# analysis of financial results

6 MONTHS ENDED
31 DECEMBER 2012

FIRSTRAND

# Contents




FIRSTRAND

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Certain entities within the FirstRand Group are Authorised Financial Services and Credit Providers

This analysis is available on the Group's website:

**www.firstrand.co.za**

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# Introduction

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

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

The normalised results include a consolidated income statement, statement of comprehensive income, statement of financial position, statement of cash flows and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 14 and 15. Detailed reconciliations of normalised results to IFRS results are provided on pages 32 to 37. Commentary is based on normalised results, unless indicated otherwise.

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

## Financial highlights

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2012** | 2011 | % change | 2012 |
| Normalised earnings (R million) | **7 218** | 5 771 | +25 | 12 730 |
| Diluted normalised earnings per share (cents) | **128.0** | 102.4 | +25 | 225.8 |
| Normalised net asset value per share (cents) | **1 200.6** | 1 053.0 | +14 | 1 142.4 |
| Dividend per ordinary share (cents) | **55.0** | 44.0 | +25 | 102.0 |
| Normalised return on equity (%) | **21.9** | 19.5 | | 20.7 |

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

# Key financial results, ratios and statistics

| R million | Six months ended 31 December 2012 | 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Attributable earnings to ordinary equityholders from continuing normalised operations | **7 019** | 5 597 | 25 | 12 586 |
| Attributable earnings to ordinary equityholders from continuing and discontinued operations | **7 019** | 6 067 | 16 | 13 196 |
| Headline earnings | **7 195** | 5 639 | 28 | 12 642 |
| Normalised earnings | **7 218** | 5 771 | 25 | 12 730 |
| Normalised net asset value | **67 689** | 59 369 | 14 | 64 409 |
| Normalised net asset value per share (cents) | **1 200.6** | 1 053.0 | 14 | 1 142.4 |
| Average normalised net asset value | **66 049** | 59 114 | 12 | 61 634 |
| Normalised earnings per share (cents) | | | | |
| – Basic | **128.0** | 102.4 | 25 | 225.8 |
| – Diluted | **128.0** | 102.4 | 25 | 225.8 |
| Normalised return on equity (%) | **21.9** | 19.5 | | 20.7 |
| Ordinary dividend per share (cents) | **55.0** | 44.0 | 25 | 102.0 |
| Dividend cover | **2.3** | 2.3 | | 2.2 |
| Non-cumulative non-redeemable (NCNR) preference dividend per B class share* – declared (cents) | **333.1** | 305.2 | 9 | 638.3 |
| **Capital adequacy – FirstRand** | | | | |
| Capital adequacy ratio | **14.9** | 15.4 | | 14.7 |
| Tier 1 ratio | **13.4** | 14.0 | | 13.2 |
| Core Tier 1 ratio | **12.5** | 13.0 | | 12.3 |
| **Market performance** | | | | |
| Market capitalisation | **174 776** | 116 931 | 49 | 148 785 |
| Price earnings ratio (times) | **12.1** | 10.1 | | 11.7 |
| Price-to-book ratio (times) | **2.6** | 2.0 | | 2.3 |
| Share price (closing – Rand) | **31.00** | 20.74 | 49 | 26.39 |

* *75.56% of FNB prime lending rate – previously 68%.*

# Statement of headline earnings – IFRS

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Profit for the period (refer page 16) | **7 574** | 6 590 | 15 | 14 369 |
| Non-controlling interests | **(405)** | (386) | 5 | (898) |
| NCNR preference shares | **(150)** | (137) | 9 | (275) |
| **Earnings attributable to ordinary equityholders** | **7 019** | 6 067 | 16 | 13 196 |
| Adjusted for: | **176** | (428) | (>100) | (554) |
| (Gain)/loss on disposal of investment securities and other investments of a capital nature | **(1)** | 2 | | 20 |
| Gain on disposal of available-for-sale assets | **(1)** | (36) | | (154) |
| Gain on disposal of associates or joint ventures | **–** | (463) | | (473) |
| Gain on disposal of subsidiaries | **(10)** | (17) | | (266) |
| (Gain)/loss on the disposal of property and equipment | **(1)** | 24 | | 49 |
| Fair value of investment properties | **–** | – | | (12) |
| Impairment of goodwill | **2** | 18 | | 115 |
| Impairment of assets in terms of IAS 36 | **254** | 15 | | 7 |
| Other | **–** | (1) | | 41 |
| Tax effects of adjustments | **(69)** | 23 | | 43 |
| Non-controlling interest adjustments | **2** | 7 | | 76 |
| **Headline earnings** | **7 195** | 5 639 | 28 | 12 642 |

# Reconciliation from headline earnings to normalised earnings

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **Headline earnings** | **7 195** | 5 639 | 28 | 12 642 |
| Adjusted for: | **23** | 132 | (83) | 88 |
| IFRS 2 Share-based payment expense | **22** | 29 | (24) | 77 |
| Treasury shares* | **47** | 103 | (54) | 251 |
| – Consolidation of share trust | **47** | 94 | | 242 |
| – FirstRand shares held by policyholders | **–** | 9 | | 9 |
| Total return swap adjustment | **(53)** | – | | (240) |
| Private equity subsidiary realisations | **7** | – | | – |
| **Normalised earnings** | **7 218** | 5 771 | 25 | 12 730 |

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

# Overview of results

## INTRODUCTION

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

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

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

The slowdown in South Africa did impact some parts of the Common Monetary Area (specifically Namibia) and Botswana. Elsewhere in the region, those economies exposed to resources performed better as international commodities prices remained buoyant.

## OVERVIEW OF RESULTS

FirstRand produced excellent results for the six months to 31 December 2012, achieving normalised earnings of R7 218 million, an increase of 25% on the previous period, and producing a normalised return on equity (ROE) of 21.9% (2011: 19.5%).

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

# Overview of results continued

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

## Sources of normalised earnings

| R million | Six months ended 31 December 2012 | % composition | 2011 | % composition | % change | Year ended 30 June 2012 | % composition |
|---|---|---|---|---|---|---|---|
| FNB | **4 023** | **56** | 3 360 | 58 | 20 | 6 666 | 53 |
| RMB | **1 969** | **27** | 1 455 | 25 | 35 | 3 654 | 29 |
| WesBank | **1 390** | **19** | 1 193 | 21 | 17 | 2 599 | 20 |
| Corporate Centre and consolidation adjustments | **(344)** | **(5)** | (345) | (6) | – | (703) | (6) |
| FirstRand Limited (company)* | **330** | **5** | 245 | 4 | 35 | 789 | 6 |
| NCNR preference dividend | **(150)** | **(2)** | (137) | (2) | 9 | (275) | (2) |
| **Normalised earnings** | **7 218** | **100** | 5 771 | 100 | 25 | 12 730 | 100 |

* *Included in this amount is the consolidation adjustment of R518 million (December 2011: R232 million, June 2012: R818 million) to bring the IFRS 2 costs from cash settled in the underlying subsidiaries to equity settled at the Group level. This adjustment arises from the increase in the FirstRand share price between periods.*

The Group's income statement benefited from an increase of 14% in net interest income (NII), driven by good growth in new business at FNB, WesBank and RMB. Asset margins continued to benefit from mix of advances, pricing in FNB and funding strategies. Total non-interest revenue (NIR) grew 24%, underpinned by increases in fee and commission income at FNB and WesBank. RMB's client activities, particularly financing, advisory and structuring also contributed.

The Group's core operating costs grew 11% for the period. However, the combination of the ongoing impact of depreciation on small value assets and software maintenance, investment in expansion initiatives, increases in IFRS 2 Share-based payments directly linked to the Group's increased share price, as well as higher variable costs linked to the Group's performance, resulted in a 16% total cost increase.

A reconciliation of operating expenses is provided in the table below.

## Reconciliation of operating expenses

| R million | Six months ended 31 December 2012 | 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **Operating expenses** | **15 120** | 12 995 | 16 | 27 212 |
| Adjusted for: | | | | |
| Share-based payments | **(179)** | (45) | >100 | (469) |
| New subsidiaries | **–** | – | – | (82) |
| Expansion costs | **(442)** | (212) | >100 | (497) |
| RMB Corporate Banking software impairments | **(248)** | – | | – |
| Cooperation agreements and joint ventures | **(345)** | (253) | 36 | (564) |
| Accelerated depreciation and Full Maintenance Rental (FMR) | **(166)** | (75) | >100 | (409) |
| **Core costs** | **13 740** | 12 410 | 11 | 25 191 |

The increase in bad debts from 80 bps to 91 bps, is in line with expectations given the absolute book growth and the shift in asset class mix. It also includes R575 million of credit impairment overlays at FNB and RMB, the creation of which reflects the Group's view that the benign credit cycle has bottomed.

Non-performing loans (NPLs) decreased 3%, which is again in line with expectations and reflects the ongoing improvement in the large retail books such as HomeLoans and Card. NPLs in the unsecured books picked up in line with expectations.

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

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

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

## OVERVIEW OF OPERATING FRANCHISES

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

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

These strategies are executed through its portfolio of operating franchises, within a framework set by the Group and good progress continues to be made. Below is a brief overview of progress on these strategic objectives and the financial and operational performance of each franchise (detailed reviews on page 66 to 71).

## FNB

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

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

### FNB financial highlights

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| Normalised earnings | **4 023** | 3 360 | 20 | 6 666 |
| Profit before tax | **5 777** | 4 895 | 18 | 9 668 |
| Total assets | **283 860** | 267 999 | 6 | 268 533 |
| Total liabilities | **272 923** | 258 868 | 5 | 255 277 |
| Credit loss ratio (%) | **1.19** | 0.94 | | 1.20 |
| ROE (%) | **36.2** | 34.7 | | 35.0 |

FNB produced an excellent performance for the period, increasing pre-tax profits 18% and producing an ROE of 36.2%.

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

# Overview of results continued

FNB's NII grew 22% driven by balance sheet growth and margin expansion due to the mix change to unsecured lending and the repricing of newly-originated residential mortgages. Overall, lower growth in advances was partially offset by good deposit acquisition (15% up). In addition, the R1.5 billion decrease in NPLs in HomeLoans positively impacted NII.

Advances increased 9%, in the main emanating from across the Retail segments in South Africa (up R10.6 billion) and Africa (up R3.7 billion). Card advances grew 14% on the back of proactive customer acquisition. Total residential mortgages increased 2% with HomeLoans growing only 1%, reflecting FNB's strategy to write new business in the low-risk categories. Margins, however, remained healthy. Affordable housing continued to show good growth at 17%.

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

FNB's strategy to grow core transactional banking accounts and drive activity across its electronic platforms resulted in strong transactional volumes. NIR increased 13% mainly driven by activity in the Retail business (up 16%), with Commercial and Africa contributing increases of 6% and 11%, respectively.

Bad debts increased 18%, which is below expectations given the growth in unsecured lending, with an exceptionally low R2 million at Card. FNB has, however, taken the prudent decision to increase portfolio provisions, resulting in a total increase of 37%. Overall credit quality across all portfolios is well within risk appetite and coverage ratios have increased.

FNB maintained core cost growth at 10%, reflecting its focus on ongoing efficiencies and streamlining platforms particularly in Retail. When including investment costs, particularly in Africa (costs up 17%), total operating expenditure growth was 13%.

## RMB

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

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

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

### RMB financial highlights

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Normalised earnings | **1 969** | 1 455 | 35 | 3 654 |
| Profit before tax | **2 460** | 1 979 | 24 | 4 937 |
| Total assets | **356 390** | 307 762 | 16 | 331 977 |
| Total liabilities | **349 629** | 301 566 | 16 | 324 230 |
| ROE (%) | **22.2** | 18.1 | | 23.2 |

RMB produced an excellent result in the six months to December 2012. Pre-tax profits increased 24% to R2 460 million, which is a record first-half performance, and the ROE also increased to 22.2% (2011: 18.1%).

The Investment Banking Division (IBD) continued to show good growth, increasing pre-tax profits 18% to R1 506 million. Much of this growth was balance sheet-led, with the core loan book increasing 19%, which is well above market and driven by a number of large deals coupled with the arranging and structuring of renewable energy funding facilities.

The Global Markets division also delivered a strong performance for the period, growing profits 40% to R894 million, mainly underpinned by client activities. Low volatility in local foreign exchange and interest rate markets softened profitability, however, African activities continued to deliver, driven by strong performances from the subsidiaries.

Private Equity profits were up 8% to R229 million, driven mainly by equity-accounted earnings and income from investment subsidiaries. The RMB Resources portfolio continued to experience pressure on profitability due to persistent weakness in the junior mining sector, although losses were curtailed compared to the previous six months.

The Corporate Banking division produced a solid operational performance on the back of increased volumes.

## WesBank

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

### WesBank financial highlights

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| Normalised earnings | **1 390** | 1 193 | 17 | 2 599 |
| Profit before tax | **1 961** | 1 688 | 16 | 3 650 |
| Total assets | **132 972** | 112 396 | 18 | 121 610 |
| Total liabilities | **129 323** | 109 682 | 18 | 117 110 |
| Credit loss ratio (%) | **1.12** | 1.07 | | 0.99 |
| ROE (%) | **31.8** | 29.8 | | 33.9 |

On all key metrics WesBank delivered an excellent performance growing pre-tax profits 16% to R1 961 million, and producing an ROE of 31.8%.

Total advances grew 17% to R129.9 billion on the back of new business growth of 19% to R39.2 billion. This was driven by the motor and unsecured credit books, which delivered growth of 18% and 27%, respectively. Corporate new business volumes were also robust (up 14%) and the positive turnaround at MotoNovo continued on the back of excellent volume growth.

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

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

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

Total cost growth of 5% reflects static headcount year-on-year, and includes increases in profit share payments to alliance partners and increasing depreciation on FMR assets. Excluding these two items, year-on-year operating costs were slightly down.

# Overview of results continued

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

| | Six months ended 31 December | | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|---|
| R million | **2012** | **% contri-bution** | 2011 | % contri-bution | % change | 2012 | % contri-bution |
| **Retail banking** | **3 923** | **54** | 3 033 | 52 | 29 | 6 426 | 50 |
| FNB | **2 679** | | 2 075 | | | 4 047 | |
| WesBank | **1 244** | | 958 | | | 2 379 | |
| **Corporate banking** | **1 704** | **24** | 1 664 | 29 | 2 | 3 011 | 24 |
| RMB | **214** | | 144 | | | 172 | |
| FNB Commercial | **1 344** | | 1 285 | | | 2 619 | |
| WesBank | **146** | | 235 | | | 220 | |
| **Investment banking** | **1 755** | **24** | 1 311 | 23 | 34 | 3 482 | 27 |
| RMB | **1 755** | | 1 311 | | | 3 482 | |
| **Other** | **(164)** | **(2)** | (237) | (4) | (31) | (189) | (1) |
| FirstRand and dividends paid on NCNR preference shares | **180** | | 108 | | | 514 | |
| Corporate Centre and consolidation adjustments | **(344)** | | (345) | | | (703) | |
| **Normalised earnings** | **7 218** | **100** | 5 771 | 100 | 25 | 12 730 | 100 |

## STRATEGIC ISSUES

### Progress on growth strategies outside South Africa

The Group seeks to generate incremental growth outside of its domestic market. It executes on the ground through its operating franchises and enters each market depending on the specific growth opportunities presented. On the broader African continent the priority countries for further investment remain Mozambique, Tanzania, Zambia, Nigeria, Ghana and Kenya.

FNB continues to invest in growing its infrastructure in the new territories of Mozambique, Zambia and Tanzania and is leveraging its South African developed products and solutions into these countries.

RMB is generating strong deal flow from its recently-established Kenya representative office, and in February 2013 officially opened RMB Nigeria. This followed the granting of an investment banking licence by the Central Bank of Nigeria, which required an initial capital investment by FirstRand of $100 million.

RMB has been operating in Nigeria from a representative office since January 2010 and is already a meaningful player in the Nigerian investment banking sector. The establishment of a fully-fledged investment banking operation will now allow RMB to rapidly build its franchise, provide products and services to corporate and institutional clients, as well as attract in-country skills.

RMB Nigeria is providing the full spectrum of investment banking services to all industries, including corporate advisory, equity capital markets, infrastructure and project finance, resource finance, structured trade and commodity finance, and fixed income, currency and commodity services. These services are offered to large local, regional and international corporates already operating in, or entering Nigeria and the broader west African economies.

The Group is awaiting final regulatory approvals relating to its offer for Merchant Bank Ghana (MBG) and expects to conclude this transaction in the second half of the financial year. This will provide an excellent platform for FNB and RMB to roll out products and services in Ghana. RMB is already generating a strong deal pipeline in-country, particularly in the property, and oil and gas sectors.

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

## Progress on investment management strategy

Following the unbundling of its insurance subsidiary, Momentum, which included the asset management business, RMBAM, FirstRand identified that investment management activities represented a significant gap in its portfolio. This gap, combined with opportunities presented by regulatory changes and the Group's strategic objective to increase fee-generating activities, resulted in the creation of Ashburton Investments.

The business will offer focused traditional and alternative investment solutions to individual and institutional investors and will combine established active fund management expertise with alternative investment solutions from product providers Ashburton and RMB.

With an incremental and organic growth strategy, Ashburton's proposition is possible because it will be fully supported by the skills, platforms and product origination capabilities of FirstRand. The Group believes it has a competitive advantage in this space given its strong franchise in financial services, its balance sheet and a proven track record in incubating and growing greenfields businesses.

## Balance sheet strength

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

### Capital

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

| | FirstRand | | Regulatory minimum |
|---|---|---|---|
| % | Actual | Target | |
| Capital adequacy ratio | 14.9 | 12.0 – 13.5 | 9.5* |
| Tier 1 ratio | 13.4 | 11.0 | 7.0 |
| Core Tier 1 ratio | 12.5 | 9.5 – 11.0 | 5.25 |

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

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

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

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

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

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

# Overview of results continued

### Asset quality

When assessing the underlying risk in the balance sheet, the Group's asset profile is dominated by a balanced advances portfolio, which constitutes 73% of total assets. In terms of credit quality, 87% of advances are rated B upper or better. Cash and liquid assets represent 17% of total assets, with only a small portion related to the investment and trading businesses.

## PROSPECTS

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

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

## DIVIDEND STRATEGY

The Group targets growth in dividend in line with sustainable earnings taking into account expansion plans. Therefore dividend cover can vary from year to year.

## BASIS OF PRESENTATION

FirstRand prepares its consolidated financial results in accordance with:

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

The accounting policies applied are consistent with those applied in preparation of previous financial statements. A table reflecting the restatement of prior year numbers and reasons therefore can be found on page 111.

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.

## EVENTS AFTER THE REPORTING PERIOD

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

## BOARD CHANGES

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

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

## CASH DIVIDEND DECLARATIONS

### Ordinary shares

The directors have declared gross cash dividends totalling 55.0 cents per ordinary share out of income reserves for the six months ended 31 December 2012.

| | Six months ended 31 December | |
|---|---|---|
| Cents per share | **2012** | 2011 |
| Interim (declared 4 March 2013) | **55.0** | 44.0 |

The salient dates for the interim dividend are as follows:

| | |
|---|---|
| Last day to trade cum-dividend | Wednesday 20 March 2013 |
| Shares commence trading ex-dividend | Friday 22 March 2013 |
| Record date | Thursday 28 March 2013 |
| Payment date | Tuesday 2 April 2013 |

Share certificates may not be dematerialised or rematerialised between Friday 22 March 2013 and Thursday 28 March 2013, both days inclusive.

The interim dividend of 55.0 cents per share carries an STC credit of 4.27982 cents per share. Shareholders who are exempt from Dividend Withholding Tax (DWT) will receive the full 55.0 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 47.39197 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 were calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

The following dividends were declared and paid:

| | B preference shares | |
|---|---|---|
| Cents per share | **2013** | 2012 |
| **Period** | | |
| 28 August 2012 – 25 February 2013 | **320.3** | |
| 30 August 2011 – 27 February 2012 | | 305.2 |

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

4 March 2013

# Description of difference between normalised and IFRS results – continuing operations

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

## SHARE-BASED PAYMENTS, EMPLOYEE BENEFITS 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. IAS 19 Employee Benefits requires that an expense be raised if benefits are expected to be paid to employees in return for services rendered in the current period.

In 2005 the 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. FirstRand hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying in the open market the FirstRand shares required to settle these schemes. These shares are held in various share trusts. SIC 12 Consolidation – Special Purpose Entities requires that these share trusts be consolidated by the Group. FirstRand shares held by the staff share trusts are, therefore, treated as treasury shares.

Due to the unbundling of Momentum Group Limited these share trusts received MMI Holdings Limited shares as a dividend *in specie*. On vesting date the participants will receive FirstRand as well as MMI shares. The inclusion of the MMI shares in the overall benefit that the participants will receive led to the recognition of an employee benefit liability in terms of IAS 19 Employee Benefits. FirstRand hedged itself against the price risk of MMI shares by retaining the MMI shares received as a dividend *in specie* in the share trusts. MMI shares held by the staff share trusts are treated as trading and investment securities in the Group financial statements.

The economic cost to the Group for both the IFRS 2 expense and the employee benefit is the net funding cost paid by the Group on the funding required to buy these shares.

For purposes of calculating normalised earnings, the share trusts are deconsolidated, FirstRand shares held by staff share schemes are treated as issued to parties external to the Group and loans to share trusts are recognised as external loans.

## ECONOMIC HEDGE AGAINST SHARE-BASED PAYMENT OBLIGATIONS

The Group entered into a Total Return Swap (TRS) with external parties in order to economically hedge itself against the cost 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 profit and loss.

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

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

## FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

FirstRand shares may be acquired by the Group in specific instances. 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 Financial Instruments: Presentation, 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 movements on FirstRand shares are 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, 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 earnings, 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 or losses on client trading positions nor FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position. For purposes of calculating normalised earnings, adjustments are made to reflect client trading positions and FirstRand shares to hedge these positions as if the positions and hedges were in respect of shares other than treasury shares.

## ECONOMIC HEDGES

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

## FAIR VALUE ANNUITY INCOME – LENDING

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

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.

## 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. 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.

## PRIVATE EQUITY SUBSIDIARIES REALISATIONS

In terms of Circular 03/2012, gains or losses from the sale of subsidiaries are excluded from headline earnings.

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

## TRACKER AND RONALD SEWELLS

The Group previously owned 36.11% of Tracker (Pty) Ltd (Tracker). On 3 October 2011, the Group disposed of an effective 15.76% of its shareholding to a consortium of investors. The Group equity accounted for Tracker at its effective shareholding of 36.11% to 1 October 2011 and at 20.35% from 1 October 2011 to 30 June 2012.

In addition, WesBank disposed of its subsidiary, Ronald Sewells, effective August 2011.

For the continuing results the profits resulting from the disposal of Ronald Sewells and the 15.76% shareholding in Tracker were excluded from both headline earnings (in terms of Circular 03/2009) and normalised earnings in the comparative periods.

## MMI NAMIBIA

The Group concluded the disposal of its 51% shareholding in Momentum Life Assurance Namibia Limited (MMI Namibia) on 30 June 2012, for effective economic value on 1 July 2011. The profit on disposal of MMI Namibia was excluded from both headline earnings (in terms of Circular 03/2009) and normalised earnings in the comparative periods.

# Consolidated income statement – IFRS

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011* | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Net interest income before impairment of advances | **12 376** | 10 530 | 18 | 21 882 |
| Impairment of advances | **(2 259)** | (1 824) | 24 | (5 065) |
| Net interest income after impairment of advances | **10 117** | 8 706 | 16 | 16 817 |
| Non-interest income | **15 735** | 13 431 | 17 | 29 494 |
| Income from operations | **25 852** | 22 137 | 17 | 46 311 |
| Operating expenses | **(15 652)** | (13 371) | 17 | (28 422) |
| Net income from operations | **10 200** | 8 766 | 16 | 17 889 |
| Share of profit of associates and joint ventures after tax* | **298** | 283 | 5 | 1 120 |
| Income before tax | **10 498** | 9 049 | 16 | 19 009 |
| Indirect tax | **(462)** | (385) | 20 | (551) |
| Profit before direct tax | **10 036** | 8 664 | 16 | 18 458 |
| Direct tax* | **(2 462)** | (2 074) | 19 | (4 089) |
| **Profit for the period** | **7 574** | 6 590 | 15 | 14 369 |
| **Attributable to:** | | | | |
| Ordinary equityholders | **7 019** | 6 067 | 16 | 13 196 |
| NCNR preference shareholders | **150** | 137 | 9 | 275 |
| **Equityholders of the Group** | **7 169** | 6 204 | 16 | 13 471 |
| Non-controlling interests | **405** | 386 | 5 | 898 |
| **Profit for the period** | **7 574** | 6 590 | 15 | 14 369 |
| **Earnings per share (cents)** | | | | |
| – Basic | **128.5** | 111.1 | 16 | 241.7 |
| – Diluted | **127.9** | 109.2 | 17 | 236.8 |
| **Headline earnings per share (cents)** | | | | |
| – Basic | **131.7** | 103.3 | 27 | 231.5 |
| – Diluted | **131.1** | 101.5 | 29 | 226.9 |

* *Refer to reclassification of prior year numbers on page 111.*

# Consolidated statement of comprehensive income – IFRS

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **Profit for the period** | **7 574** | 6 590 | 15 | 14 369 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| **Items that may subsequently be classified to profit or loss** | | | | |
| Cash flow hedges | **(124)** | (275) | (55) | (420) |
| Available-for-sale financial assets | **578** | 274 | >100 | 560 |
| Exchange differences on translating foreign operations | **323** | 634 | (49) | 599 |
| Share of other comprehensive income of associates after tax and non-controlling interests | **24** | (15) | (>100) | (167) |
| **Other comprehensive income for the period before tax** | **801** | 618 | 30 | 572 |
| Income tax relating to components of other comprehensive income | **(98)** | (10) | >100 | (41) |
| **Other comprehensive income for the period** | **703** | 608 | 16 | 531 |
| **Total comprehensive income for the period** | **8 277** | 7 198 | 15 | 14 900 |
| **Total comprehensive income attributable to:** | | | | |
| Ordinary equityholders | **7 703** | 6 648 | 16 | 13 706 |
| NCNR preference shareholders | **150** | 137 | 9 | 275 |
| Equityholders of the Group | **7 853** | 6 785 | 16 | 13 981 |
| Non-controlling interests | **424** | 413 | 3 | 919 |
| **Total comprehensive income for the period** | **8 277** | 7 198 | 15 | 14 900 |

# Consolidated statement of financial position – IFRS

| R million | As at 31 December 2012 | 2011* | 2010* | As at 30 June 2012 |
|---|---|---|---|---|
| **ASSETS** | | | | |
| Cash and cash equivalents | **52 695** | 38 545 | 31 511 | 38 363 |
| Derivative financial instruments | **56 502** | 57 721 | 51 052 | 52 913 |
| Commodities | **8 003** | 5 880 | 4 164 | 5 108 |
| Accounts receivable | **6 400** | 7 894 | 5 598 | 6 007 |
| Policy loans | **–** | – | 26 | – |
| Tax asset | **606** | 163 | 798 | 331 |
| Advances | **563 038** | 498 258 | 453 290 | 524 507 |
| Investment securities and other investments | **113 944** | 126 237 | 127 884 | 119 708 |
| Investments in associates and joint ventures | **7 040** | 6 663 | 5 819 | 6 869 |
| Property and equipment | **13 207** | 11 949 | 10 409 | 12 026 |
| Intangible assets | **1 557** | 1 647 | 1 510 | 1 743 |
| Reinsurance assets | **846** | 855 | 527 | 898 |
| Post-employment benefit asset | **8** | 3 | – | 7 |
| Investment properties | **452** | 203 | 161 | 215 |
| Deferred income tax asset | **524** | 470 | 451 | 471 |
| Non-current assets and disposal groups held for sale | **505** | 5 173 | 2 609 | 599 |
| **Total assets** | **825 327** | 761 661 | 695 809 | 769 765 |
| **EQUITY AND LIABILITIES** | | | | |
| **Liabilities** | | | | |
| Short trading positions | **9 219** | 11 944 | 15 801 | 5 343 |
| Derivative financial instruments | **58 284** | 58 329 | 50 027 | 53 760 |
| Creditors and accruals | **8 788** | 9 764 | 6 077 | 9 086 |
| Tax liability | **289** | 409 | 319 | 386 |
| Deposits | **651 349** | 589 597 | 535 429 | 606 281 |
| Provisions | **584** | 523 | 861 | 592 |
| Employee liabilities | **6 671** | 5 936 | 4 993 | 6 933 |
| Other liabilities | **5 401** | 5 615 | 9 435 | 6 383 |
| Policyholder liabilities under insurance contracts | **1 543** | 1 373 | 2 007 | 1 517 |
| Deferred income tax liability | **1 498** | 2 226 | 2 474 | 1 679 |
| Tier 2 liabilities | **8 120** | 6 366 | 10 219 | 7 885 |
| Liabilities directly associated with disposal groups held for sale | **83** | 4 480 | 419 | 113 |
| **Total liabilities** | **751 829** | 696 562 | 638 061 | 699 958 |
| **Equity** | | | | |
| Ordinary shares | **55** | 55 | 54 | 55 |
| Share premium | **5 387** | 5 167 | 5 194 | 5 216 |
| Reserves | **60 832** | 52 284 | 45 112 | 57 250 |
| **Capital and reserves attributable to ordinary equityholders** | **66 274** | 57 506 | 50 360 | 62 521 |
| NCNR preference shares | **4 519** | 4 519 | 4 519 | 4 519 |
| **Capital and reserves attributable to equityholders of the Group** | **70 793** | 62 025 | 54 879 | 67 040 |
| Non-controlling interests | **2 705** | 3 074 | 2 869 | 2 767 |
| **Total equity** | **73 498** | 65 099 | 57 748 | 69 807 |
| **Total equity and liabilities** | **825 327** | 761 661 | 695 809 | 769 765 |

