit before tax	21 130	(139)	(6)	(153)	42	(115)	–	20 759
Income tax expense	(4 682)	415	–	43	–	34	–	(4 190)
Profit for the year	16 448	276	(6)	(110)	42	(81)	–	16 569
Attributable to:								
Non-controlling interests	(842)	(30)	–	–	–	20	–	(852)
NCNR preference shareholders	(297)	–	–	–	–	–	–	(297)
Ordinary equityholders of the Group	15 309	246	(6)	(110)	42	(61)	–	15 420
Headline and normalised earnings adjustment	14	(33)	–	–	(42)	61	–	–
Normalised earnings	15 323	213	(6)	(110)	–	–	–	15 420

CONTINGENCIES AND COMMITMENTS (AUDITED)
as at 30 June

R million	2014	2013	% change
Contingencies			
Guarantees	**33 114**	30 137	10
Letters of credit	**7 588**	9 195	(17)
Total contingencies	**40 702**	39 332	3
Capital commitments			
Contracted capital commitments	**1 169**	1 585	(26)
Capital expenditure authorised not yet contracted	**2 795**	1 902	47
Total capital commitments	**3 964**	3 487	14
Other commitments			
Irrevocable commitments	**78 785**	78 783	–
Operating lease and other commitments	**3 166**	3 113	2
Total other commitments	**81 951**	81 896	–
Total contingencies and commitments	**126 617**	124 715	2

NUMBER OF ORDINARY SHARES IN ISSUE (AUDITED)

for the year ended 30 June

	2014	2013
Shares in issue		
Opening balance as at 1 July	**5 637 941 689**	5 637 941 689
Less: treasury shares	**(152 823 701)**	(151 690 151)
– BEE staff trusts	**(151 401 072)**	(151 401 072)
– Shares held by policyholders	**(1 422 629)**	(289 079)
Number of shares in issue (after treasury shares)	**5 485 117 988**	5 486 251 538
Weighted average number of shares		
Weighted average number of shares before treasury shares	**5 637 941 689**	5 637 941 689
Less: treasury shares	**(152 688 931)**	(155 454 963)
– Staff schemes	**–**	(446 141)
– BEE staff trusts	**(151 401 072)**	(151 401 072)
– Policyholder and mutual funds deemed treasury shares	**(1 287 859)**	(3 607 750)
Weighted average number of shares in issue	**5 485 252 758**	5 482 486 726
Dilution impact		
Staff schemes	**30 121**	25 846 994
BEE staff trusts	**57 719 182**	41 690 956
Diluted weighted average number of shares in issue	**5 543 002 061**	5 550 024 676
Number of shares for normalised earnings per share calculation		
Actual weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share	**5 637 941 689**	5 637 941 689

KEY MARKET INDICATORS AND SHARE STATISTICS

for the year ended 30 June

	2014	2013	% change
Market indicators			
USD/ZAR exchange rate			
– Closing	**10.63**	10.01	6
– Average	**10.38**	8.84	17
SA prime overdraft (%)	**9.00**	8.50	
SA average prime overdraft (%)	**8.71**	8.52	
SA average CPI (%)	**6.00**	5.53	
JSE All Share Index	**50 945**	39 578	29
JSE Banks Index	**65 117**	49 961	30
Share statistics			
Share price			
– High for the period (cents)	**4 162**	3 359	24
– Low for the period (cents)	**2 765**	2 515	10
– Closing (cents)	**4 075**	2 893	41
Shares traded			
– Number of shares (millions)	**2 664**	3 398	(22)
– Value of shares (R million)	**90 928**	99 406	(9)
– Turnover in shares traded (%)	**48.57**	62.22	

SHARE PRICE PERFORMANCE

for the year ended 30 June

	2014	2013	% change
FirstRand average share price (cents)	**3 431**	2 957	16
JSE Bank Index (average)	**56 423**	50 655	11
JSE All Share Index (average)	**45 630**	38 194	19

COMPANY INFORMATION

DIRECTORS

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

SECRETARY AND REGISTERED OFFICE

C Low
4 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
PO Box 650149, Benmore 2010
Tel: +27 11 282 1808
Fax: +27 11 282 8088
Website: www.firstrand.co.za

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

JSE INDEPENDENT SPONSOR

PricewaterhouseCoopers Corporate Finance (Pty) Ltd
2 Eglin Road
Sunninghill
Sandton 2196

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg 2001
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FNB Namibia Holdings Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

Ordinary shares

Issuer	Share code	ISIN code
First National Bank of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB03	ZAG000026774
	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
Upper Tier 2	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBN05	ZAG000042169
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ14	ZAG000069683
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS93	ZAG000107863
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS95	ZAG000107889
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS97	ZAG000108440
	FirstRand Bank Limited	FRS99	ZAG000109802
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS106	ZAG000112004
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS111	ZAG000114687
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRX14	ZAG000079815
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
	FirstRand Bank Limited	FRI15	ZAG000051137
Credit-linked notes	FirstRand Bank Limited	FRC29	ZAG000069857
	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC70	ZAG000088840
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC85	ZAG000091109
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC97	ZAG000093212
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC110	ZAG000094954
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC146	ZAG000099425
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC187	ZAG000111584
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRD003	ZAG000114067
Investment security index contracts	Rand Merchant Bank	RMBI02	ZAG000052986
	Rand Merchant Bank	RMBI03	ZAG000054032
	Rand Merchant Bank	RMBI05	ZAG000055864
	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

