analysis of financial results

for the six months ended 31 December 2014

FIRSTRAND BANK

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FIRSTRAND BANK

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

INTRODUCTION

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

Normalised results include a condensed income statement, statement of comprehensive income and an abridged statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on page 12. Detailed reconciliations of normalised to IFRS results are provided on pages 25 to 27. Commentary is based on normalised results, unless indicated otherwise.

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

Financial highlights

	Six months ended 31 December		% change	Year ended 30 June
	2014	**2013**		**2014**
Normalised earnings (R million)	**7 139**	6 582	8	12 321
Common Equity Tier 1 (%)	**13.7**	13.4		13.6
Credit loss ratio (%)	**0.80**	0.78		0.82
NPLs (%) of advances	**2.42**	2.63		2.36
Normalised ROE (%)	**22.9**	24.3		21.9

FirstRand Bank is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking services in South Africa and offers niche products in certain international markets. The bank has three major divisions which are separately branded. 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. FRB has branches in London and India, and representative offices in Kenya, Angola, Dubai and Shanghai.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Earnings attributable to ordinary equityholders	**7 336**	6 815	8	12 555
Headline earnings	**7 337**	6 781	8	12 623
Normalised earnings	**7 139**	6 582	8	12 321
Normalised net asset value	**63 608**	57 103	11	61 064
Average normalised net asset value	**62 336**	54 255	15	56 236
Gross advances	**662 534**	586 356	13	635 136
Normalised ROE (%)	**22.9**	24.3		21.9
Cost-to-income ratio (%)	**56.3**	55.9		57.0
Net interest margin (%)	**5.23**	5.17		4.93
Capital adequacy*				
Capital adequacy ratio (%)	**16.1**	15.7		16.1
Tier 1 ratio (%)	**14.2**	14.1		14.2
Common Equity Tier 1 (CET1) ratio (%)	**13.7**	13.4		13.6

* *Reflects solo supervision, i.e. FRB excluding foreign branches. Ratios include unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS

R million	Six months ended 31 December 2014	Six months ended 31 December 2013	% change	Year ended 30 June 2014
Profit for the period (refer page 13)	**7 438**	6 911	8	12 747
NCNR preference shareholders	**(102)**	(96)	6	(192)
Earnings attributable to ordinary equityholders	**7 336**	6 815	8	12 555
Adjusted for:	**1**	(34)	(>100)	68
Loss on disposal of investment securities and other investments of a capital nature	**–**	–		7
Gain on disposal of available-for-sale assets	**(5)**	(66)		(66)
Gain on disposal of investments in associates	**–**	–		(13)
Loss on the disposal of property and equipment	**6**	3		20
Impairment of assets in terms of IAS 36	**–**	11		117
Other	**–**	–		(15)
Tax effects of adjustments	**–**	18		18
Headline earnings	**7 337**	6 781	8	12 623

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Headline earnings	**7 337**	6 781	8	12 623
Adjusted for:	**(198)**	(199)	(1)	(302)
Total return swap and IFRS 2 liability remeasurement	**(144)**	(146)	(1)	(198)
IAS 19 adjustment	**(54)**	(53)	2	(104)
Normalised earnings	**7 139**	6 582	8	12 321

OVERVIEW OF RESULTS

INTRODUCTION

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

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

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

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

OVERVIEW OF RESULTS

Against this challenging backdrop, FirstRand Bank produced satisfactory results for the six months to 31 December 2014, achieving normalised earnings of R7.14 billion, an increase of 8% on the comparative period and a normalised ROE of 22.9%.

Despite the deteriorating operating environment, the bank delivered a strong ROE.

FNB produced ongoing topline growth and strong profitability on the back of sustained momentum in both non-interest revenue (NIR) and net interest income (NII) with good growth emanating from both advances and deposits. RMB's performance was impacted by the reduced contribution from the Investment Banking division, which, as expected, rebased to more normalised levels following a number of years of very strong growth. In addition, RMB strengthened provisions given its current exposures to oil and gas, and mining and metals.

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

Sources of normalised earnings

	Six months ended 31 December				% change	Year ended 30 June	
R million	**2014**	**% composition**	**2013***	**% composition**		**2014***	**% composition**
FNB	**4 737**	**66**	3 994	60	19	7 846	64
RMB	**1 344**	**19**	2 102	32	(36)	3 646	30
WesBank	**1 135**	**16**	1 291	20	(12)	2 190	18
FCC (including Group Treasury) and other	**25**	**–**	(709)	(11)	(>100)	(1 169)	(10)
NCNR preference dividend	**(102)**	**(1)**	(96)	(1)	6	(192)	(2)
Normalised earnings	**7 139**	**100**	6 582	100	8	12 321	100

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

The bank's income statement benefited from an increase of 14% in NII. This was driven mainly by ongoing increases in advances and solid growth from both retail and corporate deposits. Asset margins declined, impacted by mix changes, pricing pressure on certain products and higher liquidity costs.