* *Refer to reclassifications of prior year numbers on page 111.*

# Consolidated statement of cash flows – IFRS

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011# | Year ended 30 June 2012 |
|---|---|---|---|
| **Net cash flows from operating activities** | **11 140** | 6 124 | 16 635 |
| Net cash generated/(utilised) from operations | **9 439** | 1 298 | (7 064) |
| Tax paid | **(3 412)** | (2 307) | (5 331) |
| Net cash inflow from operating activities | **17 167** | 5 115 | 4 240 |
| Net cash outflow from investing activities | **(2 374)** | (2 364) | (3 763) |
| Net cash (outflow)/inflow from financing activities | **(495)** | 1 335 | 3 464 |
| **Net increase in cash and cash equivalents from operations** | **14 298** | 4 086 | 3 941 |
| Cash and cash equivalents at the beginning of the year | **38 363** | 34 240 | 34 240 |
| **Cash and cash equivalents at the end of the year** | **52 661** | 38 326 | 38 181 |
| Cash and cash equivalents acquired* | **–** | – | 1 |
| Cash and cash equivalents disposed of* | **(2)** | – | (31) |
| Effect of exchange rate changes on cash and cash equivalents | **36** | 219 | 212 |
| **Cash and cash equivalents at the end of the year** | **52 695** | 38 545 | 38 363 |
| **Mandatory reserve balances included above**** | **14 991** | 13 443 | 13 677 |

* *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.*

\# *Prior year restatements due to reclassifications.*

# Consolidated statement of changes in equity – IFRS

for the six months ended 31 December

| | Ordinary share capital and ordinary equityholders' funds | | | | | |
|---|---|---|---|---|---|---|
| R million | Share capital | Share premium | **Share capital and share premium** | General risk reserve | Cash flow hedge reserve | Share-based payment reserve |
| **Balance as at 1 July 2011** | 53 | 4 945 | **4 998** | 13 | (451) | 2 739 |
| Movement in other reserves | – | – | **–** | – | – | 315 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer from/(to) reserves | – | – | **–** | 14 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | 2 | 222 | **224** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (198) | – |
| **Balance as at 31 December 2011** | 55 | 5 167 | **5 222** | 27 | (649) | 3 054 |
| **Balance as at 1 July 2012** | 55 | 5 216 | **5 271** | 57 | (753) | 3 247 |
| Issue of share capital | – | – | **–** | – | – | – |
| Movement in other reserves | – | – | **–** | – | – | (262) |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer from/(to) reserves | – | – | **–** | 15 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | – | 171 | **171** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (89) | – |
| Vesting of share-based payment reserve | – | – | **–** | – | – | (26) |
| **Balance as at 31 December 2012** | 55 | 5 387 | **5 442** | 72 | (842) | 2 959 |

| Ordinary share capital and ordinary equityholders' funds | | | | | | | |
|---|---|---|---|---|---|---|---|
| Available-for-sale reserve | Foreign currency translation reserve | Other reserves | Retained earnings | **Reserves attributable to ordinary equity-holders** | **Non-cumulative non-redeemable preference shares** | **Non-controlling interests** | **Total equity** |
| 225 | 474 | 13 | 48 620 | **51 633** | **4 519** | **3 069** | **64 219** |
| – | – | (142) | 166 | **339** | **–** | **(31)** | **308** |
| – | – | – | (6 341) | **(6 341)** | **–** | **(369)** | **(6 710)** |
| – | – | – | – | **–** | **(137)** | **–** | **(137)** |
| – | – | – | (14) | **–** | **–** | **–** | **–** |
| – | – | – | (35) | **(35)** | **–** | **(8)** | **(43)** |
| – | – | – | 40 | **40** | **–** | **–** | **264** |
| 187 | 606 | (14) | 6 067 | **6 648** | **137** | **413** | **7 198** |
| 412 | 1 080 | (143) | 48 503 | **52 284** | **4 519** | **3 074** | **65 099** |
| 626 | 1 052 | (118) | 53 139 | **57 250** | **4 519** | **2 767** | **69 807** |
| – | – | – | – | **–** | **–** | **(4)** | **(4)** |
| – | – | (36) | – | **(298)** | **–** | **(9)** | **(307)** |
| – | – | – | (3 183) | **(3 183)** | **–** | **(412)** | **(3 595)** |
| – | – | – | – | **–** | **(150)** | **–** | **(150)** |
| – | – | – | (15) | **–** | **–** | **–** | **–** |
| – | – | – | 13 | **13** | **–** | **(61)** | **(48)** |
| – | – | – | 49 | **49** | **–** | **–** | **220** |
| 442 | 311 | 20 | 7 019 | **7 703** | **150** | **424** | **8 277** |
| – | – | – | (676) | **(702)** | **–** | **–** | **(702)** |
| 1 068 | 1 363 | (134) | 56 346 | **60 832** | **4 519** | **2 705** | **73 498** |

# Notes

# DETAILED FINANCIAL ANALYSIS

This section is based on normalised earnings from the Group's continuing operations. A detailed reconciliation between IFRS and normalised results is set out on pages 32 to 37.

# Key financial results, ratios and statistics – continuing normalised

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **EARNINGS PERFORMANCE** | | | | |
| **Normalised earnings contribution by franchise** | **7 218** | 5 771 | 25 | 12 730 |
| FNB | **4 023** | 3 360 | 20 | 6 666 |
| RMB | **1 969** | 1 455 | 35 | 3 654 |
| WesBank | **1 390** | 1 193 | 17 | 2 599 |
| Corporate Centre and consolidation adjustments | **(344)** | (345) | – | (703) |
| FirstRand Limited (company) | **330** | 245 | 35 | 789 |
| NCNR preference dividend | **(150)** | (137) | 9 | (275) |
| Attributable earnings (refer page 27) | **7 019** | 5 597 | 25 | 12 586 |
| Headline earnings | **7 195** | 5 639 | 28 | 12 642 |
| Normalised earnings | **7 218** | 5 771 | 25 | 12 730 |
| Normalised net asset value | **67 689** | 59 369 | 14 | 64 409 |
| Normalised net asset value per share (cents) | **1 200.6** | 1 053.0 | 14 | 1 142.4 |
| Tangible normalised net asset value | **66 132** | 57 722 | 15 | 62 666 |
| Tangible normalised net asset value per share (cents) | **1 173.0** | 1 023.8 | 15 | 1 111.5 |
| Average normalised net asset value | **66 049** | 59 114 | 12 | 61 634 |
| Normalised earnings per share (cents) | | | | |
| – Basic | **128.0** | 102.4 | 25 | 225.8 |
| – Diluted | **128.0** | 102.4 | 25 | 225.8 |
| Earnings per share (cents) | | | | |
| – Basic | **128.5** | 102.5 | 25 | 228.8 |
| – Diluted | **127.9** | 100.7 | 27 | 224.2 |
| Headline earnings per share (cents) | | | | |
| – Basic | **131.7** | 103.3 | 27 | 231.5 |
| – Diluted | **131.1** | 101.5 | 29 | 226.9 |
| Ordinary dividend per share (cents) | **55.0** | 44.0 | 25 | 102.0 |
| NCNR preference dividend per B class share* | | | | |
| – declared (cents) | **333.1** | 305.2 | 9 | 638.3 |
| **Capital adequacy – FirstRand** | | | | |
| Capital adequacy ratio | **14.9** | 15.4 | | 14.7 |
| Tier 1 ratio | **13.4** | 14.0 | | 13.2 |
| Core Tier 1 ratio | **12.5** | 13.0 | | 12.3 |
| **Balance sheet** | | | | |
| Normalised total assets | **826 736** | 763 514 | 8 | 771 549 |
| Loans and advances (net of credit impairment) | **563 038** | 498 258 | 13 | 524 507 |
| **Ratios** | | | | |
| Normalised return on equity (%) | **21.9** | 19.5 | | 20.7 |
| Return on assets (%) | **1.81** | 1.58 | | 1.73 |
| Price-to-book ratio (times) | **2.6** | 2.0 | | 2.3 |
| Price earnings ratio (times) | **12.1** | 10.1 | | 11.7 |
| Dividend cover (times) | **2.3** | 2.3 | | 2.2 |
| Average loan-to-deposit ratio (%) | **88.3** | 86.0 | | 87.2 |
| Diversity ratio (%) | **51.6** | 49.6 | | 51.2 |
| Credit impairment charge | **2 518** | 1 961 | 28 | 5 471 |
| NPLs as % of advances | **3.10** | 3.62 | | 3.48 |
| Credit loss ratio (%) | **0.91** | 0.80 | | 1.08 |
| Cost-to-income ratio (%) | **53.7** | 55.0 | | 53.4 |
| Effective tax rate (%) | **24.3** | 24.7 | | 22.4 |
| Number of employees | **36 491** | 35 526 | 3 | 36 398 |

* *75.56% (previously 68%) of FNB prime lending rate.*

# Consolidated income statement – continuing normalised

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| **Net interest income before impairment of advances** | **13 606** | 11 905 | 14 | 24 869 |
| Impairment of advances | **(2 518)** | (1 961) | 28 | (5 471) |
| **Net interest income after impairment of advances** | **11 088** | 9 944 | 12 | 19 398 |
| Non-interest revenue | **14 237** | 11 455 | 24 | 24 972 |
| **Income from operations** | **25 325** | 21 399 | 18 | 44 370 |
| Operating expenses | **(15 120)** | (12 995) | 16 | (27 212) |
| **Net income from operations** | **10 205** | 8 404 | 21 | 17 158 |
| Share of profit of associates and joint ventures after tax* | **289** | 283 | 2 | 1 120 |
| **Income before tax** | **10 494** | 8 687 | 21 | 18 278 |
| Indirect tax | **(462)** | (385) | 20 | (551) |
| **Profit before direct tax** | **10 032** | 8 302 | 21 | 17 727 |
| Direct tax* | **(2 442)** | (2 050) | 19 | (3 972) |
| **Profit for the year** | **7 590** | 6 252 | 21 | 13 755 |
| Non-controlling interests | **(405)** | (386) | 5 | (806) |
| NCNR preference shareholders | **(150)** | (137) | 9 | (275) |
| **Attributable earnings to ordinary equityholders of the Group** | **7 035** | 5 729 | 23 | 12 674 |
| Headline and normalised earnings adjustments | **183** | 42 | >100 | 56 |
| **Normalised earnings** | **7 218** | 5 771 | 25 | 12 730 |

* *Refer to reclassification of prior year numbers on page 111.*

Detailed financial analysis

# Consolidated statement of comprehensive income – continuing normalised

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **Profit for the period** | **7 590** | 6 252 | 21 | 13 755 |
| **OTHER COMPREHENSIVE INCOME** | | | | |
| **Items that may subsequently be classified to profit or loss** | | | | |
| Cash flow hedges | **(124)** | (275) | (55) | (420) |
| Available-for-sale financial assets | **458** | 271 | 69 | 530 |
| Exchange differences on translating foreign operations | **323** | 634 | (49) | 599 |
| Share of other comprehensive income of associates after tax and non-controlling interests | **24** | (15) | (>100) | (167) |
| **Other comprehensive income for the period before tax** | **681** | 615 | 11 | 542 |
| Income tax relating to components of other comprehensive income | **(98)** | (10) | >100 | (41) |
| **Other comprehensive income for the period** | **583** | 605 | (4) | 501 |
| **Total comprehensive income for the period** | **8 173** | 6 857 | 19 | 14 256 |
| **Total comprehensive income attributable to:** | | | | |
| Ordinary equityholders | **7 599** | 6 307 | 20 | 13 154 |
| NCNR preference shareholders | **150** | 137 | 9 | 275 |
| Equityholders of the Group | **7 749** | 6 444 | 20 | 13 429 |
| Non-controlling interests | **424** | 413 | 3 | 827 |
| **Total comprehensive income for the period** | **8 173** | 6 857 | 19 | 14 256 |

# Statement of normalised earnings from continuing normalised operations

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| IFRS profit from continuing operations (refer page 3) | **7 574** | 6 590 | 15 | 14 369 |
| Non-controlling interests | **(405)** | (386) | 5 | (898) |
| NCNR preference shares | **(150)** | (137) | 9 | (275) |
| **Attributable to ordinary equityholders** | **7 019** | 6 067 | 16 | 13 196 |
| Adjusted for: | | | | |
| Profit on disposal of investments | **–** | (470) | | (610) |
| **Attributable earnings to ordinary shareholders** | **7 019** | 5 597 | 25 | 12 586 |
| Adjusted for: | **176** | 42 | >100 | 56 |
| (Gain)/loss on disposal of investment securities and other investments of a capital nature | **(1)** | 2 | | 20 |
| Gain on disposal of available-for-sale assets | **(1)** | (36) | | (154) |
| Gain on disposal of associates or joint ventures | **–** | – | | (10) |
| Gain on disposal of subsidiaries | **(10)** | (10) | | (27) |
| (Gain)/loss on the disposal of property and equipment | **(1)** | 24 | | 49 |
| Fair value of investment properties | **–** | – | | (12) |
| Impairment of goodwill | **2** | 18 | | 115 |
| Impairment of assets in terms of IAS 36 | **254** | 15 | | 7 |
| Other | **–** | (1) | | 41 |
| Tax effects of adjustments | **(69)** | 23 | | 43 |
| Non-controlling interests adjustment | **2** | 7 | | (16) |
| **Headline earnings** | **7 195** | 5 639 | 28 | 12 642 |
| Adjusted for: | **23** | 132 | (83) | 88 |
| IFRS 2 Share-based payment expenses | **22** | 29 | (24) | 77 |
| Treasury shares* | **47** | 103 | (54) | 251 |
| – Consolidation of share trusts | **47** | 94 | | 242 |
| – FirstRand shares held by policyholders | **–** | 9 | | 9 |
| TRS adjustment | **(53)** | – | | (240) |
| Private equity subsidiary realisations | **7** | – | | – |
| **Normalised earnings** | **7 218** | 5 771 | 25 | 12 730 |

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

Detailed financial analysis

# Reconciliation of attributable earnings to normalised income statement

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Attributable earnings per normalised income statement (refer page 25) | **7 035** | 5 729 | 23 | 12 674 |
| Normalised earnings adjustment reallocated to above the line (refer page 27) | **(23)** | (132) | (83) | (88) |
| Private equity realisations excluded from headline earnings adjustment (refer page 27) | **7** | – | | – |
| **Attributable earnings to ordinary equityholders per normalised reconciliation (refer page 27)** | **7 019** | 5 597 | 25 | 12 586 |

# Consolidated statement of financial position – continuing normalised

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011* | 2010* | 2012 |
| **ASSETS** | | | | |
| Cash and cash equivalents | **52 695** | 38 545 | 31 511 | 38 363 |
| Derivative financial instruments | **56 502** | 57 721 | 51 052 | 52 913 |
| Commodities | **8 003** | 5 880 | 4 164 | 5 108 |
| Accounts receivable | **6 365** | 7 842 | 5 569 | 5 958 |
| Policy loans | **–** | – | 26 | – |
| Tax asset | **606** | 163 | 798 | 331 |
| Advances | **563 038** | 498 258 | 453 290 | 524 507 |
| Investment securities and other investments | **113 361** | 126 001 | 127 707 | 119 415 |
| Loans to share trusts | **2 036** | 2 141 | 1 881 | 2 126 |
| Investments in associates and joint ventures | **7 031** | 6 663 | 5 819 | 6 869 |
| Property and equipment | **13 207** | 11 949 | 10 409 | 12 026 |
| Intangible assets | **1 557** | 1 647 | 1 510 | 1 743 |
| Reinsurance assets | **846** | 855 | 527 | 898 |
| Post-employment benefit asset | **8** | 3 | – | 7 |
| Investment properties | **452** | 203 | 161 | 215 |
| Deferred income tax asset | **524** | 470 | 451 | 471 |
| Non-current assets and disposal groups held for sale | **505** | 5 173 | 2 609 | 599 |
| **Total assets** | **826 736** | 763 514 | 697 484 | 771 549 |
| **EQUITY AND LIABILITIES** | | | | |
| **Liabilities** | | | | |
| Short trading positions | **9 219** | 11 944 | 15 797 | 5 343 |
| Derivative financial instruments | **58 284** | 58 329 | 50 027 | 53 760 |
| Creditors and accruals | **8 785** | 9 756 | 6 071 | 9 077 |
| Tax liability | **286** | 407 | 249 | 383 |
| Deposits | **651 349** | 589 597 | 535 429 | 606 281 |
| Provisions | **584** | 523 | 861 | 592 |
| Employee liabilities | **6 671** | 5 936 | 4 993 | 6 933 |
| Other liabilities | **5 401** | 5 615 | 9 435 | 6 383 |
| Policyholder liabilities under insurance contracts | **1 543** | 1 373 | 2 007 | 1 517 |
| Deferred income tax liability | **1 498** | 2 226 | 2 474 | 1 679 |
| Tier 2 liabilities | **8 120** | 6 366 | 10 219 | 7 885 |
| Liabilities directly associated with disposal groups held for sale | **83** | 4 480 | 419 | 113 |
| **Total liabilities** | **751 823** | 696 552 | 637 981 | 699 946 |
| **Equity** | | | | |
| Ordinary shares | **56** | 56 | 56 | 56 |
| Share premium | **7 083** | 7 083 | 7 083 | 7 083 |
| Reserves | **60 550** | 52 230 | 44 976 | 57 270 |
| **Capital and reserves attributable to ordinary equityholders** | **67 689** | 59 369 | 52 115 | 64 409 |
| NCNR preference shareholders | **4 519** | 4 519 | 4 519 | 4 519 |
| **Capital and reserves attributable to equityholders of the Group** | **72 208** | 63 888 | 56 634 | 68 928 |
| Non-controlling interests | **2 705** | 3 074 | 2 869 | 2 675 |
| **Total equity** | **74 913** | 66 962 | 59 503 | 71 603 |
| **Total equity and liabilities** | **826 736** | 763 514 | 697 484 | 771 549 |

* *Refer to reclassification of prior year numbers on page 111.*

Detailed financial analysis

# Consolidated statement of changes in equity – continuing normalised

for the six months ended 31 December

| R million | Share capital | Share premium | **Share capital and share premium** | General risk reserve | Cash flow hedge reserve | Share-based payment reserve |
|---|---|---|---|---|---|---|
| | Ordinary share capital and ordinary equityholders' funds | | | | | |
| **Balance as at 1 July 2011** | 56 | 7 083 | **7 139** | 13 | (451) | 2 739 |
| Movement in other reserves | – | – | **–** | – | – | 286 |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer from/(to) reserves | – | – | **–** | 14 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | – | – | **–** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (198) | – |
| **Balance as at 31 December 2011** | 56 | 7 083 | **7 139** | 27 | (649) | 3 025 |
| **Balance as at 1 July 2012** | 56 | 7 083 | **7 139** | 57 | (753) | 3 171 |
| Issue of share capital | – | – | **–** | – | – | – |
| Movement in other reserves | – | – | **–** | – | – | (284) |
| Ordinary dividends | – | – | **–** | – | – | – |
| Preference dividends | – | – | **–** | – | – | – |
| Transfer from/(to) reserves | – | – | **–** | 15 | – | – |
| Changes in ownership interest in subsidiaries | – | – | **–** | – | – | – |
| Consolidation of treasury shares | – | – | **–** | – | – | – |
| Total comprehensive income for the period | – | – | **–** | – | (89) | – |
| Vesting of share-based payment reserve | – | – | **–** | – | – | (26) |
| **Balance as at 31 December 2012** | 56 | 7 083 | **7 139** | 72 | (842) | 2 861 |

| | Ordinary share capital and ordinary equityholders' funds | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Available-for-sale reserve | Currency translation reserve | Other reserves | Retained earnings | **Reserves attributable to ordinary equity holders** | **Non-cumulative non-redeemable preference shares** | **Non-controlling interests** | **Total equity** |
| | 199 | 474 | 167 | 48 578 | **51 719** | **4 519** | **3 069** | **66 446** |
| | – | – | (142) | 636 | **780** | **–** | **(31)** | **749** |
| | – | – | – | (6 541) | **(6 541)** | **–** | **(369)** | **(6 910)** |
| | – | – | – | – | **–** | **(137)** | **–** | **(137)** |
| | – | – | – | (14) | **–** | **–** | **–** | **–** |
| | – | – | – | (35) | **(35)** | **–** | **(8)** | **(43)** |
| | – | – | – | – | **–** | **–** | **–** | **–** |
| | 184 | 606 | (14) | 5 729 | **6 307** | **137** | **413** | **6 857** |
| | 383 | 1 080 | 11 | 48 353 | **52 230** | **4 519** | **3 074** | **66 962** |
| | 570 | 1 052 | 36 | 53 137 | **57 270** | **4 519** | **2 675** | **71 603** |
| | – | – | – | – | **–** | **–** | **(4)** | **(4)** |
| | – | – | (36) | (40) | **(360)** | **–** | **83** | **(277)** |
| | – | – | – | (3 270) | **(3 270)** | **–** | **(412)** | **(3 682)** |
| | – | – | – | – | **–** | **(150)** | **–** | **(150)** |
| | – | – | – | (15) | **–** | **–** | **–** | **–** |
| | – | – | – | 13 | **13** | **–** | **(61)** | **(48)** |
| | – | – | – | – | **–** | **–** | **–** | **–** |
| | 322 | 311 | 20 | 7 035 | **7 599** | **150** | **424** | **8 173** |
| | – | – | – | (676) | **(702)** | **–** | **–** | **(702)** |
| | 892 | 1 363 | 20 | 56 184 | **60 550** | **4 519** | **2 705** | **74 913** |

# Reconciliation of continuing normalised consolidated income statement to IFRS consolidated income statement

for the six months ended 31 December 2012

| R million | **December 2012 normalised** | IFRS 2 Share-based payment expense | Private equity expenses | |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | **13 606** | – | – | |
| Impairment of advances | **(2 518)** | – | – | |
| **Net interest income after impairment of advances** | **11 088** | – | – | |
| Non-interest revenue | **14 237** | – | 510 | |
| **Income from operations** | **25 325** | – | 510 | |
| Operating expenses | **(15 120)** | (22) | (510) | |
| **Net income from operations** | **10 205** | (22) | – | |
| Share of profit of associates and joint ventures after tax | **289** | – | – | |
| **Income before tax** | **10 494** | (22) | – | |
| Indirect tax | **(462)** | – | – | |
| **Profit before direct tax** | **10 032** | (22) | – | |
| Direct tax | **(2 442)** | – | – | |
| **Profit for the year** | **7 590** | (22) | – | |
| **Attributable to:** | | | | |
| Non-controlling interests | **(405)** | – | – | |
| NCNR preference shareholders | **(150)** | – | – | |
| **Ordinary equityholders of the Group** | **7 035** | (22) | – | |
| Headline and normalised earnings adjustment | **183** | 22 | – | |
| **Normalised earnings** | **7 218** | – | – | |

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

| | Treasury shares* | Economic hedges | Fair value annuity income (lending) | TRS adjustment | **December 2012 IFRS** |
|---|---|---|---|---|---|
| | (77) | (109) | (1 044) | – | **12 376** |
| | – | – | 259 | – | **(2 259)** |
| | (77) | (109) | (785) | – | **10 117** |
| | 21 | 109 | 785 | 73 | **15 735** |
| | (56) | – | – | 73 | **25 852** |
| | – | – | – | – | **(15 652)** |
| | (56) | – | – | 73 | **10 200** |
| | 9 | – | – | – | **298** |
| | (47) | – | – | 73 | **10 498** |
| | – | – | – | – | **(462)** |
| | (47) | – | – | 73 | **10 036** |
| | – | – | – | (20) | **(2 462)** |
| | (47) | – | – | 53 | **7 574** |
| | – | – | – | – | **(405)** |
| | – | – | – | – | **(150)** |
| | (47) | – | – | 53 | **7 019** |
| | 47 | – | – | (53) | **199** |
| | – | – | – | – | **7 218** |

# Reconciliation of continuing normalised consolidated income statement to IFRS consolidated income statement

for the six months ended 31 December 2011

| R million | December 2011 normalised | IFRS 2 Share-based payment expense | Private equity expenses |
|---|---|---|---|
| **Net interest income before impairment of advances** | 11 905 | – | – |
| Impairment of advances | (1 961) | – | – |
| **Net interest income after impairment of advances** | 9 944 | – | – |
| Non-interest revenue | 11 455 | – | 345 |
| **Income from operations** | 21 399 | – | 345 |
| Operating expenses | (12 995) | (29) | (345) |
| **Net income from operations** | 8 404 | (29) | – |
| Share of profit of associates and joint ventures after tax | 283 | – | – |
| **Income before tax** | 8 687 | (29) | – |
| Indirect tax | (385) | – | – |
| **Profit before direct tax** | 8 302 | (29) | – |
| Direct tax | (2 050) | – | – |
| **Profit for the period** | 6 252 | (29) | – |
| **Attributable to:** | | | |
| Non-controlling interests | (386) | – | – |
| NCNR preference shareholders | (137) | – | – |
| **Ordinary equityholders of the Group** | 5 729 | (29) | – |
| Headline and normalised earnings adjustment | 42 | 29 | – |
| **Normalised earnings** | 5 771 | – | – |

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

| | Treasury shares* | Economic hedges | Fair value annuity income (lending) | Profit on disposal of WesBank investments | December 2011 IFRS |
|---|---|---|---|---|---|
| | (84) | (80) | (1 211) | – | 10 530 |
| | – | – | 137 | – | (1 824) |
| | (84) | (80) | (1 074) | – | 8 706 |
| | 7 | 80 | 1 074 | 470 | 13 431 |
| | (77) | – | – | 470 | 22 137 |
| | (2) | – | – | – | (13 371) |
| | (79) | – | – | 470 | 8 766 |
| | – | – | – | – | 283 |
| | (79) | – | – | 470 | 9 049 |
| | – | – | – | – | (385) |
| | (79) | – | – | 470 | 8 664 |
| | (24) | – | – | – | (2 074) |
| | (103) | – | – | 470 | 6 590 |
| | – | – | – | – | (386) |
| | – | – | – | – | (137) |
| | (103) | – | – | 470 | 6 067 |
| | 103 | – | – | (470) | (296) |
| | – | – | – | – | 5 771 |