NSX

	Issuer	Bond code	ISIN code
Subordinated debt	First National Bank of Namibia Limited	FNBJ22	NA000A1G3AF2
	First National Bank of Namibia Limited	FNBX22	NA000A1G3AG0

London Stock Exchange (LSE)
European medium term note (EMTN) programme

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

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FIRSTRAND BANK LIMITED — Banking

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

100% FIRSTRAND EMA (PTY) LTD (FREMA) — Africa and emerging markets

58%	FNB Namibia
69%	FNB Botswana
100%	FNB Swaziland
90%	FNB Mozambique
100%	FNB Zambia
100%	FNB Lesotho
100%	FNB Tanzania
100%	RMB Nigeria
100%	FirstRand International – Mauritius

100% FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL) — Other activities**

96%	RMB Private Equity Holdings (Pty) Ltd
93%	RMB Private Equity (Pty) Ltd
100%	RMB Securities (Pty) Ltd
50%	RMB Morgan Stanley (Pty) Ltd
100%	RentWorks Africa (Pty) Ltd
66%	Direct Axis SA (Pty) Ltd
100%	FirstRand International Limited – Guernsey
100%	RMB Australia Holdings Limited

100% ASHBURTON INVESTMENTS HOLDINGS LIMITED — Investment management

100%	Ashburton Fund Managers (Pty) Ltd
100%	Ashburton Investor Services (Pty) Ltd
100%	Ashburton Management Company (Pty) Ltd
100%	Ashburton Investments International Holdings Ltd
100%	RMB CIS Management Company (Pty) Ltd

Structure shows effective consolidated shareholding.

1. Division
2. Branch
3. Representative office

* MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).

** For segmental analysis purposes, entities included in FRIHL and FREMA are reported as part of results of the managing franchise.
The Group's securitisations and conduits are in FRIHL.

CREDIT RATINGS

FIRSTRAND BANK LIMITED

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 8 September 2014

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

On 13 June 2014, S&P lowered the ratings on the sovereign to BBB-/Stable/A-3 (foreign currency) and BBB+/Stable/A-2 (local currency). Consequently, FRB's ratings were lowered to BBB-/Stable/A-3 (foreign currency) and BBB-/Stable/A-3 (local currency) with the national scale ratings affirmed.

Credit ratings assigned by Moody's Investors Service (Moody's) as at 8 September 2014

	FirstRand Bank Limited	Sovereign rating South Africa
FRB foreign currency deposit ratings and sovereign foreign currency bond ratings		
Long-term	**Baa1**	Baa1
Outlook	**Negative**	Negative
Short-term	**P-2**	
FRB local currency deposit ratings and sovereign local currency bond ratings		
Long-term	**Baa1**	Baa1
Outlook	**Negative**	Negative
Short-term	**P-2**	
National scale		
Long-term	**Aa3.za**	
Short-term	**P-1.za**	
Bank financial strength rating	**C-**	
Baseline credit assessment	**baa1**	

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

FRB's long-term foreign currency rating was unaffected at Baa1 (but has been placed under review) – Moody's revised local currency rating and current foreign currency rating (of Baa1) are higher than S&P's equivalent ratings (local- and foreign currency rating of BBB-) and Fitch's ratings (local- and foreign currency rating of BBB).

The rating action brought the Bank's local currency deposit and debt ratings in line with its Baa1 foreign currency deposit rating, its standalone credit assessment of baa1 and the Baa1 bond rating ascribed to the government of South Africa by Moody's.

Credit ratings assigned by Fitch Ratings (Fitch) as at 8 September 2014

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

On 13 June 2014, Fitch revised the outlook on the sovereign to negative from stable and affirmed the ratings. Consequently, the outlook on FRB was also revised from stable to negative in line with the negative outlook on the sovereign.

FIRSTRAND LIMITED

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

Credit ratings assigned by S&P as at 8 September 2014

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

On 13 June 2014, S&P lowered the ratings on the sovereign to BBB-/Stable/A-3 (foreign currency) and BBB+/Stable/A-2 (local currency). Consequently, the ratings on FRB and FirstRand were lowered by one notch in line with the rating action on the sovereign.

DEFINITIONS

Additional Tier 1 (AT1) capital	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per income statement expressed as a percentage of average advances (average between the opening and closing balance for the period).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per income statement divided by income before direct tax per income statement.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Net income after capital charge (NIACC)	Normalised earnings less cost of equity multiplied by average ordinary shareholders' equity and reserves.
Normalised earnings	The Group believes normalised earnings more accurately reflect its economic performance. IFRS earnings are adjusted to take into account headline earnings adjustments, non-operational items and accounting anomalies. Refer to pages 14 and 15 for a detailed description of the difference between normalised and IFRS results.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to credit risk of counterparties, operational risk, market risk, equity investment risk and other risks multiplied by on– and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

STUDIO ⑤

www.firstrand.co.za

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