# Reconciliation of continuing normalised consolidated statement of financial position to IFRS consolidated statement of financial position

as at 31 December

| R million | December 2012 normalised | Treasury shares | December 2012 IFRS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | **52 695** | – | **52 695** |
| Derivative financial instruments | **56 502** | – | **56 502** |
| Commodities | **8 003** | – | **8 003** |
| Accounts receivable | **6 365** | 35 | **6 400** |
| Tax asset | **606** | – | **606** |
| Advances | **563 038** | – | **563 038** |
| Investment securities and other investments | **113 361** | 583 | **113 944** |
| Loans to share trusts | **2 036** | (2 036) | **–** |
| Investments in associates and joint ventures | **7 031** | 9 | **7 040** |
| Property and equipment | **13 207** | – | **13 207** |
| Intangible assets | **1 557** | – | **1 557** |
| Reinsurance assets | **846** | – | **846** |
| Post-employment benefit asset | **8** | – | **8** |
| Investment properties | **452** | – | **452** |
| Deferred income tax asset | **524** | – | **524** |
| Non-current assets and disposal groups held for sale | **505** | – | **505** |
| **Total assets** | **826 736** | (1 409) | **825 327** |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | **9 219** | – | **9 219** |
| Derivative financial instruments | **58 284** | – | **58 284** |
| Creditors and accruals | **8 785** | 3 | **8 788** |
| Tax liability | **286** | 3 | **289** |
| Deposits | **651 349** | – | **651 349** |
| Provisions | **584** | – | **584** |
| Employee liabilities | **6 671** | – | **6 671** |
| Other liabilities | **5 401** | – | **5 401** |
| Policyholder liabilities under insurance contracts | **1 543** | – | **1 543** |
| Deferred income tax liability | **1 498** | – | **1 498** |
| Tier 2 liabilities | **8 120** | – | **8 120** |
| Liabilities directly associated with disposal groups held for sale | **83** | – | **83** |
| **Total liabilities** | **751 823** | 6 | **751 829** |
| **Equity** | | | |
| Ordinary shares | **56** | (1) | **55** |
| Share premium | **7 083** | (1 696) | **5 387** |
| Reserves | **60 550** | 282 | **60 832** |
| **Capital and reserves attributable to ordinary equityholders** | **67 689** | (1 415) | **66 274** |
| NCNR preference shares | **4 519** | – | **4 519** |
| **Capital and reserves attributable to equityholders of the Group** | **72 208** | (1 415) | **70 793** |
| Non-controlling interests | **2 705** | – | **2 705** |
| **Total equity** | **74 913** | (1 415) | **73 498** |
| **Total equity and liabilities** | **826 736** | (1 409) | **825 327** |

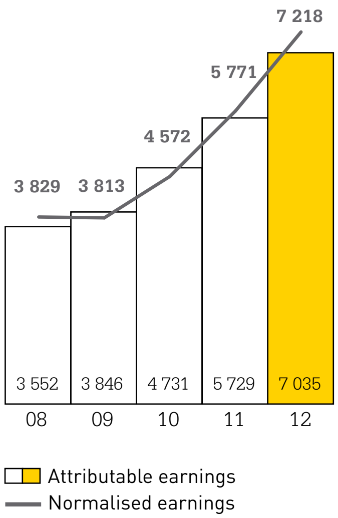
Detailed financial analysis

| December 2011 normalised | Treasury shares | December 2011 IFRS |
|---|---|---|
| | | |
| 38 545 | – | 38 545 |
| 57 721 | – | 57 721 |
| 5 880 | – | 5 880 |
| 7 842 | 52 | 7 894 |
| 163 | – | 163 |
| 498 258 | – | 498 258 |
| 126 001 | 236 | 126 237 |
| 2 141 | (2 141) | – |
| 6 663 | – | 6 663 |
| 11 949 | – | 11 949 |
| 1 647 | – | 1 647 |
| 855 | – | 855 |
| 3 | – | 3 |
| 203 | – | 203 |
| 470 | – | 470 |
| 5 173 | – | 5 173 |
| 763 514 | (1 853) | 761 661 |
| | | |
| 11 944 | – | 11 944 |
| 58 329 | – | 58 329 |
| 9 756 | 8 | 9 764 |
| 407 | 2 | 409 |
| 589 597 | – | 589 597 |
| 523 | – | 523 |
| 5 936 | – | 5 936 |
| 5 615 | – | 5 615 |
| 1 373 | – | 1 373 |
| 2 226 | – | 2 226 |
| 6 366 | – | 6 366 |
| 4 480 | – | 4 480 |
| 696 552 | 10 | 696 562 |
| | | |
| 56 | (1) | 55 |
| 7 083 | (1 916) | 5 167 |
| 52 230 | 54 | 52 284 |
| 59 369 | (1 863) | 57 506 |
| 4 519 | – | 4 519 |
| 63 888 | (1 863) | 62 025 |
| 3 074 | – | 3 074 |
| 66 962 | (1 863) | 65 099 |
| 763 514 | (1 853) | 761 661 |

# Overview of results

## Earnings performance (R million)

CAGR 17%




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

* *Compound annual growth rate (CAGR).*

These results are characterised by the following themes:

| POSITIVES | NEGATIVES |
|---|---|
| • Robust NII growth, benefiting from:<br>– satisfactory growth in core advances of 13%, in spite of the ongoing constrained economic environment;<br>– stronger growth in higher margin asset classes, such as vehicle asset finance (VAF) and unsecured lending, although moderating from the growth levels in FY 2012;<br>– the benefit of higher capital levels than in the comparative period; and<br>– lower levels of NPLs, especially in HomeLoans, and the consequential release of interest in suspense. | • Negative endowment impact due to a reduction in average interest rates during the period under review. |
| • Strong fee and commission income growth of 16% due to:<br>– increased active customer accounts in FNB;<br>– new business volumes in WesBank;<br>– increased retail transaction activity; and<br>– an improved contribution from knowledge-based fees. | • Year-on-year increase in credit impairments, albeit down on a rolling six-month basis from the period ended 30 June 2012, affected by:<br>– an increase in portfolio impairments, reflecting both strong book growth in unsecured lending and VAF year-on-year, and the Group's view on the credit cycle; and<br>– an increase in specific impairments, primarily associated with the unsecured lending portfolios, and in line with expectations. |

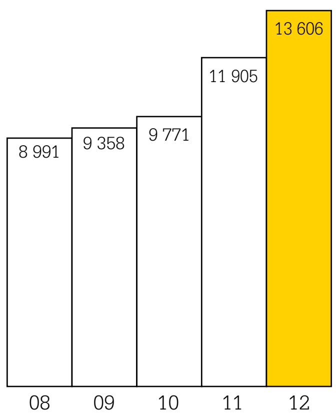
| POSITIVES | NEGATIVES |
| --- | --- |
| • Excellent growth in fair value income, benefiting from:<br>– a robust performance from client-centric businesses; and<br>– a significant year-on-year increase in fair value gains on derivative instruments held to hedge the Group's share-based payment obligations. | • Overall cost growth of 16%, driven by:<br>– higher variable costs, directly impacted by the higher levels of profitability during the period;<br>– higher costs associated with cooperation agreements and joint ventures, linked to the increase in profitability of various joint venture alliance partners during the reporting period;<br>– ongoing expansion costs, specifically relating to the African subsidiaries and India; and<br>– higher depreciation charges, affected by the growth in the FMR business as well as a change in estimate during the latter half of FY 2012. |
| • Satisfactory results from investing activities, driven by higher local equity markets which positively impacted on the performance of the ELI portfolio. Overall performance was negatively affected by lower commodity prices, which impacted the RMB Resources portfolio. | |

# Overview of results continued

## NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 14%

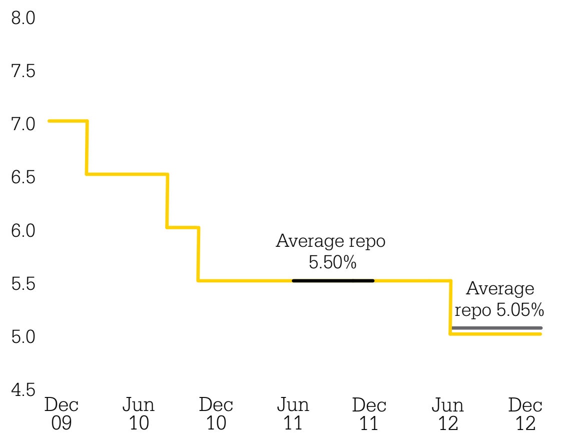
### Net interest income (R million)

CAGR 11%




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

### Repo rate (%)




*Note: R84 billion = average endowment book for the period. Rates were lower by 45 bps on average in the current period, which translates into a negative endowment impact of approximately R191 million for the period.*

### Margin cascade table

| Percentage of average interest-earning banking assets | % |
|---|---|
| **December 2011 normalised margin** | **4.64** |
| Capital and deposit endowment | (0.09) |
| Advances | 0.20 |
| – Changes in balance sheet mix | 0.25 |
| – Asset pricing | (0.09) |
| – Basis risk movement | 0.04 |
| Liabilities | – |
| – Changes in balance sheet mix (deposits) | 0.06 |
| – Changes in balance sheet mix (capital) | 0.01 |
| – Term funding cost | – |
| – Deposit pricing | (0.07) |
| Interest rate risk hedges | 0.07 |
| Accounting mismatches | 0.09 |
| **December 2012 normalised margin** | **4.91** |

## Segmental analysis of net interest income before impairment of advances

| R million | Six months ended 31 December 2012 | 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **FNB** | **7 472** | 6 143 | 22 | 13 205 |
| **Retail** | **4 226** | 3 251 | 30 | 7 202 |
| Residential mortgages | **1 246** | 962 | 30 | 2 099 |
| Card | **591** | 516 | 15 | 1 088 |
| Personal loans | **958** | 652 | 47 | 1 493 |
| Retail other | **1 431** | 1 121 | 28 | 2 522 |
| **Commercial** | **2 078** | 1 870 | 11 | 3 871 |
| **FNB Africa** | **1 168** | 1 022 | 14 | 2 132 |
| **RMB** | **1 524** | 1 421 | 7 | 2 992 |
| Investment banking | **1 237** | 1 174 | 5 | 2 476 |
| Corporate banking | **287** | 247 | 16 | 516 |
| **WesBank** | **3 296** | 2 849 | 16 | 5 849 |
| **Corporate Centre** | **1 314** | 1 380 | (5) | 2 641 |
| **Net interest income – banking activities** | **13 606** | 11 793 | 15 | 24 687 |
| Other* | **–** | 112 | (100) | 182 |
| **Net interest income** | **13 606** | 11 905 | 14 | 24 869 |

* *Other includes FirstRand company and consolidation adjustments.*

# Overview of results continued

## Margin analysis on gross advances

for the six months ended 31 December

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Average balance R million** | **Average margin %** | Average balance R million | Average margin % |
| **Average prime rate (RSA)** | | **8.55** | | 9.00 |
| **ADVANCES** | | | | |
| **Retail – secured** | **245 327** | **2.73** | 226 499 | 2.34 |
| Residential mortgages | **158 974** | **1.49** | 156 144 | 1.16 |
| Vehicle asset finance | **86 353** | **5.03** | 70 355 | 4.96 |
| **Retail – unsecured** | **33 700** | **13.15** | 25 613 | 13.09 |
| Card | **11 859** | **9.08** | 10 468 | 8.90 |
| Personal loans | **18 670** | **16.63** | 13 154 | 17.48 |
| – FNB loans | **12 468** | **14.60** | 8 282 | 15.06 |
| – WesBank loans | **6 202** | **20.71** | 4 872 | 21.60 |
| Overdrafts | **3 171** | **7.88** | 1 991 | 6.06 |
| **Corporate** | **167 247** | **2.49** | 143 324 | 2.62 |
| FNB commercial mortgages | **10 561** | **1.97** | 8 964 | 1.51 |
| Vehicle asset finance | **21 507** | **3.53** | 21 530 | 2.94 |
| Overdrafts | **17 082** | **5.00** | 15 674 | 4.59 |
| Term loans | **18 608** | **2.91** | 16 843 | 3.75 |
| Investment banking | **80 385** | **1.86** | 66 488 | 2.16 |
| Money market | **19 104** | **1.63** | 13 825 | 1.47 |
| **FNB Africa** | **27 674** | **5.74** | 24 009 | 4.88 |
| **Total advances** | **473 948** | **3.56** | 419 445 | 3.24 |

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

## Margin analysis on deposits

for the six months ended 31 December

| | 2012 | | 2011 | |
|---|---|---|---|---|
| | **Average balance R million** | **Average margin %** | Average balance R million | Average margin % |
| **Average prime rate (RSA)** | | **8.55** | | 9.00 |
| **DEPOSITS** | | | | |
| **Retail** | **107 027** | **2.52** | 91 527 | 2.75 |
| Current and savings | **35 420** | **4.77** | 29 482 | 5.21 |
| Call | **3 132** | **2.64** | 3 390 | 2.43 |
| Money market | **27 389** | **1.69** | 25 331 | 1.88 |
| Term | **41 086** | **1.12** | 33 324 | 1.26 |
| **Corporate** | **185 291** | **1.75** | 168 030 | 1.82 |
| Current and savings | **71 219** | **3.20** | 63 157 | 3.42 |
| Call | **52 808** | **0.86** | 50 341 | 0.88 |
| Money market | **17 567** | **1.88** | 16 607 | 1.98 |
| Term | **43 697** | **0.38** | 37 925 | 0.32 |
| **FNB Africa** | **35 724** | **1.54** | 31 236 | 2.03 |
| **Total deposits** | **328 042** | **1.98** | 290 793 | 2.13 |

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

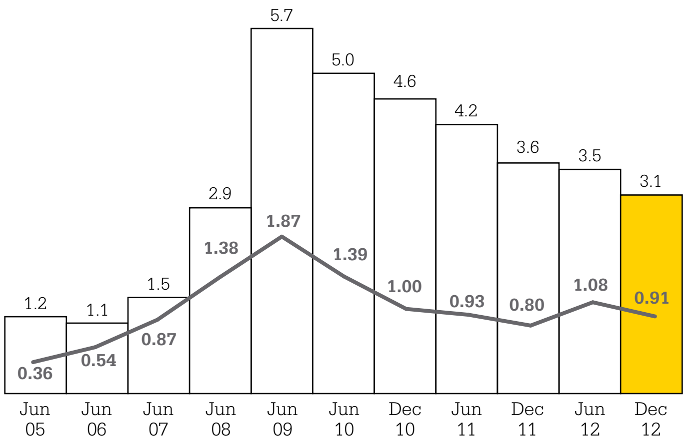
## NII and margin analysis commentary

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

# Overview of results continued

## IMPAIRMENT OF ADVANCES – UP 28%

NPLs and impairment history




### Credit highlights

| R million | Six months ended 31 December 2012 | 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| **Total gross advances*** | **574 850** | 508 253 | 13 | 535 704 |
| **NPLs** | **17 797** | 18 388 | (3) | 18 666 |
| **NPLs as a % of advances** | **3.10** | 3.62 | | 3.48 |
| **Impairment charge – total (income statement)** | **2 518** | 1 961 | 28 | 5 471 |
| Business as usual | **2 518** | 1 961 | 28 | 4 766 |
| Special impairment** | **–** | – | | 705 |
| **Impairment charge as a % of average advances** | **0.91** | 0.80 | | 1.08 |
| Business as usual | **0.91** | 0.80 | | 0.94 |
| Special impairment | **–** | – | | 0.14 |
| **Total impairments* (balance sheet)** | **11 812** | 9 995 | 18 | 11 197 |
| Portfolio impairments | **5 322** | 3 774 | 41 | 4 892 |
| Specific impairments | **6 490** | 6 221 | 4 | 6 305 |
| **Implied loss given default (coverage)#** | **36.5** | 33.8 | | 33.8 |
| **Total impairments coverage ratio†** | **66.4** | 54.4 | | 60.0 |

* *Includes cumulative credit fair value adjustments.*

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

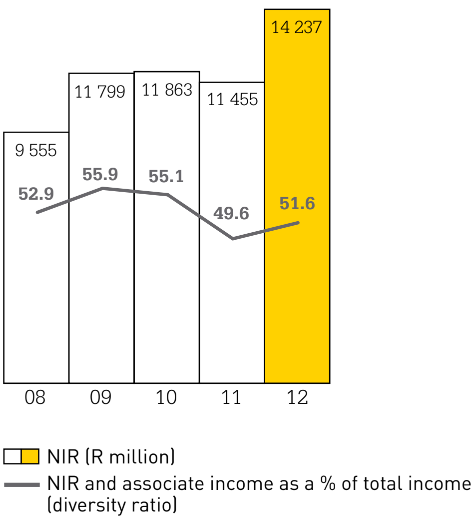
\# *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*

† *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*

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

## NON-INTEREST REVENUE – UP 24%

### Non-interest revenue and diversity ratio




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

# Overview of results continued

## Non-interest revenue – up 24%

| R million | Notes | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|---|
| Fee and commission income | 1 | **11 348** | 9 800 | 16 | 19 967 |
| Fair value income | 2 | **1 799** | 1 150 | 56 | 3 554 |
| Investment income | 3 | **662** | (14) | (>100) | 296 |
| Other non-interest revenue | | **428** | 519 | (18) | 1 155 |
| – Consolidated private equity income | | **116** | 112 | 4 | 121 |
| – Other | | **312** | 407 | (23) | 1 034 |
| **Total non-interest revenue** | | **14 237** | 11 455 | 24 | 24 972 |

## Note 1 Fee and commission income – up 16%

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Bank commissions and fee income | **9 289** | 8 105 | 15 | 16 482 |
| – Card commissions | **1 444** | 1 201 | 20 | 2 410 |
| – Cash deposit fees | **963** | 957 | 1 | 1 846 |
| – Commissions on bills, drafts and cheques | **618** | 595 | 4 | 1 197 |
| – Bank charges | **6 264** | 5 352 | 17 | 11 029 |
| Knowledge-based fees | **720** | 424 | 70 | 870 |
| Management fees | **478** | 382 | 25 | 826 |
| Insurance income | **1 567** | 1 402 | 12 | 2 924 |
| Other non-bank commissions | **747** | 752 | (1) | 1 569 |
| **Gross fee and commission income** | **12 801** | 11 065 | 16 | 22 671 |
| Fee and commission expenditure | **(1 453)** | (1 265) | 15 | (2 704) |
| **Total fee and commission income** | **11 348** | 9 800 | 16 | 19 967 |

| POSITIVES | NEGATIVES |
|---|---|
| • Fee and commission income growth underpinned by an 11% increase in core transactional banking accounts at FNB and transactional volume growth of 16%. | • Ongoing migration to cheaper electronic channels dampened absolute fee and commission income growth. |
| • Continued strong growth in FNB electronic banking channels, with 25% growth in active cellphone bankers. | |
| • Excellent growth of 70% in knowledge-based fee income, underpinned by strong volumes in the debt capital markets space, consistent deal flow from M&A activities and fees earned in Investment Banking. | |
| • Satisfactory performances from the insurance-related businesses, with total income increasing 12%, underpinned by good sales growth. | |

Note 2 Fair value income – up 56%

| POSITIVES | NEGATIVES |
|---|---|
| • Excellent growth in fair value income, benefiting from a robust performance from client-centric businesses, in particular:<br>– RMB's flow trading businesses off the back of strong client demand;<br>– the hedging and structuring solutions business within Global Markets, which benefited from rate uncertainty early in the reporting period; and<br>– the debt and equity capital market businesses. | • Disappointing client execution revenues during the period, as a result of:<br>– lower levels of interest rate and foreign exchange market volatility;<br>– rising and trending equity and bond prices and markets.<br>These factors resulted in lower client volumes. |
| • Fair value income also benefited from good growth in client execution activity from the African subsidiaries, albeit off a relatively low base. | |
| • A significant increase in fair value gains on derivative instruments held to hedge the Group's share-based payment obligations, driven by the increase in the Group's share price during the period under review. The corresponding expense is reflected as part of the Group's share-based payment in operating expenses. | |

# Overview of results continued

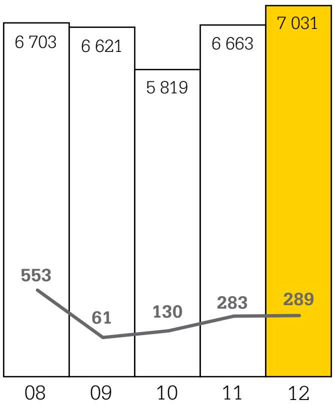
## Note 3 Investment income – up >100%

| R million | Six months ended 31 December 2012 | 2011 | % change | Year ended 30 June 2 012 |
|---|---|---|---|---|
| **Private equity realisations and dividends received** | **51** | 13 | >100 | 136 |
| Profit on realisation of private equity investments | **48** | 1 | >100 | 107 |
| Dividends received | **2** | 3 | (33) | 9 |
| Other private equity income | **1** | 9 | (89) | 20 |
| **Other income from investments** | **611** | (27) | (>100) | 160 |
| Profit on disposal of available-for-sale assets | **1** | 36 | (97) | 154 |
| Profit on assets held against employee liabilities | **349** | 70 | >100 | 169 |
| RMB Resources | **(32)** | (217) | (85) | (342) |
| Other investment income | **293** | 84 | >100 | 179 |
| **Total investment income** | **662** | (14) | (>100) | 296 |

| POSITIVES | NEGATIVES |
|---|---|
| • Strong performance from the ELI asset portfolio, assisted by the 16% gain in the ALSI in the current period compared to a flat performance for the comparative period. | • Disappointing performance from the international resources portfolio, due to pressure on commodity prices and junior mining stocks, although losses are significantly reduced from the comparative period. |
| • The realisation of the Group's remaining 40% shareholding in the Eris Property Group during the period, reflected in the increase in other investment income. | |
| • Satisfactory performance from the private equity business, supported by some small realisations during the period, although overall performance was impacted by impairments and deal costs. | |

## SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 2%

Analysis of income from and investment in associates and joint ventures (R million)




Investment in associates and joint ventures
Income from associates and joint ventures after tax

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

### Share of profits from associates and joint ventures

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| **Private equity associates*** | **214** | 152 | 41 | 950 |
| Operational performance | **266** | 204 | 30 | 924 |
| (Impairments)/reversal of impairments | **(52)** | (52) | – | 26 |
| **WesBank associates** | **135** | 147 | (8) | 239 |
| Toyota Financial Services (Pty) Ltd | **86** | 90 | (4) | 162 |
| Tracker Investment Holdings (Pty) Ltd* | **–** | 31 | (100) | 31 |
| Other | **49** | 26 | 88 | 46 |
| **Other operational associates** | **84** | 102 | (18) | 308 |
| Eris Property Group (Pty) Ltd** | **–** | 15 | (100) | 37 |
| RMB Morgan Stanley (Pty) Ltd | **48** | 39 | 23 | 92 |
| Other | **36** | 48 | (25) | 179 |
| **Share of profits from associates and joint ventures before tax** | **433** | 401 | 8 | 1 497 |
| Tax on profits from associates and joint ventures | **(144)** | (118) | 22 | (377) |
| **Share of profits from associates and joint ventures after tax** | **289** | 283 | 2 | 1 120 |

** Tracker was sold by WesBank effective 3 October 2011; a portion was acquired by RMB Private Equity.*
*** Eris Property Group was transferred to non-current assets held for sale effective 1st July 2012.*

# Overview of results continued

## POSITIVES

- Satisfactory results from WesBank's core associates (excluding Tracker which was disposed of in the comparative period), benefiting from ongoing strong new business volumes.
- Strong underlying operating performance from the private equity associates.

## Total income from private equity activities (RMB Division and other private equity-related activities)

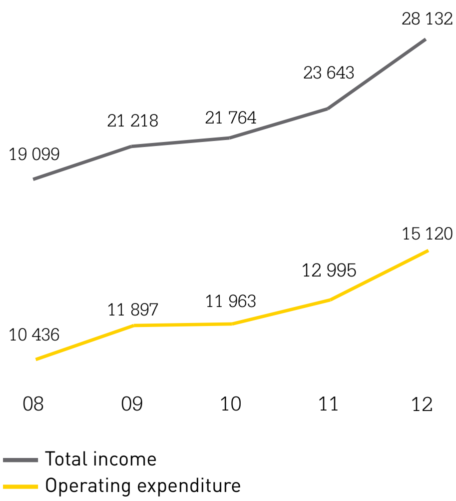
RMB earns private equity-related income primarily from its Private Equity division, however, other business units within RMB also engage in or hold private equity-related investments (as defined in Circular 03/2012 dealing with Headline Earnings and issued by the South African Institute of Chartered Accountants), which are not reported in the Private Equity division's results. The underlying nature of the various private equity-related income streams are reflected below.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| **RMB Private Equity division** | **372** | 274 | 36 | 1 181 |
| Income from associates | **205** | 147 | 39 | 958 |
| – Equity-accounted income* | **257** | 199 | 29 | 954 |
| – (Impairments)/reversal of impairments* | **(52)** | (52) | – | 4 |
| Realisations and dividends** | **50** | 6 | >100 | 82 |
| Other investment property income** | **1** | 9 | (89) | 20 |
| Consolidated private equity income# | **116** | 112 | 4 | 121 |
| **Legacy** | **9** | 3 | >100 | 26 |
| Income from associates | **9** | 5 | 80 | (8) |
| – Equity-accounted income* | **9** | 5 | 80 | (30) |
| – Reversal of impairments* | **–** | – | | 22 |
| Realisations** | **–** | (2) | (100) | 34 |
| **Other business units** | **292** | 56 | >100 | 177 |
| Income from associates | **19** | 56 | (66) | 169 |
| – Equity-accounted income* | **19** | 63 | (70) | 185 |
| – Impairments* | **–** | (7) | (100) | (16) |
| Other investment income** | **273** | – | | 8 |
| **Private equity activities before tax** | **673** | 333 | >100 | 1 384 |
| Tax on equity-accounted private equity investments | **(83)** | (65) | 28 | (261) |
| **Private equity activities after tax** | **590** | 268 | >100 | 1 123 |

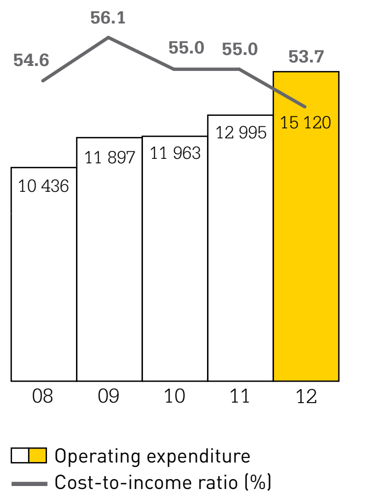
* *Refer to analysis of income from associates and joint ventures on page 49.*
** *Refer to investment income analysis on page 48.*
# *Refer to non-interest revenue analysis on page 46.*

## OPERATING EXPENSES – UP 16%

### Operating jaws (R million)




### Operating efficiency (R million)




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

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

### Operating expenses

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Staff expenditure | **8 693** | 7 517 | 16 | 15 656 |
| – Direct staff expenditure | **5 311** | 4 890 | 9 | 9 670 |
| – Other staff-related expenditure | **3 382** | 2 627 | 29 | 5 986 |
| Depreciation | **958** | 916 | 5 | 2 124 |
| Amortisation of other intangible assets | **63** | 109 | (42) | 218 |
| Advertising and marketing | **636** | 503 | 26 | 1 084 |
| Insurance | **188** | 171 | 10 | 355 |
| Lease charges | **559** | 477 | 17 | 1 030 |
| Professional fees | **588** | 493 | 19 | 1 070 |
| Audit fees | **119** | 87 | 37 | 188 |
| Computer expenses | **543** | 435 | 25 | 901 |
| Maintenance | **361** | 360 | – | 735 |
| Telecommunications | **195** | 173 | 13 | 351 |
| Cooperation agreements and joint ventures | **345** | 253 | 36 | 564 |
| Property | **354** | 315 | 12 | 671 |
| Business travel | **154** | 157 | (2) | 308 |
| Other expenditure | **1 364** | 1 029 | 33 | 1 957 |
| **Total operating expenses** | **15 120** | 12 995 | 16 | 27 212 |

# Overview of results continued

## STAFF COSTS – UP 16%

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

## OTHER OPERATING EXPENSES

- Strong growth in costs associated with cooperation agreements and joint ventures, driven by the good performance of the WesBank joint venture partners.
- An increase of >100% in expansion costs, impacted by:
  - growth of 8% in the African footprint (branches, agencies etc.) together with related infrastructure costs;
  - other international expansion costs, related to ongoing investments into the African and Indian initiatives.
- Increased marketing spend.
- The negative impact associated with certain impairment charges taken during the reporting period.

## DIRECT TAXATION – UP 19%

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

## ABRIDGED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

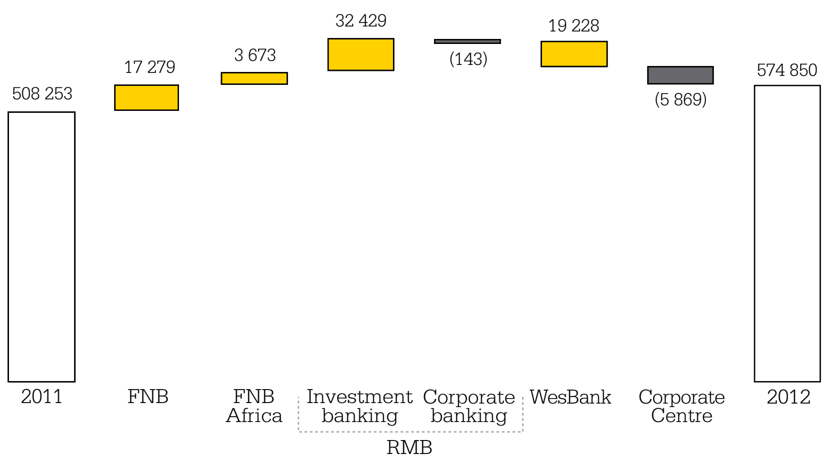
| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| **ASSETS** | | | | |
| Derivative financial instruments | **56 502** | 57 721 | (2) | 52 913 |
| Advances | **563 038** | 498 258 | 13 | 524 507 |
| Investment securities and other investments | **113 361** | 126 001 | (10) | 119 415 |
| Other assets | **93 835** | 81 534 | 15 | 74 714 |
| **Total assets** | **826 736** | 763 514 | 8 | 771 549 |
| **EQUITY AND LIABILITIES** | | | | |
| **Liabilities** | | | | |
| Deposits | **651 349** | 589 597 | 10 | 606 281 |
| Short trading positions and derivative financial instruments | **67 503** | 70 273 | (4) | 59 103 |
| Other liabilities | **32 971** | 36 682 | (10) | 34 562 |
| **Total liabilities** | **751 823** | 696 552 | 8 | 699 946 |
| **Total equity** | **74 913** | 66 962 | 12 | 71 603 |
| **Total equity and liabilities** | **826 736** | 763 514 | 8 | 771 549 |

# Overview of results continued

## ADVANCES – UP 13%

| R million | Six months ended 31 December 2012 | Six months ended 31 December 2011 | % change | Year ended 30 June 2012 |
|---|---|---|---|---|
| Normalised gross advances | **574 850** | 508 253 | 13 | 535 704 |
| Normalised impairment of advances | **(11 812)** | (9 995) | 18 | (11 197) |
| **Normalised net advances** | **563 038** | 498 258 | 13 | 524 507 |

Gross advances by franchise (R million)

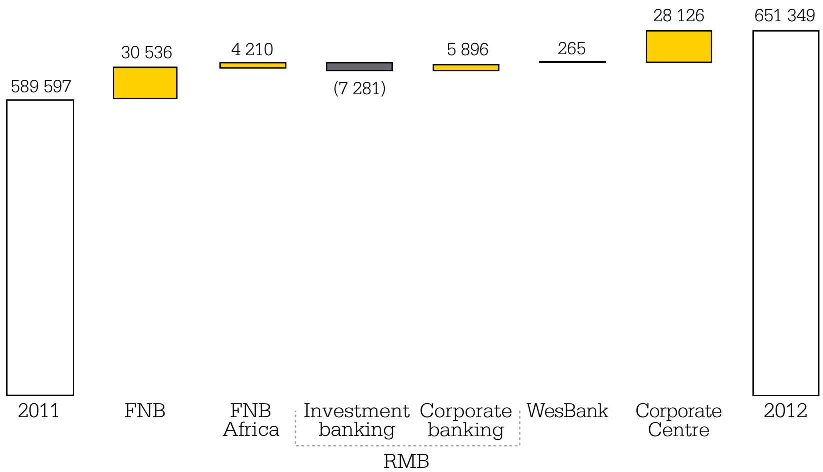


| POSITIVES | NEGATIVES |
|---|---|
| • Growth of 9% from FNB, emanating primarily from the retail businesses in South Africa with:<br>– secured affordable housing loans growing 17%, underpinned by strong demand and customer affordability levels;<br>– card advances increasing 14%, on the back of customer acquisition, supported by customer incentive programmes (e.g. fuel rewards and eBucks).<br>– strong growth of 34% in personal loans, although growth rates tapered off in the latter half of the year as a result of a more conservative approach to unsecured credit extension; and<br>– FNB Africa's advances increased 15%, underpinned by growth of 14% in FNB Namibia and 9% in FNB Botswana, biased toward the retail, commercial and business segments. | • Low growth in HomeLoans, reflecting continuing pressure in the property market and a deliberate strategy to limit new business to low-risk customers. |
| • Strong growth of 20% from FNB Commercial, driven by increases in owner-occupied commercial property, leveraged finance products and agricultural loans. | |
| • 18% growth in the core RMB advances book with particularly strong growth in the latter half of the reporting period, especially in the mining, health and energy sectors. | |
| • 17% growth in WesBank's advances, benefiting from:<br>– 22% increase in retail motor advances in South Africa, driven by new business growth of 18% on the back of new car sales growth of 8%;<br>– 39% growth in MotoNovo advances, reflective of its strong position in the second-hand car market in the UK, and the depreciation of the ZAR against the GBP during the reporting period; and<br>– 18% growth in personal loans, driven by new business growth of 27%. | |

# Overview of results continued

## DEPOSITS – UP 10%

Gross deposits by franchise (R million)




### POSITIVES

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

# SEGMENT REPORT AND OVERVIEW OF OPERATING FRANCHISES

# Segment report

for the six months ended 31 December 2012

| | FNB | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail segment | | | | | | | |
| R million | Residential mortgages | Card | Personal loans | Retail other | **Retail segment** | Commercial | FNB Africa | **Total FNB** |
| **Net interest income before impairment of advances** | 1 246 | 591 | 958 | 1 431 | **4 226** | 2 078 | 1 168 | **7 472** |
| Impairment of advances | (309) | (2) | (742) | (241) | **(1 294)** | (111) | (90) | **(1 495)** |
| **Net interest income after impairment of advances** | 937 | 589 | 216 | 1 190 | **2 932** | 1 967 | 1 078 | **5 977** |
| Non-interest revenue | 204 | 601 | 591 | 4 302 | **5 698** | 2 343 | 881 | **8 922** |
| **Income from operations** | 1 141 | 1 190 | 807 | 5 492 | **8 630** | 4 310 | 1 959 | **14 899** |
| Operating expenses | (610) | (573) | (397) | (3 685) | **(5 265)** | (2 461) | (1 163) | **(8 889)** |
| **Net income from operations** | 531 | 617 | 410 | 1 807 | **3 365** | 1 849 | 796 | **6 010** |
| Share of profit from associates and joint ventures after tax | 1 | – | – | 19 | **20** | – | 1 | **21** |
| **Income before tax** | 532 | 617 | 410 | 1 826 | **3 385** | 1 849 | 797 | **6 031** |
| Indirect tax | (15) | (16) | (17) | (157) | **(205)** | (21) | (28) | **(254)** |
| **Profit before direct tax** | 517 | 601 | 393 | 1 669 | **3 180** | 1 828 | 769 | **5 777** |
| Direct tax | (137) | (159) | (104) | (442) | **(842)** | (484) | (204) | **(1 530)** |
| **Profit for the year from continuing operations** | 380 | 442 | 289 | 1 227 | **2 338** | 1 344 | 565 | **4 247** |
| Profit attributable to discontinued operations | – | – | – | – | **–** | – | – | **–** |
| **Profit for the year** | 380 | 442 | 289 | 1 227 | **2 338** | 1 344 | 565 | **4 247** |
| **Attributable to:** | | | | | | | | |
| **Ordinary equityholders** | 380 | 442 | 289 | 1 227 | **2 338** | 1 344 | 342 | **4 024** |
| NCNR preference shareholders | – | – | – | – | **–** | – | – | **–** |
| Non-controlling interests | – | – | – | – | **–** | – | 223 | **223** |
| **Profit for the year** | 380 | 442 | 289 | 1 227 | **2 338** | 1 344 | 565 | **4 247** |
| **Attributable earnings to ordinary shareholders** | 380 | 442 | 289 | 1 227 | **2 338** | 1 344 | 342 | **4 024** |
| Headline earnings adjustments | – | – | – | (1) | **(1)** | – | – | **(1)** |
| **Headline earnings** | 380 | 442 | 289 | 1 226 | **2 337** | 1 344 | 342 | **4 023** |
| TRS adjustment | – | – | – | – | **–** | – | – | **–** |
| IFRS 2 Share-based payment expense | – | – | – | – | **–** | – | – | **–** |
| Treasury shares | – | – | – | – | **–** | – | – | **–** |
| Private equity subsidiary realisations | – | – | – | – | **–** | – | – | **–** |
| **Normalised earnings**** | 380 | 442 | 289 | 1 226 | **2 337** | 1 344 | 342 | **4 023** |

* *Investment banking results include contributions from RMB's Global Markets and IBD businesses in the African subsidiaries (R132 million profit before tax).*

** *Normalised earnings for FNB, RMB and WesBank in the table above exclude return on capital earned, Corporate Centre and preference share costs, and therefore differ from the franchise normalised earnings reported on page 77.*

| RMB | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Investment banking* | Corporate banking | **Total RMB** | **WesBank** | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | **FirstRand Group – normalised** | Normalised adjustments | **FirstRand Group – IFRS** |
| 1 237 | 287 | **1 524** | **3 296** | 1 314 | (7) | 7 | **13 606** | (1 230) | **12 376** |
| (317) | (5) | **(322)** | **(701)** | – | – | – | **(2 518)** | 259 | **(2 259)** |
| 920 | 282 | **1 202** | **2 595** | 1 314 | (7) | 7 | **11 088** | (971) | **10 117** |
| 3 313 | 557 | **3 870** | **1 419** | 1 256 | (1 254) | 24 | **14 237** | 1 498 | **15 735** |
| 4 233 | 839 | **5 072** | **4 014** | 2 570 | (1 261) | 31 | **25 325** | 527 | **25 852** |
| (2 062) | (776) | **(2 838)** | **(2 073)** | (2 167) | 453 | 394 | **(15 120)** | (532) | **(15 652)** |
| 2 171 | 63 | **2 234** | **1 941** | 403 | (808) | 425 | **10 205** | (5) | **10 200** |
| 277 | – | **277** | **135** | – | (144) | – | **289** | 9 | **298** |
| 2 448 | 63 | **2 511** | **2 076** | 403 | (952) | 425 | **10 494** | 4 | **10 498** |
| (36) | (15) | **(51)** | **(115)** | (40) | (1) | (1) | **(462)** | – | **(462)** |
| 2 412 | 48 | **2 460** | **1 961** | 363 | (953) | 424 | **10 032** | 4 | **10 036** |
| (639) | (13) | **(652)** | **(520)** | (96) | 450 | (94) | **(2 442)** | (20) | **(2 462)** |
| 1 773 | 35 | **1 808** | **1 441** | 267 | (503) | 330 | **7 590** | (16) | **7 574** |
| – | – | **–** | **–** | – | – | – | **–** | – | **–** |
| 1 773 | 35 | **1 808** | **1 441** | 267 | (503) | 330 | **7 590** | (16) | **7 574** |
| 1 750 | 35 | **1 785** | **1 384** | 267 | (605) | 180 | **7 035** | (16) | **7 019** |
| – | – | **–** | **–** | – | – | 150 | **150** | – | **150** |
| 23 | – | **23** | **57** | – | 102 | – | **405** | – | **405** |
| 1 773 | 35 | **1 808** | **1 441** | 267 | (503) | 330 | **7 590** | (16) | **7 574** |
| 1 750 | 35 | **1 785** | **1 384** | 267 | (605) | 180 | **7 035** | (16) | **7 019** |
| (2) | 179 | **177** | **6** | – | (6) | – | **176** | – | **176** |
| 1 748 | 214 | **1 962** | **1 390** | 267 | (611) | 180 | **7 211** | (16) | **7 195** |
| – | – | **–** | **–** | – | – | – | **–** | (53) | **(53)** |
| – | – | **–** | **–** | – | – | – | **–** | 22 | **22** |
| – | – | **–** | **–** | – | – | – | **–** | 47 | **47** |
| 7 | – | **7** | **–** | – | – | – | **7** | – | **7** |
| 1 755 | 214 | **1 969** | **1 390** | 267 | (611) | 180 | **7 218** | – | **7 218** |

Segment report

# Segment report continued

for the six months ended 31 December 2012

| | FNB | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail segment | | | | | | | |
| R million | Residential mortgages | Card | Personal loans | Retail other | **Retail segment** | Commercial | FNB Africa | **Total FNB** |
| Cost-to-income ratio (%) | 42.0 | 48.1 | 25.6 | 64.1 | **52.9** | 55.7 | 56.7 | **54.2** |
| Diversity ratio (%) | 14.1 | 50.4 | 38.2 | 75.1 | **57.5** | 53.0 | 43.0 | **54.5** |
| Credit loss ratio (%) | 0.39 | 0.03 | 12.18 | 10.84 | **1.39** | 0.59 | 0.66 | **1.19** |
| NPLs as a percentage of advances (%) | 4.88 | 2.25 | 7.26 | 6.20 | **4.91** | 4.29 | 1.62 | **4.45** |
| Assets under management | – | – | – | 39 340 | **39 340** | – | – | **39 340** |
| Assets under advice | – | – | – | 29 747 | **29 747** | – | – | **29 747** |
| Assets under execution | – | – | – | 42 838 | **42 838** | – | – | **42 838** |
| **Consolidated income statement includes:** | | | | | | | | |
| Depreciation | (5) | (1) | (1) | (502) | **(509)** | (32) | (56) | **(597)** |
| Amortisation | – | – | – | (27) | **(27)** | (7) | (7) | **(41)** |
| Impairment charges | – | – | – | (6) | **(6)** | – | – | **(6)** |
| Other non-cash provisions | (22) | (14) | (5) | (345) | **(386)** | (67) | (87) | **(540)** |
| **Statement of financial position includes:** | | | | | | | | |
| Advances (after ISP – before impairments) | 159 311 | 11 877 | 12 587 | 5 207 | **188 982** | 39 300 | 28 794 | **257 076** |
| – Normal advances | 159 311 | 11 877 | 12 587 | 5 207 | **188 982** | 39 300 | 28 794 | **257 076** |
| – Securitised advances | – | – | – | – | **–** | – | – | **–** |
| NPLs | 7 775 | 267 | 914 | 323 | **9 279** | 1 685 | 466 | **11 430** |
| Investment in associated companies | 13 | – | – | 202 | **215** | – | 5 | **220** |
| Total deposits (including non-recourse deposits) | 764 | 1 263 | 1 | 117 603 | **119 631** | 116 384 | 37 048 | **273 063** |
| Total assets | 157 133 | 11 392 | 11 548 | 20 837 | **200 910** | 39 509 | 43 441 | **283 860** |
| Total liabilities | 117 561 | 10 792 | 11 154 | 57 233 | **196 740** | 37 678 | 38 505 | **272 923** |
| Capital expenditure | 4 | – | – | 1 349 | **1 353** | 4 | 171 | **1 528** |

*This analysis is based on the segments' management accounts.*

| RMB | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Investment banking | Corporate banking | **Total RMB** | **WesBank** | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | **FirstRand Group – normalised** | Normalised adjustments | **FirstRand Group – IFRS** |
| 42.7 | 91.9 | **50.0** | **42.7** | 84.3 | 32.3 | (>100) | **53.7** | – | **55.1** |
| 74.4 | 66.0 | **73.1** | **32.0** | 48.9 | 99.5 | 77.4 | **51.6** | – | **56.4** |
| 0.37 | 0.32 | **0.37** | **1.12** | – | – | – | **0.91** | 20.84 | **0.82** |
| 1.29 | 0.23 | **1.27** | **3.11** | – | – | – | **3.10** | – | **3.11** |
| 30 744 | – | **30 744** | **–** | 11 223 | – | – | **81 307** | – | **81 307** |
| – | – | **–** | **–** | – | – | – | **29 747** | – | **29 747** |
| – | – | **–** | **–** | – | – | – | **42 838** | – | **42 838** |
| | | | | | | – | | | |
| (123) | (30) | **(153)** | **(156)** | (48) | (4) | – | **(958)** | (58) | **(1 016)** |
| (8) | – | **(8)** | **(14)** | (2) | 2 | – | **(63)** | (2) | **(65)** |
| – | – | **–** | **(6)** | (48) | (211) | – | **(271)** | (20) | **(291)** |
| (655) | (11) | **(666)** | **(138)** | (229) | (159) | (6) | **(1 738)** | – | **(1 738)** |
| 179 964 | 3 512 | **183 476** | **129 941** | 4 966 | (609) | – | **574 850** | (2 614) | **572 236** |
| 179 964 | 3 512 | **183 476** | **121 043** | 4 966 | (609) | – | **565 952** | (2 614) | **563 338** |
| – | – | **–** | **8 898** | – | – | – | **8 898** | – | **8 898** |
| 2 323 | 8 | **2 331** | **4 036** | – | – | – | **17 797** | – | **17 797** |
| 5 685 | – | **5 685** | **823** | 2 | 301 | – | **7 031** | 9 | **7 040** |
| 124 194 | 44 086 | **168 280** | **522** | 213 410 | (3 926) | – | **651 349** | – | **651 349** |
| 352 640 | 3 750 | **356 390** | **132 972** | 103 506 | (106 979) | 56 987 | **826 736** | (1 409) | **825 327** |
| 346 066 | 3 563 | **349 629** | **129 323** | 49 183 | (50 045) | 810 | **751 823** | 6 | **751 829** |
| 83 | 97 | **180** | **1 212** | 9 | – | – | **2 929** | – | **2 929** |

# Segment report continued

for the six months ended 31 December 2011

| | FNB | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail segment | | | | | | | |
| R million | Residential mortgages | Card | Personal loans | Retail other | **Retail segment** | Commercial | FNB Africa | **Total FNB** |
| **Net interest income before impairment of advances** | 962 | 516 | 652 | 1 121 | **3 251** | 1 870 | 1 022 | **6 143** |
| Impairment of advances | (435) | (20) | (377) | (90) | **(922)** | (134) | (36) | **(1 092)** |
| **Net interest income after impairment of advances** | 527 | 496 | 275 | 1 031 | **2 329** | 1 736 | 986 | **5 051** |
| Non-interest revenue | 222 | 522 | 438 | 3 736 | **4 918** | 2 218 | 794 | **7 930** |
| **Income from operations** | 749 | 1 018 | 713 | 4 767 | **7 247** | 3 954 | 1 780 | **12 981** |
| Operating expenses | (581) | (507) | (329) | (3 251) | **(4 668)** | (2 209) | (997) | **(7 874)** |
| **Net income from operations** | 168 | 511 | 384 | 1 516 | **2 579** | 1 745 | 783 | **5 107** |
| Share of profit from associates and joint ventures after tax | 3 | – | – | 2 | **5** | – | 1 | **6** |
| **Income before tax** | 171 | 511 | 384 | 1 518 | **2 584** | 1 745 | 784 | **5 113** |
| Indirect tax | (15) | (22) | (16) | (127) | **(180)** | (17) | (21) | **(218)** |
| **Profit before direct tax** | 156 | 489 | 368 | 1 391 | **2 404** | 1 728 | 763 | **4 895** |
| Direct tax | (41) | (130) | (97) | (368) | **(636)** | (458) | (231) | **(1 325)** |
| **Profit for the year from continuing operations** | 115 | 359 | 271 | 1 023 | **1 768** | 1 270 | 532 | **3 570** |
| Profit attributable to discontinued operations | – | – | – | – | **–** | – | – | **–** |
| **Profit for the year** | 115 | 359 | 271 | 1 023 | **1 768** | 1 270 | 532 | **3 570** |
| **Attributable to:** | | | | | | | | |
| **Ordinary equityholders** | 115 | 359 | 271 | 1 024 | **1 769** | 1 270 | 316 | **3 355** |
| NCNR preference shareholders | – | – | – | – | **–** | – | – | **–** |
| Non-controlling interests | – | – | – | (1) | **(1)** | – | 216 | **215** |
| **Profit for the year** | 115 | 359 | 271 | 1 023 | **1 768** | 1 270 | 532 | **3 570** |
| **Attributable earnings to ordinary shareholders** | 115 | 359 | 271 | 1 024 | **1 769** | 1 270 | 316 | **3 355** |
| Headline earnings adjustments | – | (1) | – | 15 | **14** | 15 | (24) | **5** |
| **Headline earnings** | 115 | 358 | 271 | 1 039 | **1 783** | 1 285 | 292 | **3 360** |
| IFRS 2 Share-based payment expense | – | – | – | – | **–** | – | – | **–** |
| Treasury shares | – | – | – | – | **–** | – | – | **–** |
| Private equity subsidiary realisations | – | – | – | – | **–** | – | – | **–** |
| **Normalised earnings**** | 115 | 358 | 271 | 1 039 | **1 783** | 1 285 | 292 | **3 360** |

* *Investment banking results include contributions from RMB's Global Markets and IBD businesses in the African subsidiaries (R97 million profit before tax).*

** *Normalised earnings for FNB, RMB and WesBank in the table above exclude return on capital earned, Corporate Centre and preference share costs, and therefore differ from the franchise normalised earnings reported on page 77.*

| RMB | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Investment banking* | Corporate banking | Total RMB | WesBank | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group – normalised | Normalised adjustments | FirstRand Group – IFRS |
| 1 174 | 247 | 1 421 | 2 849 | 1 380 | 53 | 59 | 11 905 | (1 375) | 10 530 |
| (153) | (5) | (158) | (572) | 12 | (151) | – | (1 961) | 137 | (1 824) |
| 1 021 | 242 | 1 263 | 2 277 | 1 392 | (98) | 59 | 9 944 | (1 238) | 8 706 |
| 2 309 | 610 | 2 919 | 1 344 | 609 | (1 380) | 33 | 11 455 | 1 976 | 13 431 |
| 3 330 | 852 | 4 182 | 3 621 | 2 001 | (1 478) | 92 | 21 399 | 738 | 22 137 |
| (1 744) | (645) | (2 389) | (1 980) | (1 386) | 453 | 181 | (12 995) | (376) | (13 371) |
| 1 586 | 207 | 1 793 | 1 641 | 615 | (1 025) | 273 | 8 404 | 362 | 8 766 |
| 237 | – | 237 | 147 | – | (107) | – | 283 | – | 283 |
| 1 823 | 207 | 2 030 | 1 788 | 615 | (1 132) | 273 | 8 687 | 362 | 9 049 |
| (41) | (10) | (51) | (100) | (15) | – | (1) | (385) | – | (385) |
| 1 782 | 197 | 1 979 | 1 688 | 600 | (1 132) | 272 | 8 302 | 362 | 8 664 |
| (473) | (53) | (526) | (449) | (149) | 426 | (27) | (2 050) | (24) | (2 074) |
| 1 309 | 144 | 1 453 | 1 239 | 451 | (706) | 245 | 6 252 | 338 | 6 590 |
| – | – | – | – | – | – | – | – | – | – |
| 1 309 | 144 | 1 453 | 1 239 | 451 | (706) | 245 | 6 252 | 338 | 6 590 |
| 1 288 | 144 | 1 432 | 1 192 | 451 | (809) | 108 | 5 729 | 338 | 6 067 |
| – | – | – | – | – | – | 137 | 137 | – | 137 |
| 21 | – | 21 | 47 | – | 103 | – | 386 | – | 386 |
| 1 309 | 144 | 1 453 | 1 239 | 451 | (706) | 245 | 6 252 | 338 | 6 590 |
| 1 288 | 144 | 1 432 | 1 192 | 451 | (809) | 108 | 5 729 | 338 | 6 067 |
| 23 | – | 23 | 1 | 145 | (132) | – | 42 | (470) | (428) |
| 1 311 | 144 | 1 455 | 1 193 | 596 | (941) | 108 | 5 771 | (132) | 5 639 |
| – | – | – | – | – | – | – | – | 29 | 29 |
| – | – | – | – | – | – | – | – | 103 | 103 |
| – | – | – | – | – | – | – | – | – | – |
| 1 311 | 144 | 1 455 | 1 193 | 596 | (941) | 108 | 5 771 | – | 5 771 |

# Segment report continued

for the six months ended 31 December 2011

| R million | FNB | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Retail segment | | | | | | | |
| | Residential mortgages | Card | Personal loans | Retail other | **Retail segment** | Commercial | FNB Africa | **Total FNB** |
| Cost-to-income ratio (%) | 48.9 | 48.8 | 30.2 | 66.9 | **57.1** | 54.0 | 54.9 | **55.9** |
| Diversity ratio (%) | 19.0 | 50.3 | 40.2 | 76.9 | **60.2** | 54.3 | 43.8 | **56.4** |
| Credit loss ratio (%) | 0.56 | 0.38 | 9.12 | 7.55 | **1.04** | 0.84 | 0.30 | **0.94** |
| NPLs as a percentage of advances (%) | 5.98 | 2.86 | 4.93 | 7.23 | **5.76** | 5.04 | 1.52 | **5.21** |
| Assets under administration | – | – | – | 36 547 | **36 547** | – | – | **36 547** |
| Assets under advice | – | – | – | 26 459 | **26 459** | – | 1 783 | **28 242** |
| Assets under execution | – | – | – | 35 096 | **35 096** | – | – | **35 096** |
| **Consolidated income statement includes:** | | | | | | | | |
| Depreciation | (4) | (2) | (1) | (506) | **(513)** | (51) | (51) | **(615)** |
| Amortisation | – | – | – | (28) | **(28)** | (1) | (15) | **(44)** |
| Impairment charges | – | – | – | – | **–** | – | – | **–** |
| Other non-cash provisions | (13) | (9) | (4) | (303) | **(329)** | (63) | (64) | **(456)** |
| **Statement of financial position includes:** | | | | | | | | |
| Advances (after ISP – before impairments) | 155 802 | 10 446 | 9 415 | 2 723 | **178 386** | 32 617 | 25 121 | **236 124** |
| – Normal advances | 155 802 | 8 948 | 9 415 | 2 723 | **176 888** | 32 617 | 25 121 | **234 626** |
| – Securitised advances | – | 1 498 | – | – | **1 498** | – | – | **1 498** |
| NPLs | 9 321 | 299 | 464 | 197 | **10 281** | 1 643 | 382 | **12 306** |
| Investment in associated companies | 11 | – | – | 170 | **181** | – | 8 | **189** |
| Total deposits (including non-recourse deposits) | 792 | 1 152 | – | 102 645 | **104 589** | 100 890 | 32 838 | **238 317** |
| Total assets | 154 080 | 10 055 | 8 797 | 22 290 | **195 222** | 32 847 | 39 930 | **267 999** |
| Total liabilities | 153 784 | 9 536 | 8 411 | 20 484 | **192 215** | 31 336 | 35 317 | **258 868** |
| Capital expenditure | 42 | 2 | – | 645 | **689** | 28 | 172 | **889** |

*This analysis is based on the segments' management accounts.*

| RMB | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Investment banking | Corporate banking | Total RMB | WesBank | Corporate Centre | Consolidation and IFRS adjustments | FirstRand | FirstRand Group – normalised | Normalised adjustments | FirstRand Group – IFRS |
| 46.9 | 75.3 | 52.2 | 45.6 | 69.7 | 31.6 | (>100) | 55.0 | – | 55.2 |
| 68.4 | 71.2 | 69.0 | 34.4 | 30.6 | 103.7 | 35.9 | 49.6 | – | 56.6 |
| 0.22 | 0.32 | 0.22 | 1.07 | – | >100 | – | 0.80 | 13.57 | 0.75 |
| 1.32 | 0.41 | 1.30 | 3.72 | – | – | – | 3.62 | – | 3.63 |
| 25 041 | – | 25 041 | – | – | – | – | 61 588 | – | 61 588 |
| – | – | – | – | – | – | – | 28 242 | – | 28 242 |
| – | – | – | – | – | – | – | 35 096 | – | 35 096 |
| | | | | | | | | | |
| (126) | 9 | (117) | (133) | (55) | 4 | – | (916) | – | (916) |
| (37) | – | (37) | (25) | (1) | (2) | – | (109) | – | (109) |
| (8) | – | (8) | – | (1) | (13) | – | (22) | – | (22) |
| (410) | – | (410) | (137) | (116) | (41) | (8) | (1 168) | – | (1 168) |
| | | | | | | | | | |
| 147 535 | 3 655 | 151 190 | 110 713 | 9 866 | 360 | – | 508 253 | (2 088) | 506 165 |
| 147 535 | 3 655 | 151 190 | 107 505 | 9 866 | 360 | – | 503 547 | (2 088) | 501 459 |
| – | – | – | 3 208 | – | – | – | 4 706 | – | 4 706 |
| 1 945 | 15 | 1 960 | 4 122 | – | – | – | 18 388 | – | 18 388 |
| 5 887 | – | 5 887 | 608 | 2 | (23) | – | 6 663 | – | 6 663 |
| | | | | | | | | | |
| 131 475 | 38 190 | 169 665 | 257 | 182 564 | (1 206) | – | 589 597 | – | 589 597 |
| 303 985 | 3 777 | 307 762 | 112 396 | 130 060 | (111 769) | 57 066 | 763 514 | (1 853) | 761 661 |
| 298 110 | 3 456 | 301 566 | 109 682 | 77 470 | (51 936) | 902 | 696 552 | 10 | 696 562 |
| 977 | 11 | 988 | 351 | 32 | 760 | – | 3 020 | – | 3 020 |

# FNB

## INTRODUCTION

FNB's ongoing strong performance reflects the successful execution of a number of very specific growth strategies underpinned by its focus on delivering innovative and cost-effective products and solutions for customers. The FNB franchise continues to deliver excellent earnings growth and superior returns to FirstRand shareholders.

## EXECUTION ON STRATEGY

During the period under review, FNB completed an internal realignment, and has further refined its successful segment focus. The original FNB segment strategy incorporating Mass, Consumer, Wealth, Commercial and Corporate has been refined to focus on two larger segments – Retail and Commercial.

The Corporate segment, previously FNB Global Transactional Services (GTS), has been rebranded RMB Corporate Banking and aligned under RMB Corporate and Investment Bank, as part of FirstRand's strategy to provide an integrated and holistic offering to its large corporate customers.

The African subsidiaries have been aligned under Retail and are now reported under total FNB. This realignment allows for the consolidation of a number of operating platforms, resulting in cost efficiencies and best practice migration.

### South Africa

When assessing FNB's growth in the six months to December 2012, the business has continued to benefit from its primary strategy to grow and retain core transactional accounts. This has been achieved on the back of a compelling value proposition – innovative products and channels at an acceptable cost to the customer – supported by rewards programmes such as eBucks, SLOW lounges and fuel, data and airtime rewards. Innovations such as the Banking App, cellphone banking and eWallet have also continued to attract new customers.

Core transactional banking accounts grew 11% to 7.3 million. A positive outcome from this growth was the commensurate increase in transactional volumes, particularly on the back of FNB's deliberate objective to drive customers onto its electronic platforms. FNB's focus on customer acquisition and retention also resulted in strong growth in deposits, driven by the Retail and Commercial segments as well as the African franchise.

All of these strategies have resulted in profitable growth and have underpinned FNB's ability to deliver a sustainable and superior ROE.

In addition to its South African franchise, FNB has profitable and well-established businesses in Botswana, Namibia, Swaziland and Lesotho. In line with FirstRand's approach to grow in selected African countries with strong domestic growth potential and trade links with Asia, FNB is continuing to organically build full-service banking in Zambia, Mozambique and Tanzania.

## FINANCIAL PERFORMANCE – TOTAL FNB

| | Six months ended 31 December | | % |
|---|---|---|---|
| R million | **2012** | 2011 | change |
| Net interest income | **7 472** | 6 143 | 22 |
| Non-interest revenue | **8 922** | 7 930 | 13 |
| Operating expenses | **(8 889)** | (7 874) | 13 |
| Income before indirect tax | **6 031** | 5 113 | 18 |
| Indirect tax | **(254)** | (218) | 17 |
| Income before direct tax | **5 777** | 4 895 | 18 |
| Normalised earnings | **4 023** | 3 360 | 20 |
| Advances | **257 076** | 236 124 | 9 |
| Total deposits | **273 063** | 238 317 | 15 |
| Assets under management | **39 340** | 36 547 | 8 |
| Assets under advice | **29 747** | 28 242 | 5 |
| Assets under execution | **42 838** | 35 096 | 22 |

### Segment results

| | Six months ended 31 December | | % |
|---|---|---|---|
| R million | **2012** | 2011 | change |
| Retail | **3 180** | 2 404 | 32 |
| Commercial | **1 828** | 1 728 | 6 |
| Africa | **769** | 763 | 1 |
| Income before direct tax | **5 777** | 4 895 | 18 |

## TOTAL FNB PERFORMANCE COMMENTARY

FNB produced an excellent performance for the year, increasing pre-tax profits 18% and producing an ROE of 36.2% which is well above the Group's hurdle rate. Other key ratios are indicated below.

| | Six months ended 31 December | |
|---|---|---|
| % | **2012** | 2011 |
| ROE | **36.2** | 34.7 |
| Cost-to-income ratio | **54.2** | 55.9 |
| NPLs | **4.45** | 5.21 |
| Credit loss ratio | **1.19** | 0.94 |
| ROA | **2.94** | 2.57 |
| Advances margin | **3.08** | 2.47 |

This performance was driven by both strong net interest income and non-interest revenue growth and additional customer volumes.

NII grew 22% in South Africa driven by balance sheet growth and margin expansion due to the mix change to unsecured lending and the repricing of newly originated residential mortgages. Overall lower growth in advances was partially offset by good deposit acquisition (15% up). In addition, the decrease of R1.5 billion in NPLs at FNB HomeLoans positively impacted NII.

Advances increased 9%, in the main emanating from across the Retail segment in South Africa (up R10.6 billion) and Africa (up R3.7 billion). Card advances grew 14% on the back of proactive customer acquisition. Total residential mortgages grew 2% with FNB HomeLoans growing only 1%, reflecting FNB's strategy to write new business in the low-risk categories, however, margins remained healthy. Affordable housing continued to show good growth at 17%.

Due to FNB's strategy to grow transactional accounts and drive volumes across its platforms, NIR increased 13%. This growth was driven mainly by activity in the Retail segment (NIR up 16%), with Commercial and Africa contributing increases of 6% and 11% respectively to NIR.

FNB has taken the prudent decision to increase portfolio provisions resulting in a 37% total increase in bad debts. Excluding these provisions, bad debts increased 18%, which is below expectations given the growth in unsecured lending with Card being exceptionally low at R2 million. Overall credit quality across all portfolios is well within risk appetite and coverage ratios have increased.

FNB maintained core cost growth at 10%, reflecting its focus on ongoing efficiencies and streamlining platforms, especially in Retail where costs only increased 9%. When including investment costs, particularly in Africa (costs up 17%), total operating expenditure growth was 13%.

## OPERATIONAL HIGHLIGHTS

- prepaid airtime sales reached R2.5 billion to date, up 26% year-on-year and electricity sales grew 76%;
- eBucks spend of R183 million compared to R140 million in the previous period, representing 30% growth;
- FNB Zambia has grown from six to nine branches during the period;
- active business account sales grew 30%;
- assets under management amounted to R39.3 billion with a year-on-year increase of R2.8 billion;
- SA ATM footprint at 5 938 devices has decreased by 135 since December 2011 (6 073), largely due to decomm-issioning of mini-ATMs; and
- 774 SA branches including 163 EasyPlan branches, representing an increase of 14 since December 2011 (760; 151 EasyPlan branches).

# RMB

## INTRODUCTION

RMB's performance for the six months to December 2012 reflects the strength and quality of its franchise. As anticipated, the market has remained challenging with corporate activity still relatively muted, however, RMB continues to successfully capitalise on its leading market position creating and capturing new revenue streams, containing costs and optimising capital usage.

## EXECUTION ON STRATEGY

RMB has become a more client-centric business with a clear strategy anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns.

A shift in focus from trading activities to generating income from client activities has achieved a more optimal balance in earnings. This, coupled with steady investment returns and a growing focus on asset management, has resulted in a higher quality and more sustainable earnings profile. RMB has further aligned the corporate transactional banking business with the investment banking activities, and FNB GTS is being rebranded RMB Corporate Banking. In achieving this alignment for its large corporate client base, RMB will continue to leverage the infrastructure and platforms of FNB to deliver best of breed service to its transactional banking clients.

On the back of the creation of a single CIB coverage team with industry specialisation, deep sector knowledge and good client insight, a further step was taken towards providing clients with an integrated service during the period. The product and transactional banking sales teams across Global Markets and Corporate Banking were merged to ensure that clients are being offered solutions and products across these closely connected product sets.

In support of FirstRand's strategy to organically build an investment management franchise, RMB's asset management business is gaining traction. Revenue growth has been achieved by increasing the value of funds under management with the business targeting additional market share gains. In terms of the African operations, the RMB Nigeria business was officially launched on 7 February 2013.

## FINANCIAL PERFORMANCE

| | RMB | | |
|---|---|---|---|
| | Six months ended 31 December | | |
| R million | **2012** | 2011 | % change |
| Income before indirect tax | **2 511** | 2 030 | 24 |
| Indirect tax | **(51)** | (51) | – |
| **Income before direct tax** | **2 460** | 1 979 | 24 |
| **Normalised earnings** | **1 969** | 1 455 | 35 |
| Total assets | **356 390** | 307 762 | 16 |
| ROE (%) | **22.2** | 18.1 | |
| ROA (%) | **1.14** | 1.00 | |
| Cost-to-income ratio (%) | **50.0** | 52.2 | |

### Divisional results

| **Income before direct tax** | Six months ended 31 December | | |
|---|---|---|---|
| R million | **2012** | 2011 | % change |
| Private Equity | **229** | 213 | 8 |
| Investment Banking Division | **1 506** | 1 279 | 18 |
| Global Markets | **894** | 639 | 40 |
| Other RMB | **(217)** | (349) | (38) |
| **RMB Investment Banking** | **2 412** | 1 782 | 35 |
| RMB Corporate Banking | **48** | 197 | (76) |
| **RMB** | **2 460** | 1 979 | 24 |

## PERFORMANCE COMMENTARY

RMB, inclusive of RMB Corporate Banking, produced an excellent result in the six months to December 2012. Pre-tax profits increased 24% to R2 460 million, which is a record first half performance from the RMB business. The ROE also increased from 18.1% to 22.2%, reflecting the benefits of a number of strategic actions taken in 2012.

The Investment Banking Division (IBD) continued to show good growth, increasing pre-tax profits by 18% to R1 506 million.

Much of this growth was balance sheet led, with the core loan book increasing 19%, which is well above the market and driven by a number of large deals coupled with the arranging and structuring of renewable energy funding facilities. Provisioning levels remain conservative, which RMB considers prudent given some pressures seen in certain sectors of the economy, but in no way detracts from the underlying high quality of the book. The period saw a strong performance from leverage finance, debt capital markets and infrastructure financing and the realisation of an investment in Eris Property Group also contributed positively.

The Global Markets division also delivered a strong performance for the period, growing profits 40% to R894 million, mainly underpinned by client activities. The business benefited from being well positioned for the July rate cut and an improved performance was seen in the structuring solutions business. Commodity-related financing contributed to solid balance sheet growth. Low volatility in local foreign exchange and interest rate markets softened profitability, however, African activities continued to deliver, driven by strong performances from the subsidiaries.

Private Equity profits for the year were solid, up 8% to R229 million. Equity-accounted earnings and income from investment subsidiaries provided an underpin to profits whilst continued investment activity has added to the overall portfolio.

The RMB Resources portfolio continued to experience pressure on profitability due to persistent weakness in the junior mining sector, although losses were curtailed compared to the previous six months.

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

# WesBank

## INTRODUCTION

WesBank's performance for the six months to December 2012 reflects its leading market position in instalment finance. In particular, long-standing alliances with leading motor manufacturers and large dealer groups have allowed increased market share within the required risk profile. The WesBank franchise continues to contribute significantly to FirstRand's performance, underpinned by appropriate origination strategies and rigid cost management in its core business, combined with increasing penetration into existing and new markets.

Whilst WesBank will always be prone to a certain level of cyclicality, it continues to focus on specific initiatives to better position the business to deliver sustainable returns within appropriate levels of earnings volatility.

## EXECUTION ON STRATEGY

In line with FirstRand's strategic objectives, WesBank has continued to focus on growing its core business and in its core lending businesses this focus translated into continued strong new business growth, particularly in the motor and unsecured credit books. Corporate new business volumes were also robust and the positive turnaround at MotoNovo continued on the back of excellent growth in volumes.

The unsecured lending business, driven through the Direct Axis direct marketing origination channel and the underlying personal loans books that it originates and manages, also showed good growth. WesBank has focused on growing new business in the lower risk buckets and at profitable overall returns. Although there are signs of industry stress in the unsecured lending market, the bad debt experience is well within expectations as a consequence of disciplined credit origination and appetite.

## FINANCIAL PERFORMANCE

| | Six months ended 31 December | | |
|---|---|---|---|
| R million | **2012** | 2011 | % change |
| Net interest income | **3 296** | 2 849 | 16 |
| Impairments | **(701)** | (572) | 23 |
| Non-interest revenue | **1 419** | 1 344 | 6 |
| Non-interest expenditure | **(2 073)** | (1 980) | 5 |
| Associate income | **135** | 147 | (8) |
| **Income before indirect tax** | **2 076** | 1 788 | 16 |
| Indirect tax | **(115)** | (100) | 15 |
| **Income before taxation** | **1 961** | 1 688 | 16 |

## FINANCIAL AND OPERATIONAL HIGHLIGHTS

- advances growth of 17% to R129.9 billion:
  - new business growth of 20% to R34.1 billion*;
  - motor new business growth of 19% to R22.1 billion*;
  - corporate new business growth of 14% to R6.4 billion;
  - unsecured loans new business growth of 27% to R2.6 billion; and
  - MotoNovo new business growth of 40% to R3.1 billion (25% in GBP terms);
- excellent performance in Direct Axis and MotoNovo;
- good growth through alliance partners across all portfolios;
- debt review showing positive overall outcomes in terms of customer repayment behaviour;
- automation and online self-service efficiencies created in front- and back-office environments; and
- resilience in retail customer bases maintaining low arrear and bad debt levels.

* *Excludes new business volumes of R5.1 billion from WesBank's associate, Toyota Financial Services.*

## PERFORMANCE COMMENTARY

On all key metrics WesBank delivered a very strong performance growing pre-tax profits 16% to R1 961 million, compared with the high base of R1 688 million established in the prior period. Other key performance metrics are indicated in the table below.

| | Six months ended 31 December | |
|---|---|---|
| % | **2012** | 2011 |
| ROE | **31.8** | 29.8 |
| Cost-to-income ratio | **42.7** | 45.6 |
| Credit loss ratio | **1.12** | 1.07 |
| ROA | **2.18** | 2.17 |
| Net interest margin | **5.41** | 5.33 |

Interest margins were maintained despite strong competition across all portfolios. The underlying retail vehicle finance advances are also well balanced between fixed and variable.

Arrear levels have levelled off and further improvement is not anticipated. All portfolios are, however, reflecting default levels well within credit risk appetite. Whilst NPLs have shown a decrease since June 2012, given that the credit cycle has bottomed, this trend is likely to begin to reverse. NPLs include residual debt review accounts, most of which are paying according to arrangement. These debt review accounts now comprise a quarter of the NPL portfolio.

Credit appetite remains conservative and disciplined across all the portfolios. Origination is well within agreed risk thresholds and vintage performance is very closely monitored. The overall portfolios continue to track well within expectation.

Non-interest revenue reflected moderate growth over the prior period, based on recognition of underwriting revenues and pricing pressures in the Auto card business.

Total cost growth was 5%, reflecting static headcount year-on-year, which includes extraordinary increases in profit share payments to alliance partners and increasing depreciation on FMR assets. Excluding these two items, year-on-year operating costs reflected a small reduction.

# Notes

# BALANCE SHEET AND RETURN ANALYSIS

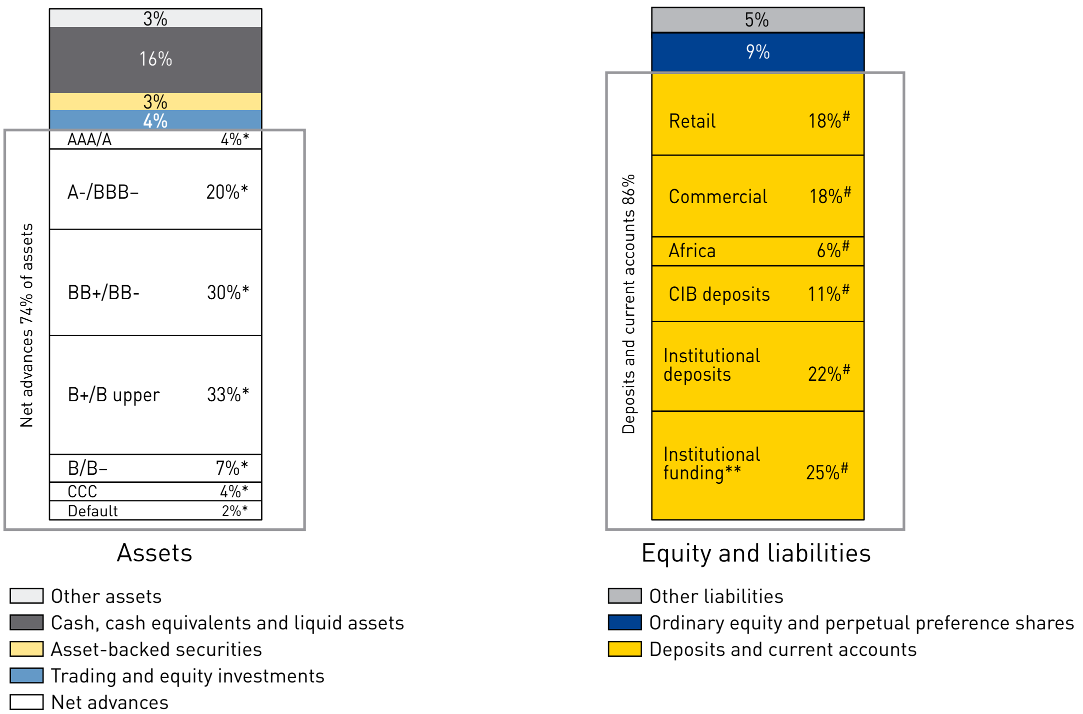
# Economic view of the balance sheet

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

When assessing the underlying risk in the balance sheet, the Group's asset profile is dominated by a balanced advances portfolio, which constitutes 73% of total assets. In terms of credit quality, 87% of advances are rated B upper or better. Cash and liquid assets represent 17% of total assets, with only a small portion related to the investment and trading businesses.

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. A slight increase occurred in the month of December 2012 as a result of the seasonal money shortage within the industry (see page 88).

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




* *of net advances.*

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

*Note: Derivative assets and liabilities have been netted off.*

# 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).

The performance measure of NIACC is embedded across the Group. NIACC, as a function of normalised earnings and capital utilised in the businesses, provides a clear indication of economic value added.

Targeted hurdle rates are set for the units and capital is allocated to each unit based on its risk profile. The capital allocation process has been refined to reflect the increased capital requirements under Basel III.

## 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 regulatory changes.

Decomposition of the ROE indicates that, although gearing levels are decreased in preparation for Basel III, the Group's focus on improving ROA delivered an increase in ROE to 21.9% (2011: 19.5%). The table below illustrates the improving trends in ROA and ROE.

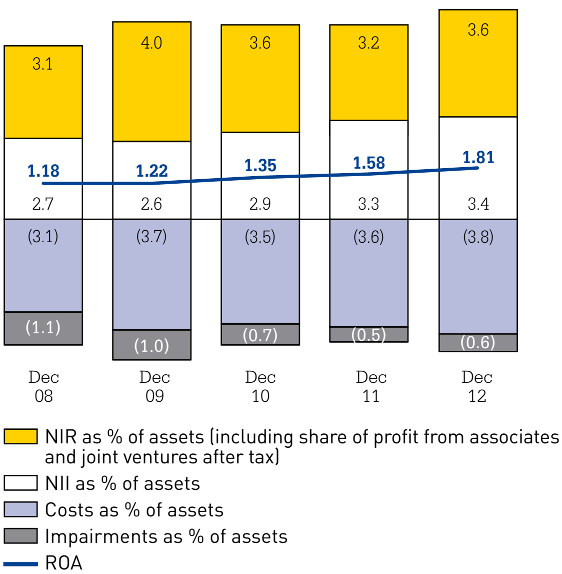
### Historical analysis of ROA, gearing and ROE

| | Six months ended 31 December | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|
| | **2012** | 2011 | 2010* | 2009* | 2008* | 2012 |
| ROA (%) | **1.81** | 1.58 | 1.35 | 1.22 | 1.18 | 1.73 |
| Gearing** | **12.1** | 12.4 | 13.3 | 14.0 | 15.1 | 11.9 |
| **ROE (%)** | **21.9** | 19.5 | 18.0 | 17.1 | 17.9 | 20.7 |

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

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

### ROA analysis (%)




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

# Performance measurement continued

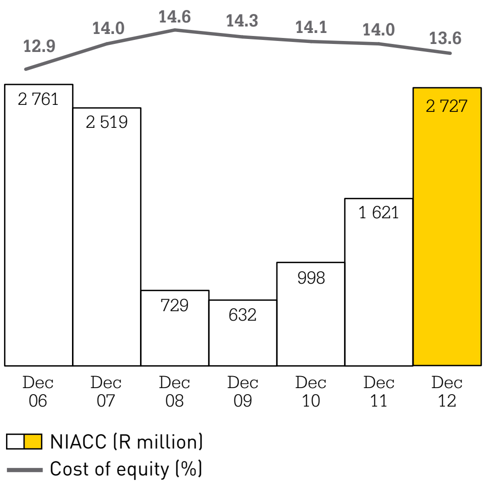
The Group's NIACC increased significantly due to the improvement in earnings and the reduction in the cost of equity.

## NIACC and ROE

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| Normalised earnings attributable to ordinary shareholders | **7 218** | 5 771 | 25 | 12 730 |
| Charge for capital* | **(4 491)** | (4 150) | 8 | (8 567) |
| **NIACC**** | **2 727** | 1 621 | 68 | 4 163 |
| Average ordinary shareholders' equity and reserves | **66 049** | 59 114 | 12 | 61 634 |
| Return on average ordinary shareholders' equity and reserves (%) | **21.9** | 19.5 | | 20.7 |
| Cost of equity (%) | **13.6** | 14.0 | | 13.9 |
| Return on average RWA | **3.00** | 2.88 | | 2.97 |

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

## NIACC and cost of equity




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

## 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.

| R million | For the six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2012** | | 2011 | 2012 |
| | **Normalised earnings*** | **ROE %** | ROE % | ROE % |
| FNB** | **4 067** | **36.2** | 34.7 | 35.0 |
| RMB# | **1 967** | **22.2** | 18.1 | 23.2 |
| WesBank | **1 386** | **31.8** | 29.8 | 33.9 |
| Corporate Centre | **(202)** | **(2.3)** | (2.7) | (2.0) |
| FirstRand Limited | **7 218** | **21.9** | 19.5 | 20.7 |
| Total Africa† | **416** | **22.0** | 21.7 | 19.0 |

* *Includes the return on capital earned by the respective franchises, Corporate Centre costs and cost of preference shares, which differs from franchise normalised earnings in the segment report.*
** *Includes FNB Africa.*
\# *Includes RMB Africa.*
† *Reflects FNB's and RMB's combined African operations in the subsidiaries.*

# Capital

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

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

## PERIOD UNDER REVIEW

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

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

Throughout the period under review, FirstRand operated above its targeted capitalisation range, reporting a total capital adequacy ratio of 14.9% and a solid Core Tier 1 ratio of 12.5% at December 2012. Similarly FRB, excluding foreign branches, operated comfortably above its target ranges with a total capital adequacy of 14.6% and Core Tier 1 ratio of 11.9%. The Group continues to follow a conservative approach to capital levels and prefers to maintain capital ratios at the upper end of its targeted capitalisation range; particularly given ongoing regulatory developments and Africa expansion initiatives.

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

### Capital adequacy position

| | FirstRand | | FRB* | | Regulatory minimum |
|---|---|---|---|---|---|
| | Actual | Target | Actual | Target | |
| Capital adequacy ratio (%) | 14.9 | 12.0 – 13.5 | 14.6 | 11.5 – 13.0 | 9.5** |
| Tier 1 ratio (%) | 13.4 | 11.0 | 12.7 | 10.5 | 7.0 |
| Core Tier 1 ratio (%) | 12.5 | 9.5 – 11.0 | 11.9 | 9.0 – 10.5 | 5.25 |

** Reflects solo supervision, i.e. FRB excluding foreign branches.*
*** The regulatory minimum excludes the bank-specific (Pillar 2b) add-on and capital floor.*
*Note: Refer to page 122 for definitions of ratios.*

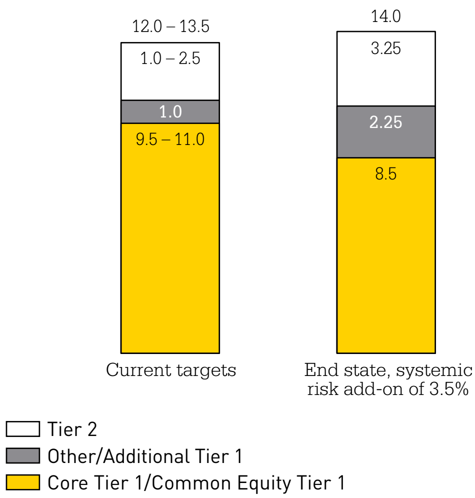
## Basel III

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

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

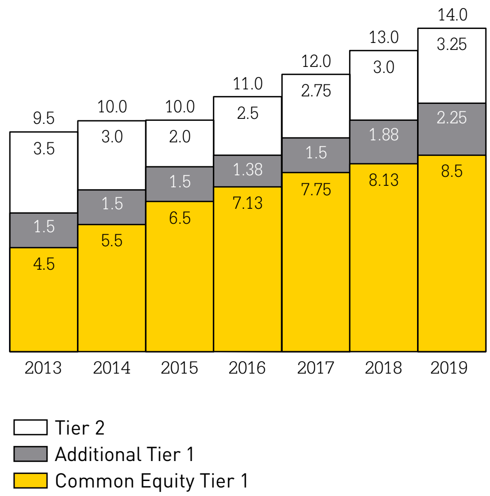
The graph below shows the current internal targets and the end state minimum capital requirements (excluding the bank- specific individual capital requirement (ICR) or Pillar 2b add-on). The internal target levels will be re-assessed under Basel III.

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




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

Minimum capital requirements (%)




The regulations allow for the inclusion of disclosable reserves (i.e. share-based payment reserve, foreign currency translation reserve and available-for-sale reserve) in CET1. This is partly offset by the exclusion of certain minority interests, as well as additional regulatory deductions. The grandfathering of qualifying capital instruments diminishes the total capital supply further.

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

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

## Supply of capital – Tier 1

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

# Capital continued

## Supply of capital – Tier 2

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

## Demand for capital

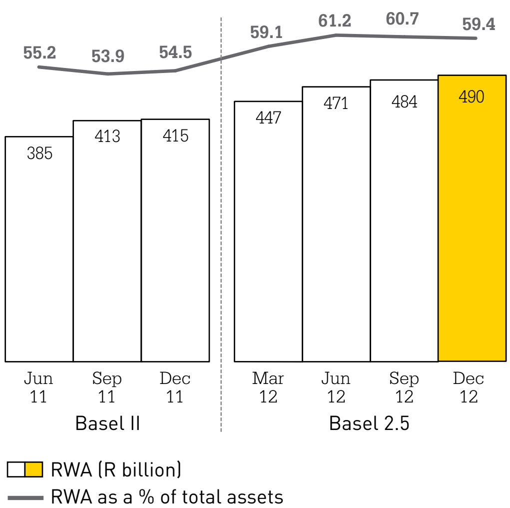
Basel 2.5 implemented on 1 January 2012 has resulted in an increase in the following risk types:

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

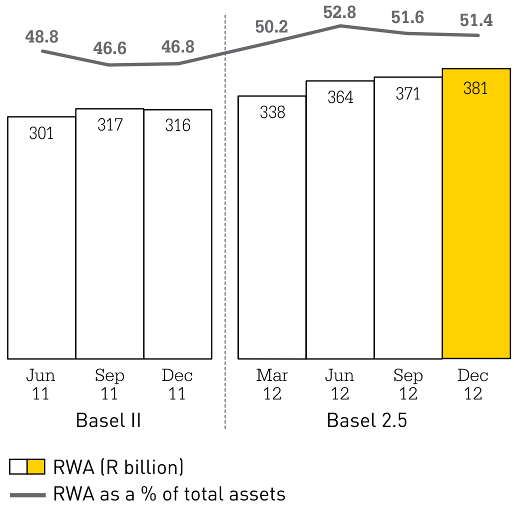
The overall RWA increase was also driven by credit risk volume growth and recalibrations, offset by decreased market risk positions. Effective 1 July 2011, the SARB also required that equity investment risk exposures be risk weighted under the simple risk weighted method with a phasing in of the higher capital requirement.

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

FirstRand RWA history




FRB RWA history



# CAPITAL ADEQUACY

## Composition of capital

The following tables show the composition of regulatory capital for FirstRand and FRB.

### Composition of qualifying capital

| | FirstRand | | |
|---|---|---|---|
| R million | **31 December 2012** | 31 December 2011 | 30 June 2012 |
| Ordinary shareholders equity as per IFRS | **66 274** | 57 506 | 62 521 |
| Less: non-qualifying reserves | **(4 343)** | (3 577) | (3 983) |
| Cash flow reserve | **842** | 649 | 753 |
| Available-for-sale reserve | **(1 068)** | (412) | (626) |
| Share-based payment reserve | **(2 959)** | (3 054) | (3 247) |
| Foreign currency translation reserve | **(1 363)** | (1 080) | (1 052) |
| Other reserves | **205** | 320 | 189 |
| Ordinary shareholders equity qualifying as capital | **61 931** | 53 929 | 58 538 |
| Ordinary share capital and share premium | **5 442** | 5 222 | 5 271 |
| Reserves | **56 489** | 48 707 | 53 267 |
| Non-controlling interests | **2 705** | 3 074 | 2 767 |
| Less: total impairments | **(3 260)** | (3 092) | (3 419) |
| Excess of expected loss over eligible provisions (50%) | **(231)** | (844) | (400) |
| First loss credit enhancements in respect of securitisation structures (50%) | **(652)** | (284) | (508) |
| Goodwill and intangibles | **(1 557)** | (1 647) | (1 743) |
| Other impairments* | **(820)** | (317) | (768) |
| **Total Core Tier 1 capital** | **61 376** | 53 911 | 57 886 |
| **Total Other Tier 1** | **4 119** | 4 119 | 4 119 |
| NCNR preference share capital | **4 519** | 4 519 | 4 519 |
| Less: impairments* | **(400)** | (400) | (400) |
| **Total Tier 1 capital** | **65 495** | 58 030 | 62 005 |
| Upper Tier 2 instruments | **1 047** | 1 044 | 1 045 |
| Tier 2 subordinated debt instruments | **7 181** | 5 784 | 6 973 |
| Other reserves | **201** | 208 | 215 |
| Less: total impairments | **(883)** | (1 128) | (908) |
| Excess of expected loss over eligible provisions (50%) | **(231)** | (844) | (400) |
| First loss credit enhancements in respect of securitisation structures (50%) | **(652)** | (284) | (508) |
| **Total Tier 2 capital** | **7 546** | 5 908 | 7 325 |
| **Total qualifying capital and reserves** | **73 041** | 63 938 | 69 330 |

* *December 2011 figures restated to include investment in other regulated financial entities (previously included in Core Tier 1 capital).*

# Capital continued

## Composition of qualifying capital

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

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

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

## Characteristics of capital instruments

| Capital type | Instrument | Nominal (R million) | Actual (R million) | Rate type | First call date |
|---|---|---|---|---|---|
| Core Tier 1 | Ordinary share capital and premium | 5 442 | 5 442 | | Perpetual |
| Other Tier 1 | NCNR preference share capital | 4 519 | 4 519 | Floating | Perpetual |
| Upper Tier 2 | FRBC21 | 628 | 606 | Fixed | 21 Dec 2018 |
| | FRBC22 | 440 | 441 | Floating | 21 Dec 2018 |
| Subordinated debt | FRB03 | 1 740 | 1 829 | Fixed | 15 Sept 2014 |
| | FRB05 | 2 110 | 2 046 | Fixed | 21 Dec 2018 |
| | FRB08 | 100 | 100 | Floating | 10 Jun 2016 |
| | FRB09 | 100 | 100 | Floating | 10 Jun 2017 |
| | FRB10 | 1 000 | 1 013 | Floating | 25 Jan 2017 |
| | FRB11 | 1 500 | 1 507 | Floating | 11 Dec 2017 |
| | FNB002 | 120 | 170 | Floating | 1 Dec 2016 |
| | FNB003 | 27 | 27 | Fixed | 1 Dec 2016 |
| | FNBX22 | 110 | 113 | Fixed | 29 Mar 2017 |
| | FNBJ22 | 280 | 280 | Floating | 29 Mar 2017 |

# Capital continued

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

## RWA and capital requirement

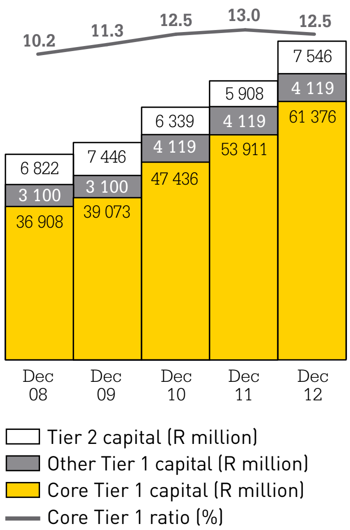
| | FirstRand | | | | | |
|---|---|---|---|---|---|---|
| | **December 2012** | | | | December 2011 | June 2012 |
| | **RWA** | | | | | |
| R million | **Advanced approach** | **Standardised approach** | **Total** | **Capital requirement**** | RWA | |
| Credit risk | | | | | | |
| Corporate, banks and sovereigns | **115 325** | **10 556** | **125 881** | **11 959** | 104 868 | 117 561 |
| Small and medium enterprises (SMEs) | **40 286** | **14 320** | **54 606** | **5 188** | 49 434 | 45 493 |
| Residential mortgages | **50 462** | **4 086** | **54 548** | **5 182** | 47 165 | 55 932 |
| Qualifying revolving retail | **15 319** | **118** | **15 437** | **1 467** | 9 611 | 12 661 |
| Other retail | **55 658** | **7 095** | **62 753** | **5 962** | 53 814 | 63 710 |
| Securitisation exposure | **8 239** | **263** | **8 502** | **808** | 9 013 | 9 588 |
| Other | **–** | **15 174** | **15 174** | **1 441** | 8 443 | 12 904 |
| **Total credit risk** | **285 289** | **51 612** | **336 901** | **32 007** | 282 348 | 317 849 |
| Operational risk* | **59 747** | **14 048** | **73 795** | **7 011** | 63 745 | 72 963 |
| Market risk | **10 735** | **2 456** | **13 191** | **1 253** | 12 621 | 15 868 |
| Equity investment risk | **42 110** | **–** | **42 110** | **4 000** | 30 236 | 40 640 |
| Other assets | **–** | **24 376** | **24 376** | **2 316** | 26 171 | 24 148 |
| **Total RWA** | **397 881** | **92 492** | **490 373** | **46 587** | 415 121 | 471 468 |
| **Pillar 1 (8%)** | | | | **39 231** | 33 208 | 37 717 |
| **Pillar 2a (1.5%)** | | | | **7 356** | 6 227 | 7 072 |
| **Total capital requirement** | | | | **46 587** | 39 435 | 44 789 |

* *Exposures subject to the basic indicator approach are included under the standardised method.*
** *Capital requirement calculated at 9.5% (Pillar 1 of 8% and Pillar 2a of 1.5%) of RWA.*

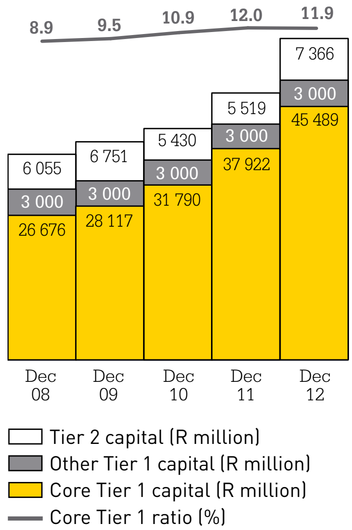
### Historical overview of capital adequacy

The graphs below provide a historical overview of the capital adequacy for FirstRand and FRB.

Capital adequacy – FirstRand




Capital adequacy – FRB




*Note: Comparative info prior to December 2010 relates to the previously regulated entity FirstRand Bank Holdings Limited.*

# Capital continued

## Capital adequacy position for FirstRand and its subsidiaries/foreign branches

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

The capital adequacy position of FirstRand and its subsidiaries/foreign branches is set out below.

### RWA and capital adequacy position for FirstRand and its subsidiaries/foreign branches

| | FirstRand | | | | |
|---|---|---|---|---|---|
| | **December 2012** | | | December 2011 | June 2012 |
| | **RWA** | **Tier 1** | **Total capital adequacy** | Total capital adequacy | Total capital adequacy |
| | **R million** | **%** | **%** | % | % |
| **Basel II/2.5** | | | | | |
| FirstRand | **490 373** | **13.4** | **14.9** | 15.4 | 14.7 |
| FirstRand Bank South Africa | **381 419** | **12.7** | **14.6** | 14.7 | 14.6 |
| FirstRand Bank London | **7 362** | **17.0** | **17.2** | 11.7 | 18.0 |
| FirstRand Bank India | **1 570** | **33.7** | **34.0** | 33.9 | 30.4 |
| RMB Australia | **10 706** | **12.8** | **12.8** | 15.1 | 14.2 |
| FNB Namibia* | **14 590** | **11.0** | **16.1** | 16.7 | 17.6 |
| **Basel I*** | | | | | |
| FNB Botswana | **10 639** | **12.8** | **20.2** | 18.0 | 16.6 |
| FNB Lesotho | **453** | **15.7** | **20.6** | 19.5 | 17.4 |
| FNB Mozambique | **1 138** | **14.9** | **15.0** | 10.7 | 11.9 |
| FNB Swaziland | **1 596** | **25.2** | **26.5** | 28.8 | 29.4 |
| FNB Zambia | **1 404** | **10.8** | **20.2** | 14.6 | 18.0 |
| FNB Tanzania | **99** | **89.4** | **89.4** | 107.2 | 77.8 |

* *Ratios based on local rules.*

# Funding

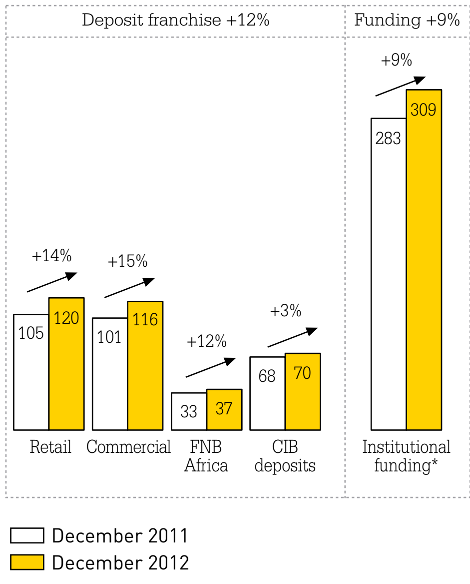


## FUNDING STRATEGY

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

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

Group funding by segment (R billion)




* *Includes CIB institutional funding.*

The banking sector in South Africa is characterised by certain structural features, such as a low discretionary savings rate and a higher degree of contractual savings that are captured by institutions such as pension funds, provident funds and providers of asset management services. Given these structural issues and, as a result of the need to fund the significant growth in RWA between 2001 and 2007, South African banks' overall proportion of institutional funding increased.

This is reflected in the table below.

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

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

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

# Funding continued

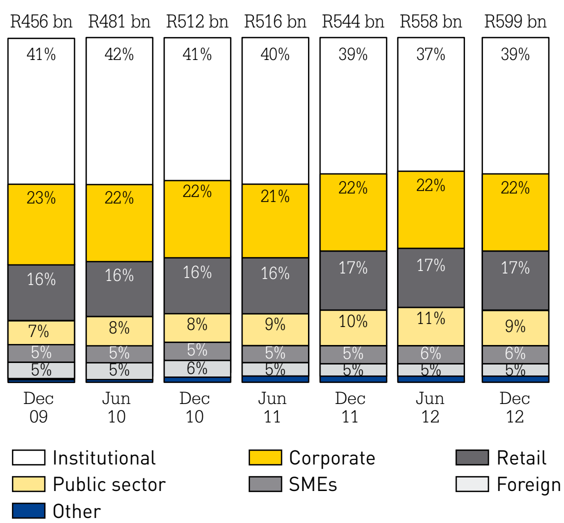
| FirstRand Bank's funding sources | 31 December 2012 (% of funding liabilities) | | | |
|---|---|---|---|---|
| | Total | Short-term | Medium-term | Long-term |
| **Institutional** | 39 | 14 | 7 | 18 |
| **Deposit franchise** | 61 | 47 | 6 | 8 |
| Corporate | 23 | 20 | 1 | 2 |
| Retail | 17 | 12 | 4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

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

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

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

## FRB funding analysis by source



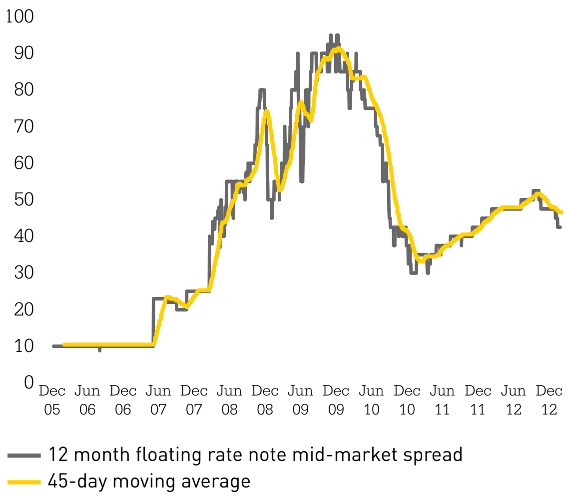

## Efficiency

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

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

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

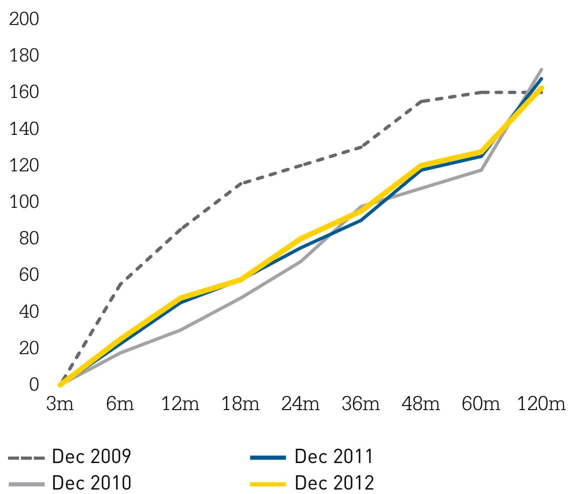
12-month liquidity spread (bps)




*Source: Bloomberg (RMBP screen) and Reuters.*

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

Long-term funding spreads (bps)




*Source: Bloomberg (RMBP screen) and Reuters.*

## Flexibility

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

## Strong counterparty relationships

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

## Diversification

The Group views funding diversification from a number of different perspectives:

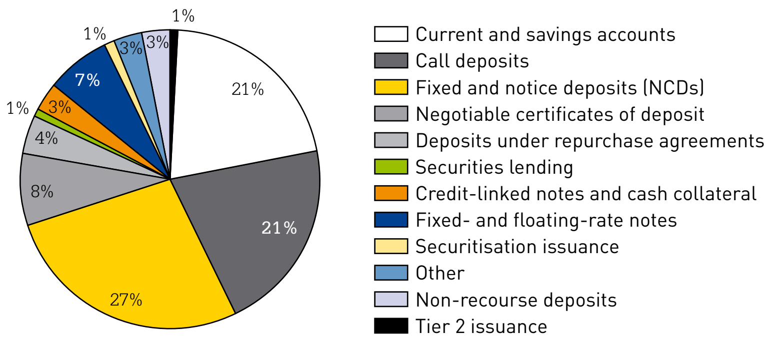
- **Segments** – the Group has a strong and stable deposit franchise, which spans the retail, commercial and corporate segments. Institutional funding represents 39% of total funding. This reliance is actively managed through the holding of appropriate liquidity buffers and continued focus on lengthening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

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

# Funding continued

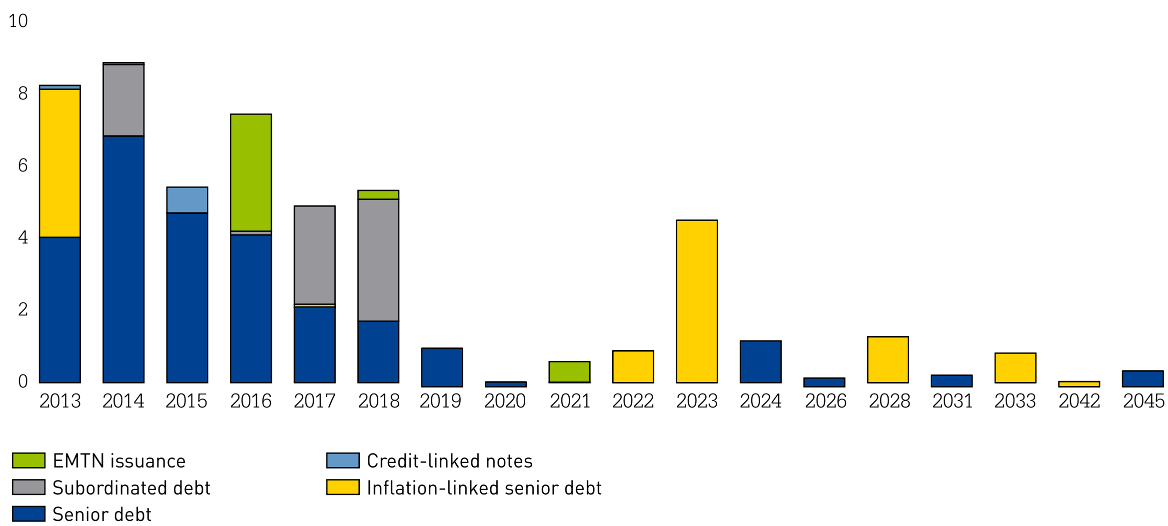
The chart below shows that the Group has well-diversified instruments funding the balance sheet.

## Instrument type (including senior debt and securitisation)




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

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



Funding

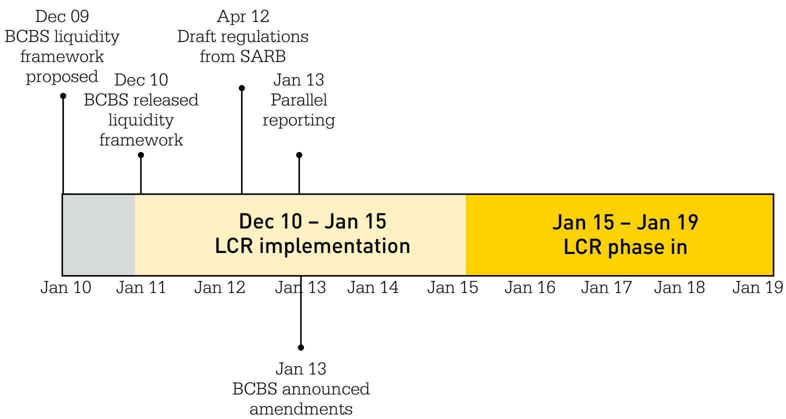
## BASEL III UPDATE

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

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

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

### Timeline




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

# Credit

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

## CREDIT HIGHLIGHTS AT A GLANCE

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

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

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

| | | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|---|
| R million | Notes | **2012** | 2011 | % change | 2012 |
| **Total gross advances*** | 1 | **574 850** | 508 253 | 13 | 535 704 |
| **NPLs** | 2 | **17 797** | 18 388 | (3) | 18 666 |
| **NPLs as a % of advances** | | **3.10** | 3.62 | | 3.48 |
| **Impairment charge – total** | 3 | **2 518** | 1 961 | 28 | 5 471 |
| Business as usual | | **2 518** | 1 961 | 28 | 4 766 |
| Special impairment** | | **–** | – | | 705 |
| **Impairment charge as a % of average advances** | | **0.91** | 0.80 | | 1.08 |
| Business as usual | | **0.91** | 0.80 | | 0.94 |
| Special impairment | | **–** | – | | 0.14 |
| **Total impairments*** | 4 | **11 812** | 9 995 | 18 | 11 197 |
| Portfolio impairments | | **5 322** | 3 774 | 41 | 4 892 |
| Specific impairments | | **6 490** | 6 221 | 4 | 6 305 |
| **Implied loss given default (coverage)#** | 4 | **36.5** | 33.8 | | 33.8 |
| **Total impairments coverage ratio†** | | **66.4** | 54.4 | | 60.0 |

* *Includes cumulative credit fair value adjustments.*
** *This impairment relates to the discovery during the year ended June 2012 of the deliberate concealment by employees of unrecovered amounts in FNB's merchant acquiring business unit. This was classified as a boundary event.*
\# *Amortised cost specific impairments and non-performing book cumulative credit fair value adjustments as a percentage of NPLs.*
† *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*

The notes referred to in the table above are detailed on the following pages. Comparatives of certain portfolios have been restated to reflect the current segmentation of the business.

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

- advances were adjusted (upwards) by the balance sheet credit fair value adjustments of R2 614 million (December 2011: R2 088 million; June 2012: R2 357 million); and

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

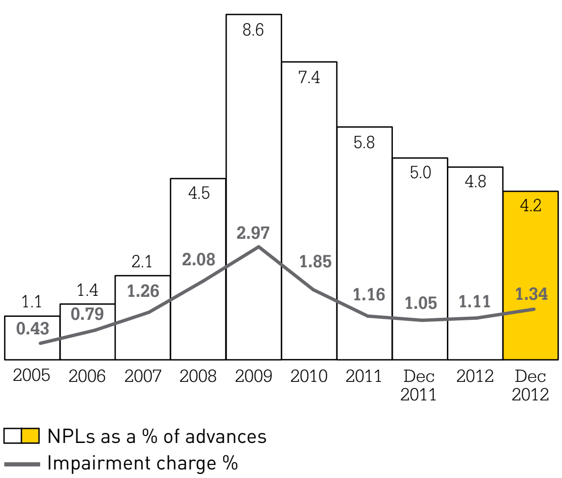
## Retail credit portfolios

- Vehicle and asset finance book growth was robust, increasing 23% for the period.
- Residential mortgage growth remains flat, with the focus on improving the risk profile. Impairments in this portfolio declined noticeably as a result.
- The growth in the unsecured lending portfolios was within the defined credit risk appetite.
- Retail NPLs were 4.24%, down from 5.02% at December 2011, driven by the slower inflow into NPLs in HomeLoans.
- NPLs increased in most of the unsecured portfolios – in line with expectations and risk appetite, and has been appropriately priced for.

The impairment charge of 1.34% at December 2012 includes an increase in portfolio impairments. These are in line with expectations given the absolute book growth and the shift in mix. The total charge continues to benefit from increasing post write-off recoveries.

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

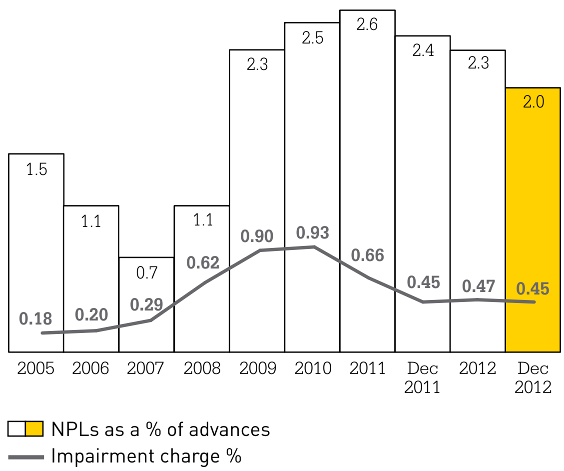
Retail credit portfolios




## Corporate credit portfolios

- The RMB core advances book grew 18% due to investment banking-related lending, particularly in mining, renewable energy and pharmaceuticals.
- FNB Commercial's portfolio achieved growth of 20%, attributed mainly to the leveraged finance, property term loan and agriculture portfolios.
- NPLs in the Corporate portfolio increased modestly over the prior period, reflecting a reduction in NPLs in the WesBank Corporate portfolio.
- RMB NPLs increased mainly as a result of certain new impaired loans at December 2012.
- Corporate NPLs at December 2012 were 2.02% (December 2011: 2.36%; June 2012: 2.25%). Impairment charges have remained stable over the period. The charge at December 2012 is 0.45% (December 2011: 0.45%; June 2012: 0.47%).

Corporate credit portfolios



# Credit continued

## NOTE 1: ANALYSIS OF ADVANCES

### Segmental analysis of advances

| | Advances | | | | |
|---|---|---|---|---|---|
| | As at 31 December | | | 2012 % | As at 30 June |
| R million | **2012** | 2011 | % change | composition | 2012 |
| **Retail** | **286 654** | 257 748 | 11 | 50 | 272 382 |
| **Retail – secured** | **250 509** | 229 687 | 9 | 44 | 239 718 |
| Residential mortgages | **159 311** | 155 802 | 2 | 28 | 157 851 |
| Vehicle and asset finance | **91 198** | 73 885 | 23 | 16 | 81 867 |
| **Retail – unsecured** | **36 145** | 28 061 | 29 | 6 | 32 664 |
| Card | **11 877** | 10 446 | 14 | 2 | 11 291 |
| Personal loans | **19 061** | 14 892 | 28 | 3 | 17 691 |
| – FNB loans | **12 587** | 9 415 | 34 | 2 | 11 790 |
| – WesBank loans | **6 474** | 5 477 | 18 | 1 | 5 901 |
| Retail – other | **5 207** | 2 723 | 91 | 1 | 3 682 |
| **Corporate** | **255 045** | 215 158 | 19 | 44 | 232 824 |
| FNB Commercial | **39 300** | 32 617 | 20 | 7 | 35 960 |
| WesBank Corporate | **32 269** | 31 351 | 3 | 6 | 31 621 |
| RMB Investment Banking | **179 964** | 147 535 | 22 | 31 | 162 574 |
| RMB Corporate Banking | **3 512** | 3 655 | (4) | – | 2 669 |
| **FNB Africa** | **28 794** | 25 121 | 15 | 5 | 25 420 |
| **Corporate Centre** | **4 357** | 10 226 | (57) | 1 | 5 078 |
| **Total advances** | **574 850** | 508 253 | 13 | 100 | 535 704 |
| Of which: | | | | | |
| Accrual book | **418 725** | 376 182 | 11 | 73 | 393 542 |
| Fair value book* | **156 125** | 132 071 | 18 | 27 | 142 162 |

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

### RMB Investment Banking assets under agreements to resell

| | As at 31 December | | | 2012 % | As at 30 June |
|---|---|---|---|---|---|
| R million | **2012** | 2011 | % change | composition | 2012 |
| **RMB Investment Banking advances** | **179 964** | 147 535 | 22 | 100 | 162 574 |
| Less: assets under agreements to resell | **(44 205)** | (32 505) | 36 | (25) | (38 482) |
| **RMB Investment Banking advances net of assets under agreements to resell** | **135 759** | 115 030 | 18 | 75 | 124 092 |

Sector and geographic analysis of advances

| | As at 31 December | | | 2012 | As at 30 June |
|---|---|---|---|---|---|
| R million | **2012** | 2011 | % change | % composition | 2012 |
| Gross advances | **576 915** | 510 389 | 13 | 100 | 537 728 |
| Less: interest in suspense | **(2 065)** | (2 136) | (3) | – | (2 024) |
| **Advances net of interest in suspense** | **574 850** | 508 253 | 13 | 100 | 535 704 |
| **Sector analysis** | | | | | |
| Agriculture | **17 448** | 12 456 | 40 | 3 | 16 779 |
| Banks and financial services | **79 431** | 64 884 | 22 | 14 | 73 715 |
| Building and property development | **31 598** | 25 011 | 26 | 5 | 30 429 |
| Government, Land Bank and public authorities | **15 405** | 15 532 | (1) | 3 | 16 203 |
| Individuals | **302 554** | 285 903 | 6 | 53 | 285 124 |
| Manufacturing and commerce | **63 323** | 42 853 | 48 | 11 | 56 452 |
| Mining | **18 422** | 12 799 | 44 | 3 | 16 370 |
| Transport and communication | **16 711** | 15 029 | 11 | 3 | 15 183 |
| Other services | **29 958** | 33 786 | (11) | 5 | 25 449 |
| **Total advances** | **574 850** | 508 253 | 13 | 100 | 535 704 |
| **Geographic analysis** | | | | | |
| South Africa | **513 997** | 454 726 | 13 | 89 | 480 174 |
| Other Africa | **38 543** | 30 696 | 26 | 7 | 31 433 |
| UK | **13 958** | 12 262 | 14 | 2 | 15 766 |
| Europe | **3 802** | 3 719 | 2 | 1 | 2 272 |
| North America | **208** | 290 | (28) | – | 285 |
| South America | **521** | 306 | 70 | – | 106 |
| Australasia | **3 821** | 6 254 | (39) | 1 | 5 668 |
| **Total advances** | **574 850** | 508 253 | 13 | 100 | 535 704 |

## NOTE 2: ANALYSIS OF NPLs

### Segmental analysis of NPLs

| | NPLs | | | | | NPLs as a % of advances | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | % change | 2012 % composition | As at 30 June | As at 31 December | | As at 30 June |
| R million | **2012** | 2011 | | | 2012 | **2012** | 2011 | 2012 |
| **Retail** | **12 167** | 12 938 | (6) | 68 | 12 947 | **4.24** | 5.02 | 4.75 |
| **Retail – secured** | **10 291** | 11 693 | (12) | 58 | 11 391 | **4.11** | 5.09 | 4.75 |
| Residential mortgages | **7 775** | 9 321 | (17) | 44 | 8 697 | **4.88** | 5.98 | 5.51 |
| Vehicle and asset finance | **2 516** | 2 372 | 6 | 14 | 2 694 | **2.76** | 3.21 | 3.29 |
| **Retail – unsecured** | **1 876** | 1 245 | 51 | 10 | 1 556 | **5.19** | 4.44 | 4.76 |
| Card | **267** | 299 | (11) | 1 | 271 | **2.25** | 2.86 | 2.40 |
| Personal loans | **1 286** | 749 | 72 | 7 | 1 023 | **6.75** | 5.03 | 5.78 |
| – FNB loans | **914** | 464 | 97 | 5 | 710 | **7.26** | 4.93 | 6.02 |
| – WesBank loans | **372** | 285 | 31 | 2 | 313 | **5.75** | 5.20 | 5.30 |
| Retail – other | **323** | 197 | 64 | 2 | 262 | **6.20** | 7.23 | 7.12 |
| **Corporate** | **5 164** | 5 068 | 2 | 29 | 5 244 | **2.02** | 2.36 | 2.25 |
| FNB Commercial | **1 685** | 1 643 | 3 | 9 | 1 665 | **4.29** | 5.04 | 4.63 |
| WesBank Corporate | **1 148** | 1 465 | (22) | 6 | 1 134 | **3.56** | 4.67 | 3.59 |
| RMB Investment Banking | **2 323** | 1 945 | 19 | 14 | 2 436 | **1.29** | 1.32 | 1.50 |
| RMB Corporate Banking | **8** | 15 | (47) | – | 9 | **0.23** | 0.41 | 0.34 |
| **FNB Africa** | **466** | 382 | 22 | 3 | 475 | **1.62** | 1.52 | 1.87 |
| **Corporate Centre** | **–** | – | – | – | – | **–** | – | – |
| **Total NPLs** | **17 797** | 18 388 | (3) | 100 | 18 666 | **3.10** | 3.62 | 3.48 |
| Of which: | | | | | | | | |
| Accrual book | **15 688** | 16 477 | (5) | 88 | 16 650 | **3.75** | 4.38 | 4.23 |
| Fair value book | **2 109** | 1 911 | 10 | 12 | 2 016 | **1.35** | 1.45 | 1.42 |

Sector and geographical analysis of NPLs

| | NPLs | | | | | NPLs as a % of advances | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | % change | 2012 % composition | As at 30 June | As at 31 December | | As at 30 June |
| R million | **2012** | 2011 | | | 2012 | **2012** | 2011 | 2012 |
| **Sector analysis** | | | | | | | | |
| Agriculture | **568** | 533 | 7 | 3 | 571 | **3.26** | 4.28 | 3.40 |
| Banks and financial services | **401** | 56 | >100 | 2 | 371 | **0.50** | 0.09 | 0.50 |
| Building and property development | **2 460** | 2 308 | 7 | 14 | 2 342 | **7.79** | 9.23 | 7.70 |
| Government, Land Bank and public authorities | **46** | 42 | 10 | – | 40 | **0.30** | 0.26 | 0.25 |
| Individuals | **12 591** | 12 747 | (1) | 71 | 13 089 | **4.16** | 4.46 | 4.59 |
| Manufacturing and commerce | **969** | 585 | 66 | 5 | 1 003 | **1.53** | 1.37 | 1.78 |
| Mining | **91** | 78 | 17 | 1 | 422 | **0.49** | 0.61 | 2.58 |
| Transport and communication | **220** | 240 | (8) | 1 | 246 | **1.32** | 1.60 | 1.62 |
| Other services | **451** | 1 799 | (75) | 3 | 582 | **1.51** | 5.26 | 2.29 |
| **Total NPLs** | **17 797** | 18 388 | (3) | 100 | 18 666 | **3.10** | 3.62 | 3.48 |
| **Geographic analysis** | | | | | | | | |
| South Africa | **16 744** | 17 562 | (5) | 94 | 17 386 | **3.26** | 3.86 | 3.62 |
| Other Africa | **471** | 418 | 13 | 3 | 509 | **1.22** | 1.36 | 1.62 |
| UK | **44** | 13 | >100 | – | 68 | **0.32** | 0.11 | 0.43 |
| North America | **–** | – | – | – | 219 | **–** | – | 76.84 |
| South America | **301** | 342 | (12) | 2 | 290 | **57.77** | 111.76 | 273.58 |
| Australasia | **237** | 53 | >100 | 1 | 194 | **6.20** | 0.85 | 3.42 |
| **Total NPLs** | **17 797** | 18 388 | (3) | 100 | 18 666 | **3.10** | 3.62 | 3.48 |

# Credit continued

## Security and recoverable amounts

| R million | As at 31 December | | | | | | As at 30 June | | |
|---|---|---|---|---|---|---|---|---|---|
| | **2012** | | | 2011 | | | 2012 | | |
| | **NPLs** | **Security held and expected recoveries** | **Specific impair-ment*** | NPLs | Security held and expected recoveries | Specific impair-ment* | NPLs | Security held and expected recoveries | Specific impair-ment* |
| **Retail** | **12 167** | **8 219** | **3 948** | 12 938 | 9 229 | 3 709 | 12 947 | 9 032 | 3 915 |
| **Retail – secured** | **10 291** | **7 833** | **2 458** | 11 693 | 8 975 | 2 718 | 11 391 | 8 715 | 2 676 |
| Residential mortgages | **7 775** | **6 160** | **1 615** | 9 321 | 7 495 | 1 826 | 8 697 | 6 969 | 1 728 |
| Vehicle and asset finance | **2 516** | **1 673** | **843** | 2 372 | 1 480 | 892 | 2 694 | 1 746 | 948 |
| **Retail – unsecured** | **1 876** | **386** | **1 490** | 1 245 | 254 | 991 | 1 556 | 317 | 1 239 |
| Card | **267** | **80** | **187** | 299 | 95 | 204 | 271 | 93 | 178 |
| Personal loans | **1 286** | **257** | **1 029** | 749 | 119 | 630 | 1 023 | 196 | 827 |
| – FNB loans | **914** | **178** | **736** | 464 | 50 | 414 | 710 | 120 | 590 |
| – WesBank loans | **372** | **79** | **293** | 285 | 69 | 216 | 313 | 76 | 237 |
| Retail – other | **323** | **49** | **274** | 197 | 40 | 157 | 262 | 28 | 234 |
| **Corporate** | **5 164** | **2 788** | **2 376** | 5 068 | 2 742 | 2 326 | 5 244 | 3 082 | 2 162 |
| FNB Commercial | **1 685** | **890** | **795** | 1 643 | 855 | 788 | 1 665 | 879 | 786 |
| WesBank Corporate | **1 148** | **648** | **500** | 1 465 | 753 | 712 | 1 134 | 633 | 501 |
| RMB Investment Banking | **2 323** | **1 250** | **1 073** | 1 945 | 1 136 | 809 | 2 436 | 1 571 | 865 |
| RMB Corporate Banking | **8** | **–** | **8** | 15 | (2) | 17 | 9 | (1) | 10 |
| **FNB Africa** | **466** | **300** | **166** | 382 | 196 | 186 | 475 | 247 | 228 |
| **Corporate Centre** | **–** | **–** | **–** | – | – | – | – | – | – |
| **Total** | **17 797** | **11 307** | **6 490** | 18 388 | 12 167 | 6 221 | 18 666 | 12 361 | 6 305 |

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

## NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge increased from 80 bps at December 2011 to 91 bps at December 2012; an increasing proportion relates to portfolio impairments at December 2012.

### Income statement impairments

| | Total impairment charge | | | | As a % of average advances | | | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended 31 December | | % change | Year ended 30 June | Six months ended 31 December | | Year ended 30 June | Six months ended 30 June* |
| R million | **2012** | 2011 | | 2012 | **2012** | 2011 | 2012 | 2012 |
| **Retail** | **1 876** | 1 318 | 42 | 2 884 | **1.34** | 1.05 | 1.11 | 1.18 |
| **Retail – secured** | **732** | 716 | 2 | 1 337 | **0.92** | 0.64 | 0.58 | 0.53 |
| Residential mortgages | **309** | 435 | (29) | 878 | **0.39** | 0.56 | 0.56 | 0.56 |
| Vehicle and asset finance | **423** | 281 | 51 | 459 | **0.98** | 0.80 | 0.62 | 0.46 |
| **Retail – unsecured** | **1 144** | 602 | 90 | 1 547 | **6.65** | 4.54 | 5.37 | 6.22 |
| Card | **2** | 20 | (90) | 27 | **0.03** | 0.38 | 0.24 | 0.13 |
| Personal loans | **901** | 492 | 83 | 1 219 | **9.81** | 7.29 | 8.18 | 8.92 |
| – FNB loans | **742** | 377 | 97 | 955 | **12.18** | 9.12 | 10.10 | 10.90 |
| – WesBank loans | **159** | 115 | 38 | 264 | **5.14** | 4.39 | 4.84 | 5.24 |
| Retail – other | **241** | 90 | >100 | 301 | **10.84** | 7.55 | 10.51 | 13.18 |
| **Corporate** | **552** | 468 | 18 | 1 012 | **0.45** | 0.45 | 0.47 | 0.49 |
| FNB Commercial | **111** | 134 | (17) | 167 | **0.59** | 0.84 | 0.50 | 0.19 |
| WesBank Corporate | **119** | 176 | (32) | 377 | **0.75** | 1.13 | 1.20 | 1.28 |
| RMB Investment Banking | **317** | 153 | >100 | 495 | **0.37** | 0.22 | 0.34 | 0.44 |
| RMB Corporate Banking | **5** | 5 | – | (27) | **0.32** | 0.32 | (1.03) | (2.02) |
| **FNB Africa** | **90** | 36 | >100 | 121 | **0.66** | 0.30 | 0.50 | 0.67 |
| **Central portfolio overlay**** | **–** | 139 | (100) | 749 | **–** | 0.06 | 0.15 | 0.23 |
| **Business as usual impairment charge**** | **2 518** | 1 961 | 28 | 4 766 | **0.91** | 0.80 | 0.94 | 1.07 |
| Special impairment** | **–** | – | – | 705 | **–** | – | 0.14 | 0.27 |
| **Total impairment charge** | **2 518** | 1 961 | 28 | 5 471 | **0.91** | 0.80 | 1.08 | 1.34 |
| Of which: | | | | | | | | |
| Portfolio impairment charge | **460** | 264 | 74 | 1 392 | **0.17** | 0.11 | 0.28 | 0.43 |
| Specific impairment charge | **2 058** | 1 697 | 21 | 4 079 | **0.74** | 0.69 | 0.80 | 0.91 |

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

# Credit continued

## NOTE 4: ANALYSIS OF 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 NPLs coverage ratio has increased to 36.5% (December 2011: 33.8%; June 2012: 33.8%).

### Implied loss given default and total impairment coverage ratios

| | Balance sheet impairments | | | | Coverage ratios (% of NPLs) | | |
|---|---|---|---|---|---|---|---|
| | As at 31 December | | % change | As at 30 June | As at 31 December | | As at 30 June |
| R million | **2012** | 2011 | | 2012 | **2012** | 2011 | 2012 |
| **SPECIFIC IMPAIRMENTS*** | | | | | | | |
| **Retail** | **3 948** | 3 709 | 6 | 3 915 | **32.4** | 28.7 | 30.2 |
| **Retail – secured** | **2 458** | 2 718 | (10) | 2 676 | **23.9** | 23.2 | 23.5 |
| Residential mortgages | **1 615** | 1 826 | (12) | 1 728 | **20.8** | 19.6 | 19.9 |
| Vehicle and asset finance** | **843** | 892 | (5) | 948 | **33.5** | 37.6 | 35.2 |
| **Retail – unsecured** | **1 490** | 991 | 50 | 1 239 | **79.4** | 79.6 | 79.6 |
| Card | **187** | 204 | (8) | 178 | **70.0** | 68.2 | 65.7 |
| Personal loans | **1 029** | 630 | 63 | 827 | **80.0** | 84.1 | 80.8 |
| – FNB loans | **736** | 414 | 78 | 590 | **80.5** | 89.2 | 83.1 |
| – WesBank loans | **293** | 216 | 36 | 237 | **78.8** | 75.8 | 75.7 |
| Retail – other | **274** | 157 | 75 | 234 | **84.8** | 79.7 | 89.3 |
| **Corporate** | **2 376** | 2 326 | 2 | 2 162 | **46.0** | 45.9 | 41.2 |
| FNB Commercial | **795** | 788 | 1 | 786 | **47.2** | 48.0 | 47.2 |
| WesBank Corporate | **500** | 712 | (30) | 501 | **43.6** | 48.6 | 44.2 |
| RMB Investment Banking | **1 073** | 809 | 33 | 865 | **46.2** | 41.6 | 35.5 |
| RMB Corporate Banking | **8** | 17 | (53) | 10 | **100.0** | >100 | >100 |
| **FNB Africa** | **166** | 186 | (11) | 228 | **35.6** | 48.7 | 48.0 |
| **Corporate Centre** | **–** | – | – | – | **–** | – | – |
| **Total specific impairments/implied loss given default**** | **6 490** | 6 221 | 4 | 6 305 | **36.5** | 33.8 | 33.8 |
| **Portfolio impairments#** | **5 322** | 3 774 | 41 | 4 892 | **29.9** | 20.6 | 26.2 |
| **Total impairments/total impairment coverage ratio†** | **11 812** | 9 995 | 18 | 11 197 | **66.4** | 54.4 | 60.0 |

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

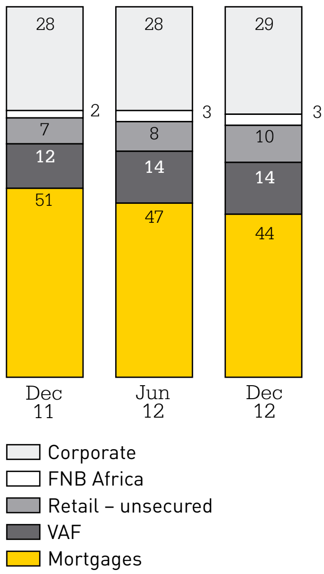
** *The decline in coverage ratio in the current year is a result of a lower coverage ratio which applies to accounts that have been restructured in terms of the debt review process and where a specific court order has been granted. These accounts are reported in NPLs even though the clients may be fully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

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

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

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

NPLs distribution (%)



## RECONCILIATION OF IMPAIRMENTS

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

| | Balance sheet impairments and credit fair value adjustments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Amortised cost book | | | Fair value book | | | Total book | | |
| | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June |
| R million | **2012** | 2011 | 2012 | **2012** | 2011 | 2012 | **2012** | 2011 | 2012 |
| Non-performing book | **5 536** | 5 417 | 5 522 | **954** | 804 | 783 | **6 490** | 6 221 | 6 305 |
| Performing book | **3 662** | 2 490 | 3 318 | **1 660** | 1 284 | 1 574 | **5 322** | 3 774 | 4 892 |
| **Total impairments** | **9 198** | 7 907 | 8 840 | **2 614** | 2 088 | 2 357 | **11 812** | 9 995 | 11 197 |

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

| | Balance sheet specific impairments – amortised cost | | | |
|---|---|---|---|---|
| | As at 31 December 2012 | | | As at 30 June |
| R million | **2012** | 2011 | % change | 2012 |
| Opening balance | **5 522** | 5 812 | (5) | 5 812 |
| Reclassifications and transfers | **35** | (46) | (>100) | (31) |
| Acquisitions | **(3)** | 17 | (>100) | 35 |
| Exchange rate difference | **7** | 13 | (46) | 12 |
| Unwinding and discounted present value on NPLs | **(105)** | (71) | 48 | (131) |
| Bad debts written off | **(2 439)** | (2 501) | (2) | (5 454) |
| Net new impairments created | **2 519** | 2 193 | 15 | 5 279 |
| **Closing balance** | **5 536** | 5 417 | 2 | 5 522 |

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

| | Income statement impairments | | | |
|---|---|---|---|---|
| | Six months ended 31 December | | | As at 30 June |
| R million | **2012** | 2011 | % change | 2012 |
| Specific impairment charge | **2 519** | 2 193 | 15 | 5 279 |
| Recoveries of bad debts written off | **(634)** | (596) | 6 | (1 279) |
| Net specific impairment charge (amortised cost) | **1 885** | 1 597 | 18 | 4 000 |
| Portfolio impairment charge (amortised cost) | **374** | 227 | 65 | 1 065 |
| Credit fair value adjustments | **259** | 137 | 89 | 406 |
| – Non-performing book | **173** | 100 | 73 | 79 |
| – Performing book | **86** | 37 | >100 | 327 |
| **Total impairments** | **2 518** | 1 961 | 28 | 5 471 |

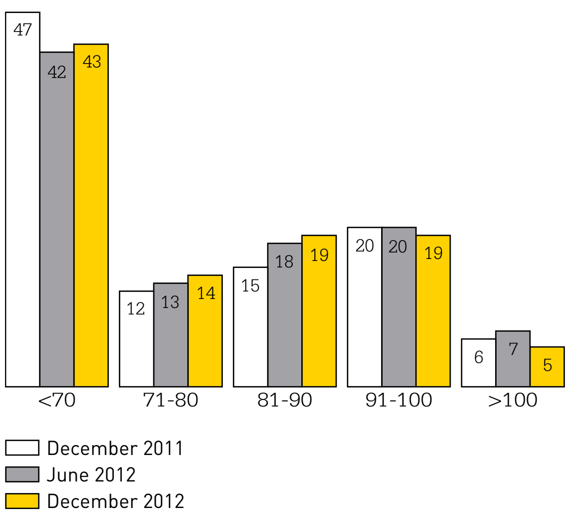
## RISK ANALYSES

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

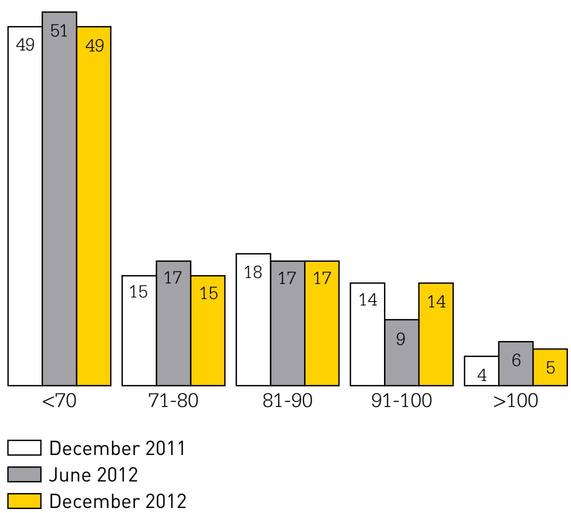
The graphs below provide the balance-to-value distributions and the ageing of the residential mortgages portfolios. The recent focus on the loan-to-value ratios for new business resulted in an improvement in the balance-to-original value although the broader strategy is to place more emphasis on the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

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

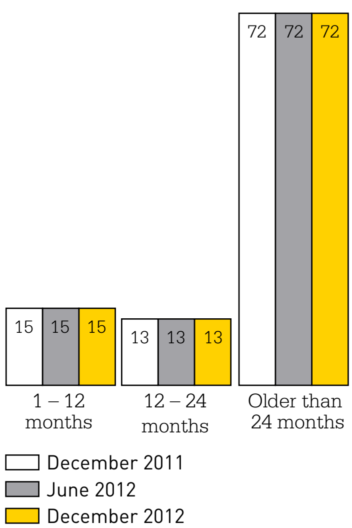
### Residential mortgages balance-to-original value (%)




### Residential mortgages balance-to-market value (%)



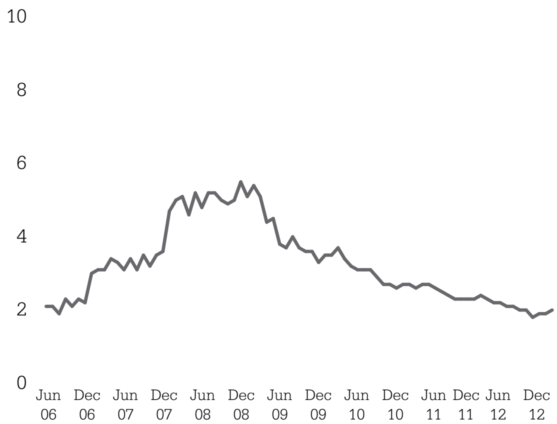

### Residential mortgages age distribution (%)



# Credit continued

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

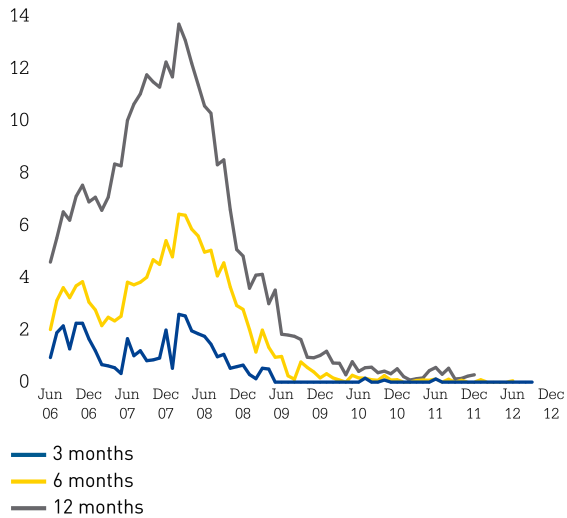
FNB HomeLoans arrears (%)




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

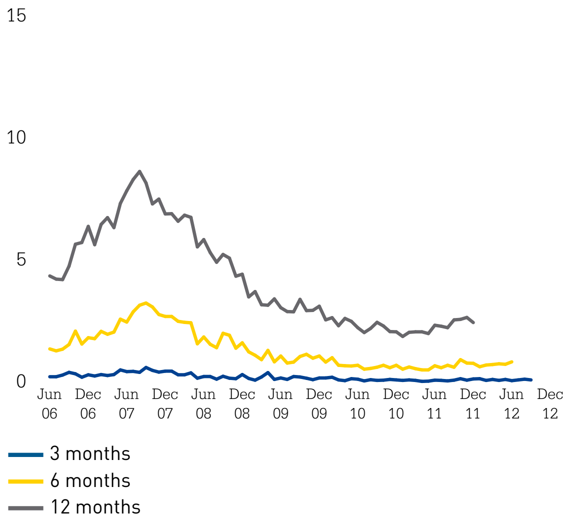
For FNB HomeLoans, the three, six and twelve month cumulative vintage analysis illustrates a marked improvement in the quality of business written since mid-2008 despite further deterioration in macro conditions in the succeeding period.

FNB HomeLoans vintage analysis (%)



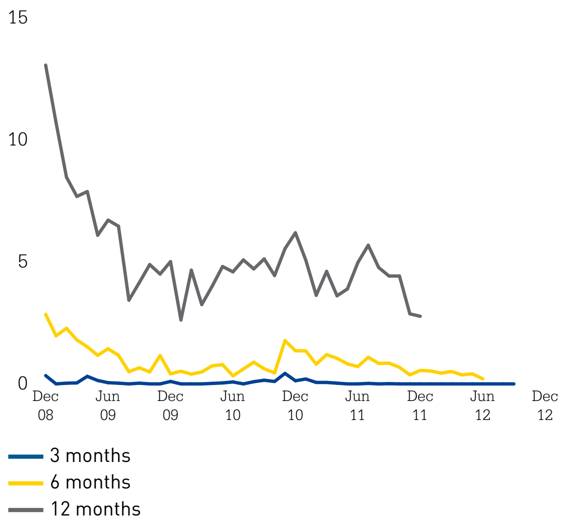

The more recent decreases in the default experience reflect a combination of the credit origination strategies which has resulted in an improved risk profile.

## WesBank retail vintage analysis (%)



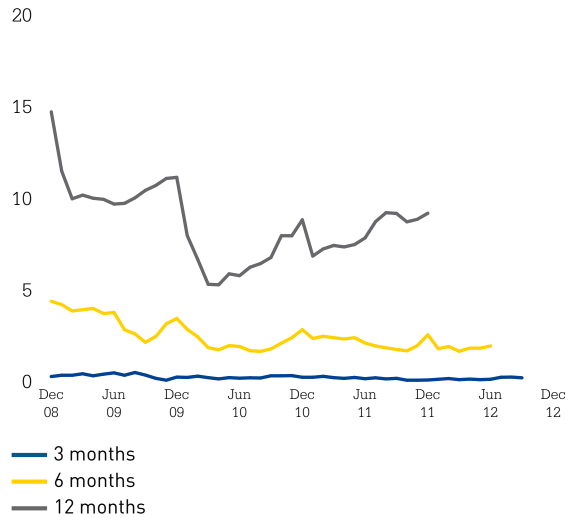

The WesBank retail six and twelve month cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

## FNB Card vintage analysis (%)




The level of inflows into NPLs continues to decrease.

## Unsecured vintage analysis (excluding FNB Card) (%)




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

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

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

The Group's repossessed properties are shown below.

| | Properties in possession | | | |
|---|---|---|---|---|
| | As at 31 December | | % change | As at 30 June |
| | **2012** | 2011 | | 2012 |
| Number of properties | **401** | 935 | (57) | 594 |
| Value (R million) | **62** | 198 | (69) | 103 |

# Credit continued

## SUPPLEMENTARY INFORMATION

Segmental advances, NPLs and impairment analysis

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

| | Six months ended 31 December 2012 | | | | |
|---|---|---|---|---|---|
| R million/% | Advances | NPLs | NPLs as a % of advances | Total impairment charge | Impairments as % of average advances |
| **FNB** | 257 076 | 11 430 | 4.45 | 1 495 | 1.19 |
| FNB Retail | 188 982 | 9 279 | 4.91 | 1 294 | 1.39 |
| Residential mortgages | 159 311 | 7 775 | 4.88 | 309 | 0.39 |
| Card | 11 877 | 267 | 2.25 | 2 | 0.03 |
| Personal loans | 12 587 | 914 | 7.26 | 742 | 12.18 |
| Retail – other | 5 207 | 323 | 6.20 | 241 | 10.84 |
| FNB Commercial | 39 300 | 1 685 | 4.29 | 111 | 0.59 |
| FNB Africa | 28 794 | 466 | 1.62 | 90 | 0.66 |
| **WesBank** | 129 941 | 4 036 | 3.11 | 701 | 1.12 |
| WesBank asset-backed finance | 123 467 | 3 664 | 2.97 | 542 | 0.91 |
| – WesBank Retail | 80 327 | 2 480 | 3.09 | 376 | 0.98 |
| – WesBank Corporate | 32 269 | 1 148 | 3.56 | 119 | 0.75 |
| – WesBank International | 10 871 | 36 | 0.33 | 47 | 0.93 |
| WesBank loans | 6 474 | 372 | 5.75 | 159 | 5.14 |
| **RMB Investment Banking** | 179 964 | 2 323 | 1.29 | 317 | 0.37 |
| **RMB Corporate Banking** | 3 512 | 8 | 0.23 | 5 | 0.32 |
| **Corporate Centre** | 4 357 | – | – | – | – |
| Sub-total | 574 850 | 17 797 | 3.10 | 2 518 | 0.91 |
| Special impairments* | – | – | | – | |
| **Total** | 574 850 | 17 797 | 3.10 | 2 518 | 0.91 |

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

| Six months ended 31 December 2011 | | | | | Year ended 30 June 2012 | | | | |
|---|---|---|---|---|---|---|---|---|---|
| Advances | NPLs | NPLs as a % of advances | Total impair-ment charge | Impair-ments as % of average advances | Advances | NPLs | NPLs as a % of advances | Total impair-ment charge | Impair-ments as % of average advances |
| 236 124 | 12 306 | 5.21 | 1 092 | 0.94 | 245 994 | 12 080 | 4.91 | 2 449 | 1.03 |
| 178 386 | 10 281 | 5.76 | 922 | 1.04 | 184 614 | 9 940 | 5.38 | 2 161 | 1.20 |
| 155 802 | 9 321 | 5.98 | 435 | 0.56 | 157 851 | 8 697 | 5.51 | 878 | 0.56 |
| 10 446 | 299 | 2.86 | 20 | 0.38 | 11 291 | 271 | 2.40 | 27 | 0.24 |
| 9 415 | 464 | 4.93 | 377 | 9.12 | 11 790 | 710 | 6.02 | 955 | 10.10 |
| 2 723 | 197 | 7.23 | 90 | 7.55 | 3 682 | 262 | 7.12 | 301 | 10.51 |
| 32 617 | 1 643 | 5.04 | 134 | 0.84 | 35 960 | 1 665 | 4.63 | 167 | 0.50 |
| 25 121 | 382 | 1.52 | 36 | 0.30 | 25 420 | 475 | 1.87 | 121 | 0.50 |
| 110 713 | 4 122 | 3.72 | 572 | 1.07 | 119 389 | 4 141 | 3.47 | 1 100 | 0.99 |
| 105 236 | 3 837 | 3.65 | 457 | 0.90 | 113 488 | 3 828 | 3.37 | 836 | 0.79 |
| 66 060 | 2 322 | 3.51 | 234 | 0.74 | 72 601 | 2 621 | 3.61 | 362 | 0.55 |
| 31 351 | 1 465 | 4.67 | 176 | 1.13 | 31 621 | 1 134 | 3.59 | 377 | 1.20 |
| 7 825 | 50 | 0.64 | 47 | 1.35 | 9 266 | 73 | 0.79 | 97 | 1.26 |
| 5 477 | 285 | 5.20 | 115 | 4.39 | 5 901 | 313 | 5.30 | 264 | 4.84 |
| 147 535 | 1 945 | 1.32 | 153 | 0.22 | 162 574 | 2 436 | 1.50 | 495 | 0.34 |
| 3 655 | 15 | 0.41 | 5 | 0.32 | 2 669 | 9 | 0.34 | (27) | (1.03) |
| 10 226 | – | – | 139 | 0.06 | 5 078 | – | – | 749 | 0.15 |
| 508 253 | 18 388 | 3.62 | 1 961 | 0.80 | 535 704 | 18 666 | 3.48 | 4 766 | 0.94 |
| – | – | | – | – | – | – | – | 705 | 0.14 |
| 508 253 | 18 388 | 3.62 | 1 961 | 0.80 | 535 704 | 18 666 | 3.48 | 5 471 | 1.08 |

# Notes

# SUPPLEMENTARY INFORMATION

# Headline earnings additional disclosure

Set out below is additional information pertaining to Section 1 of Circular 03/2009 – sector specific rules in calculating headline earnings.

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

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| Aggregate cost of portfolio | **4 465** | 4 335 | 3 | 4 248 |
| Aggregate carrying value | **6 023** | 5 566 | 8 | 5 959 |
| Aggregate fair value* | **7 658** | 6 618 | 16 | 7 489 |
| Equity-accounted income** | **170** | 143 | 19 | 866 |
| Profit on realisation# | **323** | 3 | >100 | 82 |
| Aggregate other income earned† | **75** | 83 | (10) | 122 |

* *Aggregate fair value is disclosed including non-controlling interests.*
** *Income from associates is disclosed post-tax.*
# *Profit on realisation is disclosed post-tax and non-controlling interests.*
† *Aggregate other income earned is disclosed pre-tax.*

## Issue 2 – Capital appreciation on investment products

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | **2012** | 2011 | % change | 2012 |
| Carrying value of investment properties | **452** | 203 | >100 | 215 |
| Fair value of investment properties | **452** | 203 | >100 | 215 |
| Capital appreciation after tax | **–** | – | | 12 |

# Reclassification of prior year numbers

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

| 31 December 2011<br>R million | Amount as previously reported | Amount as restated | Difference | Explanation |
|---|---|---|---|---|
| **Income statement**<br>Share of profit from associates and joint ventures | 401 | 283 | 118 | The Group's share of profits from associates and joint ventures was stated net of the related tax expense. The comparative information was restated in order to be comparable with the updated presentation. |
| Direct tax | (2 192) | (2 074) | (118) | As per above. |
| Profit for the year | 6 590 | 6 590 | – | No effect on profit for the year. |
| **Statement of financial position**<br>Creditors and accruals* | 12 152 | 9 764 | 2 388 | During the June 2012 financial year a comprehensive review of liabilities disclosure was undertaken by the Group to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation. |
| Deposits | 595 200 | 589 597 | 5 603 | |
| Provisions | 2 965 | 523 | 2 442 | |
| Post-retirement liabilities | 2 346 | – | 2 346 | |
| Employee liabilities | – | 5 936 | (5 936) | |
| Other liabilities | – | 5 615 | (5 615) | |
| Tier 2 liabilities | – | 6 366 | (6 366) | |
| Long-term liabilities | 5 048 | – | 5 048 | |
| Policyholder liabilities under investment contracts | 90 | – | 90 | |

*Note: Non-performing loans at 31 December 2011 have been restated from R18 366 million to R18 388 million.*

| 31 December 2010<br>R million | Amount as previously reported | Amount as restated | Difference | Explanation |
|---|---|---|---|---|
| **Statement of financial position**<br>Creditors and accruals* | 10 193 | 6 077 | 4 116 | During the June 2012 financial year a comprehensive review of liabilities disclosure was undertaken by the Group to ensure that the presentation is consistent with industry practice and to provide more detailed and useful information in the financial statements. A reclassification was required to bring the comparative numbers in line with the updated presentation. |
| Deposits | 543 713 | 535 429 | 8 284 | |
| Provisions | 3 254 | 861 | 2 393 | |
| Post-retirement liabilities | 2 202 | – | 2 202 | |
| Employee liabilities | – | 4 993 | (4 993) | |
| Other liabilities | – | 9 435 | (9 435) | |
| Tier 2 liabilities | – | 10 219 | (10 219) | |
| Long-term liabilities | 7 489 | – | 7 489 | |
| Policyholder liabilities under investment contracts | 163 | – | 163 | |

* *December 2011 creditors and accruals on a normalised basis were R12 144 million (December 2010: R10 187 million). These have been restated to R9 756 million (December 2010: R6 071 million).*

# Contingencies and commitments

| R million | As at 31 December 2012 | As at 31 December 2011 | % change | As at 30 June 2012 |
|---|---|---|---|---|
| **Contingencies** | | | | |
| Guarantees | **22 363** | 21 747 | 3 | 22 741 |
| Acceptances | **285** | 267 | 7 | 293 |
| Letters of credit | **8 688** | 7 020 | 24 | 7 886 |
| **Total contingencies** | **31 336** | 29 034 | 8 | 30 920 |
| **Capital commitments** | | | | |
| Contracted capital commitments | **1 496** | 1 914 | (22) | 1 474 |
| Capital expenditure authorised not yet contracted | **1 390** | 1 105 | 26 | 2 237 |
| **Total capital commitments** | **2 886** | 3 019 | (4) | 3 711 |
| **Other commitments** | | | | |
| Irrevocable commitments | **73 059** | 65 180 | 12 | 69 348 |
| Operating lease and other commitments | **3 225** | 14 277 | (77) | 3 666 |
| **Total other commitments** | **76 284** | 79 457 | (4) | 73 014 |
| **Total contingencies and commitments** | **110 506** | 111 510 | (1) | 107 645 |

# Number of ordinary shares in issue

| | Six months ended 31 December | | Year ended 30 June |
|---|---|---|---|
| | **2012** | 2011 | 2012 |
| **Shares in issue** | | | |
| Opening balance as at 1 July | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |
| Less: treasury shares | **(173 268 337)** | (175 301 401) | (175 283 030) |
| – Staff schemes | **–** | (2 590 187) | (2 590 187) |
| – BEE staff trusts | **(171 401 072)** | (171 401 072) | (171 401 072) |
| – Shares held by policyholders* | **(1 867 265)** | (1 310 142) | (1 291 771) |
| **Number of shares in issue (after treasury shares)** | **5 464 673 352** | 5 462 640 288 | 5 462 658 659 |
| **Weighted average number of shares** | | | |
| Weighted average number of shares before treasury shares | **5 637 941 689** | 5 637 941 689 | 5 637 941 689 |
| Less: treasury shares | **(176 473 314)** | (179 548 083) | (177 575 407) |
| – Staff schemes | **(446 141)** | (7 143 879) | (4 867 033) |
| – BEE staff trusts | **(171 401 072)** | (171 401 072) | (171 401 072) |
| – Policyholder and mutual funds "deemed treasury shares" | **(4 626 101)** | (1 003 132) | (1 307 302) |
| **Weighted average number of shares in issue** | **5 461 468 375** | 5 458 393 606 | 5 460 366 282 |
| Dilution impact: | | | |
| Staff schemes | **17 771 898** | 76 714 211 | 84 347 709 |
| BEE staff trusts | **8 256 264** | 21 461 470 | 27 757 143 |
| **Diluted weighted average number of shares in issue** | **5 487 496 537** | 5 556 569 287 | 5 572 471 134 |
| **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 | 5 637 941 689 |

* *Policyholders only include FirstRand shares held in the FNB ELI cell.*

Supplementary information

# Key market indicators and share statistics

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2012** | 2011 | % change | 2012 |
| **Market indicators** | | | | |
| USD/ZAR exchange rate | | | | |
| – Closing | **8.51** | 8.11 | 5 | 8.19 |
| – Average | **8.48** | 7.62 | 11 | 7.78 |
| SA prime overdraft (%) | **8.50** | 9.00 | | 9.00 |
| SA average prime overdraft (%) | **8.55** | 9.00 | | 9.00 |
| SA average CPI (%) | **5.37** | 5.75 | | 5.85 |
| JSE All Share Index | **39 250** | 31 986 | 23 | 33 708 |
| JSE Banks Index | **53 362** | 41 178 | 30 | 47 824 |
| **Share statistics** | | | | |
| Share price | | | | |
| – High for the period (cents) | **3 133** | 2 110 | 48 | 2 819 |
| – Low for the period (cents) | **2 515** | 1 770 | 42 | 2 074 |
| – Closing (cents) | **3 100** | 2 074 | 49 | 2 639 |
| Shares traded | | | | |
| – Number of shares (millions) | **1 542** | 1 581 | (2) | 1 723 |
| – Value of shares (R million) | **43 323** | 31 186 | 39 | 42 242 |
| – Turnover in shares traded (%) | **27.00** | 28.96 | | 31.56 |

# Share price performance

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2012** | 2011 | % change | 2012 |
| FirstRand average share price (cents) | **2 830** | 1 973 | 43 | 2 203 |
| JSE Bank Index (average) | **49 106** | 39 640 | 24 | 43 137 |
| JSE All Share Index (average) | **36 336** | 31 217 | 16 | 32 474 |

# Company information

## DIRECTORS

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

## SECRETARY AND REGISTERED OFFICE

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

## JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton 2196
Telephone: +27 11 282 1847
Telefax: +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
Telephone: +27 11 370 5000
Telefax: +27 11 688 5221

## TRANSFER SECRETARIES – NAMIBIA

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

# Company information continued

## STOCK EXCHANGES

### JSE Limited (JSE)

| Ordinary shares | Share code | ISIN code |
|---|---|---|
| FirstRand Limited | FSR | ZAE000066304 |

| Non-cumulative non-redeemable preference shares | Share code | ISIN code |
|---|---|---|
| B | FSRP | ZAE000060141 |

### Namibian Stock Exchange (NSX)

| Ordinary shares | Share code | ISIN code |
|---|---|---|
| FirstRand Limited | FST | ZAE000066304 |
| FNB Namibia Holdings Limited | FNB | NA0003475176 |

| Subordinated debt | | |
|---|---|---|
| FNB of Namibia Limited | FNBJ22 | NA000A1G3AF2 |
| FNB of Namibia Limited | FNBX22 | NA000A1G3AG0 |

### Botswana Stock Exchange (BSE)

| Ordinary shares | Share code | ISIN code |
|---|---|---|
| FNB Botswana Holdings Limited | FNBB | BW0000000066 |

### JSE – listed debt instruments

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Subordinated debt | FirstRand Bank Limited | FRB03 | ZAG000026774 |
| | FirstRand Bank Limited | FRB05 | ZAG000031337 |
| | FirstRand Bank Limited | FRB08 | ZAG000047796 |
| | FirstRand Bank Limited | FRB09 | ZAG000047804 |
| | FirstRand Bank Limited | FRB10 | ZAG000092487 |
| | FirstRand Bank Limited | FRB11 | ZAG000102054 |
| Upper Tier 2 | FirstRand Bank Limited | FRBC21 | ZAG000052283 |
| | FirstRand Bank Limited | FRBC22 | ZAG000052390 |
| Senior unsecured | FirstRand Bank Limited | FRBI07 | ZAG000055849 |
| | FirstRand Bank Limited | FRBN04 | ZAG000041005 |
| | FirstRand Bank Limited | FRBN05 | ZAG000042169 |
| | FirstRand Bank Limited | FRBZ01 | ZAG000049255 |
| | FirstRand Bank Limited | FRBZ02 | ZAG000072711 |
| | FirstRand Bank Limited | FRBZ03 | ZAG000080029 |
| | FirstRand Bank Limited | FRJ13 | ZAG000079823 |
| | FirstRand Bank Limited | FRJ14 | ZAG000069683 |
| | FirstRand Bank Limited | FRJ15 | ZAG000094368 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Senior unsecured | FirstRand Bank Limited | FRJ16 | ZAG000073826 |
| | FirstRand Bank Limited | FRJ17 | ZAG000094343 |
| | FirstRand Bank Limited | FRJ18 | ZAG000084187 |
| | FirstRand Bank Limited | FRS36 | ZAG000077397 |
| | FirstRand Bank Limited | FRS37 | ZAG000077793 |
| | FirstRand Bank Limited | FRS43 | ZAG000078643 |
| | FirstRand Bank Limited | FRS46 | ZAG000079807 |
| | FirstRand Bank Limited | FRS49 | ZAG000081787 |
| | FirstRand Bank Limited | FRS51 | ZAG000086117 |
| | FirstRand Bank Limited | FRS56 | ZAG000087271 |
| | FirstRand Bank Limited | FRS59 | ZAG000089855 |
| | FirstRand Bank Limited | FRS61 | ZAG000090523 |
| | FirstRand Bank Limited | FRS62 | ZAG000090614 |
| | FirstRand Bank Limited | FRS63 | ZAG000091513 |
| | FirstRand Bank Limited | FRS64 | ZAG000092529 |
| | FirstRand Bank Limited | FRS65 | ZAG000094277 |
| | FirstRand Bank Limited | FRS67 | ZAG000095720 |
| | FirstRand Bank Limited | FRS69 | ZAG000095829 |
| | FirstRand Bank Limited | FRS70 | ZAG000095910 |
| | FirstRand Bank Limited | FRS71 | ZAG000096009 |
| | FirstRand Bank Limited | FRS72 | ZAG000096033 |
| | FirstRand Bank Limited | FRS75 | ZAG000096363 |
| | FirstRand Bank Limited | FRS77 | ZAG000097361 |
| | FirstRand Bank Limited | FRS78 | ZAG000097916 |
| | FirstRand Bank Limited | FRS79 | ZAG000100397 |
| | FirstRand Bank Limited | FRS80 | ZAG000100801 |
| | FirstRand Bank Limited | FRS81 | ZAG000100892 |
| | FirstRand Bank Limited | FRS82 | ZAG000101601 |
| | FirstRand Bank Limited | FRS83 | ZAG000102112 |
| | FirstRand Bank Limited | FRX14 | ZAG000079815 |
| | FirstRand Bank Limited | FRX15 | ZAG000051103 |
| | FirstRand Bank Limited | FRX16 | ZAG000084203 |
| | FirstRand Bank Limited | FRX17 | ZAG000094376 |
| | FirstRand Bank Limited | FRX18 | ZAG000076472 |
| | FirstRand Bank Limited | FRX19 | ZAG000073685 |
| | FirstRand Bank Limited | FRX24 | ZAG000073693 |
| | FirstRand Bank Limited | FRX31 | ZAG000084195 |
| | FirstRand Bank Limited | FRX45 | ZAG000076480 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Inflation-linked bonds | FirstRand Bank Limited | FRBI04 | ZAG000044306 |
| | FirstRand Bank Limited | FRBI22 | ZAG000079666 |
| | FirstRand Bank Limited | FRBI23 | ZAG000076498 |
| | FirstRand Bank Limited | FRBI28 | ZAG000079237 |
| | FirstRand Bank Limited | FRBI33 | ZAG000079245 |
| | FirstRand Bank Limited | FRI15 | ZAG000051137 |
| Credit-linked notes | FirstRand Bank Limited | FRC08 | ZAG000051749 |
| | FirstRand Bank Limited | FRC11 | ZAG000054131 |
| | FirstRand Bank Limited | FRC29 | ZAG000069857 |
| | FirstRand Bank Limited | FRC37 | ZAG000076712 |
| | FirstRand Bank Limited | FRC40 | ZAG000081027 |
| | FirstRand Bank Limited | FRC41 | ZAG000081670 |
| | FirstRand Bank Limited | FRC46 | ZAG000082959 |
| | FirstRand Bank Limited | FRC47 | ZAG000084310 |
| | FirstRand Bank Limited | FRC55 | ZAG000085507 |
| | FirstRand Bank Limited | FRC57 | ZAG000086414 |
| | FirstRand Bank Limited | FRC61 | ZAG000087347 |
| | FirstRand Bank Limited | FRC66 | ZAG000088485 |
| | FirstRand Bank Limited | FRC67 | ZAG000088741 |
| | FirstRand Bank Limited | FRC68 | ZAG000088758 |
| | FirstRand Bank Limited | FRC69 | ZAG000088766 |
| | FirstRand Bank Limited | FRC70 | ZAG000088840 |
| | FirstRand Bank Limited | FRC71 | ZAG000088923 |
| | FirstRand Bank Limited | FRC72 | ZAG000088956 |
| | FirstRand Bank Limited | FRC74 | ZAG000089178 |
| | FirstRand Bank Limited | FRC76 | ZAG000089574 |
| | FirstRand Bank Limited | FRC78 | ZAG000089806 |
| | FirstRand Bank Limited | FRC79 | ZAG000089947 |
| | FirstRand Bank Limited | FRC82 | ZAG000090796 |
| | FirstRand Bank Limited | FRC83 | ZAG000090952 |
| | FirstRand Bank Limited | FRC84 | ZAG000090986 |
| | FirstRand Bank Limited | FRC85 | ZAG000091109 |
| | FirstRand Bank Limited | FRC86 | ZAG000091182 |
| | FirstRand Bank Limited | FRC87 | ZAG000091570 |
| | FirstRand Bank Limited | FRC90 | ZAG000092388 |
| | FirstRand Bank Limited | FRC91 | ZAG000092370 |
| | FirstRand Bank Limited | FRC92 | ZAG000092511 |
| | FirstRand Bank Limited | FRC93 | ZAG000092545 |
| | FirstRand Bank Limited | FRC94 | ZAG000092677 |
| | FirstRand Bank Limited | FRC95 | ZAG000092792 |
| | FirstRand Bank Limited | FRC96 | ZAG000093204 |
| | FirstRand Bank Limited | FRC97 | ZAG000093212 |
| | FirstRand Bank Limited | FRC98 | ZAG000093220 |
| | FirstRand Bank Limited | FRC99 | ZAG000093501 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Credit-linked notes | FirstRand Bank Limited | FRC101 | ZAG000093576 |
| | FirstRand Bank Limited | FRC103 | ZAG000093840 |
| | FirstRand Bank Limited | FRC104 | ZAG000093857 |
| | FirstRand Bank Limited | FRC105 | ZAG000093998 |
| | FirstRand Bank Limited | FRC106 | ZAG000093956 |
| | FirstRand Bank Limited | FRC107 | ZAG000094574 |
| | FirstRand Bank Limited | FRC108 | ZAG000094871 |
| | FirstRand Bank Limited | FRC109 | ZAG000094889 |
| | FirstRand Bank Limited | FRC110 | ZAG000094954 |
| | FirstRand Bank Limited | FRC112 | ZAG000095621 |
| | FirstRand Bank Limited | FRC113 | ZAG000095761 |
| | FirstRand Bank Limited | FRC114 | ZAG000095837 |
| | FirstRand Bank Limited | FRC115 | ZAG000095852 |
| | FirstRand Bank Limited | FRC116 | ZAG000095860 |
| | FirstRand Bank Limited | FRC117 | ZAG000095928 |
| | FirstRand Bank Limited | FRC118 | ZAG000096280 |
| | FirstRand Bank Limited | FRC119 | ZAG000096298 |
| | FirstRand Bank Limited | FRC120 | ZAG000096306 |
| | FirstRand Bank Limited | FRC121 | ZAG000096314 |
| | FirstRand Bank Limited | FRC122 | ZAG000096322 |
| | FirstRand Bank Limited | FRC123 | ZAG000096272 |
| | FirstRand Bank Limited | FRC124 | ZAG000096579 |
| | FirstRand Bank Limited | FRC125 | ZAG000096678 |
| | FirstRand Bank Limited | FRC126 | ZAG000096934 |
| | FirstRand Bank Limited | FRC127 | ZAG000096942 |
| | FirstRand Bank Limited | FRC128 | ZAG000096959 |
| | FirstRand Bank Limited | FRC129 | ZAG000096967 |
| | FirstRand Bank Limited | FRC130 | ZAG000096975 |
| | FirstRand Bank Limited | FRC131 | ZAG000096983 |
| | FirstRand Bank Limited | FRC132 | ZAG000096991 |
| | FirstRand Bank Limited | FRC133 | ZAG000097007 |
| | FirstRand Bank Limited | FRC134 | ZAG000097056 |
| | FirstRand Bank Limited | FRC135 | ZAG000097122 |
| | FirstRand Bank Limited | FRC136 | ZAG000097106 |
| | FirstRand Bank Limited | FRC137 | ZAG000097114 |
| | FirstRand Bank Limited | FRC138 | ZAG000097130 |
| | FirstRand Bank Limited | FRC139 | ZAG000097148 |
| | FirstRand Bank Limited | FRC140 | ZAG000097155 |
| | FirstRand Bank Limited | FRC141 | ZAG000097189 |
| | FirstRand Bank Limited | FRC142 | ZAG000097445 |
| | FirstRand Bank Limited | FRC143 | ZAG000097551 |
| | FirstRand Bank Limited | FRC144 | ZAG000097569 |
| | FirstRand Bank Limited | FRC145 | ZAG000097627 |
| | FirstRand Bank Limited | FRC146 | ZAG000099425 |
| | FirstRand Bank Limited | FRC147 | ZAG000099433 |
| | FirstRand Bank Limited | FRC148 | ZAG000099466 |

# Company information continued

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Credit-linked notes | FirstRand Bank Limited | FRC149 | ZAG000099607 |
| | FirstRand Bank Limited | FRC150 | ZAG000099821 |
| | FirstRand Bank Limited | FRC151 | ZAG000099904 |
| | FirstRand Bank Limited | FRC152 | ZAG000100330 |
| | FirstRand Bank Limited | FRC153 | ZAG000100348 |
| | FirstRand Bank Limited | FRC154 | ZAG000100694 |
| | FirstRand Bank Limited | FRC155 | ZAG000101643 |
| | FirstRand Bank Limited | FRC157 | ZAG000101973 |
| | FirstRand Bank Limited | FRC158 | ZAG000101981 |
| | FirstRand Bank Limited | FRC159 | ZAG000101999 |
| | FirstRand Bank Limited | FRC160 | ZAG000102013 |
| | FirstRand Bank Limited | FRC161 | ZAG000102260 |
| | FirstRand Bank Limited | FRC162 | ZAG000102286 |
| Senior unsecured callable bonds | FirstRand Bank Limited | FR002U | ZAG000042748 |
| | FirstRand Bank Limited | FR003U | ZAG000042755 |
| Investment security index contracts | Rand Merchant Bank | RMBI01 | ZAG000050865 |
| | Rand Merchant Bank | RMBI02 | ZAG000052986 |
| | Rand Merchant Bank | RMBI03 | ZAG000054032 |
| | Rand Merchant Bank | RMBI04 | ZAG000055013 |
| | Rand Merchant Bank | RMBI05 | ZAG000055864 |
| | Rand Merchant Bank | RMBI06 | ZAG000056722 |
| | Rand Merchant Bank | RMBI07 | ZAG000057910 |
| | Rand Merchant Bank | RMBI08 | ZAG000072265 |
| Structured notes | FirstRand Bank Limited | OILRMB | ZAG000152732 |
| | FirstRand Bank Limited | COLRMB | ZAE000155222 |

## London Stock Exchange (LSE)

### European medium term note (EMTN) programme

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

# Simplified group structure

**FIRSTRAND**

Listed holding company (FirstRand Limited, JSE: FSR)

## 100% — FirstRand Bank Limited

**Banking**

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

## 100% — FirstRand EMA Holdings Limited

**Africa and emerging markets**

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

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

**Other activities[4, 5]**

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

Structure shows effective consolidated shareholding.

1. Division
2. Branch
3. Representative office
4. For segmental analysis purposes entities included in FRIHL are reported as part of the results of the managing franchise
5. The Group's securitisations and conduits are in FRIHL

# Credit ratings

## FIRSTRAND BANK LIMITED (FRB)

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

### Credit ratings assigned by Standard & Poor's Ratings Services (S&P) as at 4 March 2013

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

Summary of rating actions:

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

### Credit ratings assigned by Moody's Investors Service (Moody's) as at 4 March 2013

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

Summary of rating actions:

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

### Credit ratings assigned by Fitch Ratings (Fitch) as at 4 March 2013

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

Summary of rating actions:

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

## 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.

### Credit ratings assigned by Standard & Poor's as at 4 March 2013

| | FirstRand Limited |
|---|---|
| **Foreign currency credit rating** | |
| Long-term | **BBB-** |
| Outlook | **Negative** |
| Short-term | **A-3** |
| **Local currency credit rating** | |
| Long-term | **BBB-** |
| Outlook | **Negative** |
| Short-term | **A-3** |
| **National scale** | |
| Long-term | **zaAA-** |
| Short-term | **zaA-1** |

Summary of rating actions:

- The Group's long- and short-term ratings were lowered to BBB-/A-3 from BBB/A-2 following the downgrading of the sovereign rating as discussed on the previous page. The South Africa national scale ratings were affirmed at zaAA-/zaA-1.

# Definitions

| | |
|---|---|
| Capital adequacy ratio (CAR) | Capital divided by risk weighted assets. |
| Common Equity Tier 1 | Tier 1 less NCNR preference share capital |
| Core Tier 1 ratio | Tier 1 less NCNR preference share capital divided by RWA. |
| Cost-to-income ratio | Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures. |
| Credit loss ratio | Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the period). |
| Diversity ratio | Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures. |
| Dividend cover | Normalised earnings per share divided by dividend per share. |
| Effective tax rate | Tax per the income statement divided by the income before direct tax per the income statement. |
| Exposure at default (EAD) | Gross exposure of a facility upon default of a counterparty. |
| Loan-to-deposit ratio | Average advances expressed as a percentage of average deposits. |
| Loss given default (LGD) | Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default. |
| Net income after capital charge (NIACC) | Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves. |
| Normalised earnings | The Group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational 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 the weighted average number of shares including treasury shares. |
| Normalised net asset value | Normalised equity attributable to ordinary equityholders. |
| Normalised net asset value per share | Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares. |
| Price earnings ratio (times) | Closing price on 31 December divided by basic normalised earnings per share. |
| Price-to-book (times) | Closing share price on 31 December divided by normalised net asset value per share. |
| Probability of default (PD) | Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay). |
| Return on assets (ROA) | Normalised earnings divided by average assets. |
| Return on equity (ROE) | Normalised earnings divided by average normalised ordinary shareholders' equity. |
| Risk weighted assets (RWA) | Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risks multiplied by on- and off-balance sheet assets. |
| Shares in issue | Number of ordinary shares listed on the JSE. |
| Tier 1 ratio | Tier 1 capital divided by RWA. |
| Weighted average number of ordinary shares | Weighted average number of ordinary shares in issue during the period as listed on the JSE. |

# Notes

# Notes

www.firstrand.co.za