Total NIR increased 9% year-on-year, with another strong contribution from FNB which grew its NIR 10%. This was driven by the retail and commercial segments as FNB continued to benefit from specific strategies to grow fee and commission income, drive customers onto electronic platforms and generate good momentum in cross-sell (up from 2.27 to 2.38).

WesBank's NIR increased 22%, benefiting from growth in the advances book, a strong performance in the full maintenance rental book as well as additional income from the fleet business, which was included for the full six-month period, compared to only three months in the prior period.

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

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

The bank's coverage ratios increased year-on-year. This reflects a worsening credit environment, the change in NPL mix, higher portfolio overlays and increased specific impairments in RMB's core lending book on the back of mining and metals exposures. The total direct exposures to cross-border oil and gas counters comprise approximately 2% of the RMB corporate and investment banking (CIB) lending book, and less than 1% of bank's advances book. The bank has evaluated these exposures as part of its interim credit review processes, and, despite no defaults in the portfolio, created overlays given the uncertainty on the outlook for oil prices in the current cycle. Against this analysis, less than 0.15% of the bank's total advances book is considered higher risk and the bank is currently comfortable with the provisions against these exposures.

Portfolio impairments were driven by increasing levels of arrears in VAF and WesBank personal loans, as well as strong book growth. The bank continues to exercise prudence on the back of deteriorating macroeconomic indicators increasing portfolio overlays across the bank. The total performing book coverage ratio increased from 102 bps in the prior year to 111 bps (June 2014: 112 bps).

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

OVERVIEW OF OPERATING FRANCHISES

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

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

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

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

The group executes its expansion strategies through the appropriate platforms (legal entities). FRB's balance sheet is utilised for the first pillar of the rest of Africa expansion strategy and to capitalise on the investment flows between Africa, India and China. The subsidiaries in the rest of Africa form part FirstRand EMA (Pty) Ltd (FREMA) and thus fall outside of the bank.

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

FNB

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

FNB financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**4 737**	3 994	19	7 846
Normalised profit before tax	**6 578**	5 544	19	10 901
Total assets	**283 980**	259 880	9	270 765
Total liabilities	**277 456**	254 531	9	260 472
NPLs (%)	**2.95**	3.78		3.31
Credit loss ratio (%)	**0.87**	1.01		0.88

Segment results

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Retail	**4 289**	3 635	18	7 035
FNB Africa*	**(170)**	(166)	2	(407)
Commercial	**2 459**	2 075	19	4 273
Total FNB	**6 578**	5 544	19	10 901

* *Relates to head office costs and FNB's activities in India. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank (see simplified group structure on page 119).*

FNB produced an excellent performance for the period, increasing pre-tax profits 19%, driven by strong growth in both NII and NIR and a decrease in bad debts, particularly in residential mortgages and personal loans.

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

FNB's NII increased 14% driven by growth in both advances (+10%) and deposits (+14%). The lending businesses – residential mortgages in particular – performed as expected with slightly above market advances growth and bad debt levels continuing to decline. The bad debt charge for FNB dropped to 0.87% of advances, while preserving overall provisioning levels. Deposit and advances growth came from the following segments.

Segment analysis of advances and deposit growth

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

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

FNB's overall NPLs decreased 15% and continued to benefit from the proactive workout strategies in residential mortgages. Credit card NPLs reduced, with excellent levels of post write-off recoveries continuing. NPLs in the personal loans portfolio also reduced as a consequence of strict origination and focused collections activities. In terms of other retail (e.g. overdraft and revolving credit), NPLs increased following strong book growth in previous periods, credit appetite adjustments were implemented and provisions bolstered. Overall provisioning levels for FNB have remained conservative reflecting appropriate management overlays.

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

FNB's overall operating expenditure increased 10%, reflecting ongoing investment in its operating footprint. The business, however, continues to deliver positive operating jaws.

RMB

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

RMB financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**1 344**	2 102	(36)	3 646
Normalised profit before tax	**1 868**	2 918	(36)	5 063
Total assets	**347 941**	312 245	11	326 514
Total liabilities	**346 398**	310 449	12	321 753
Credit loss ratio (%)	**0.41**	0.13		0.10
Cost-to-income ratio (%)	**54.7**	47.3		52.0

Divisional performance

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Investment banking	**1 580**	2 701	(42)	4 594
– Global Markets	**545**	830	(34)	1 494
– IBD	**1 244**	2 013	(38)	3 328
– Private Equity*	**(36)**	29	(>100)	32
– Other RMB	**(173)**	(171)	1	(260)
Corporate banking	**288**	217	33	469
Total RMB	**1 868**	2 918	(36)	5 063

* *The majority of private equity activities are in FRIHL.*

RMB corporate and investment banking's performance was under pressure for the period as pre-tax profits declined 36% to R1.9 billion. This performance reflects a challenging domestic operating environment and the creation of additional oil and gas, and mining and metals overlays.

Offsetting this was an improved contribution from the corporate and transactional activities and, in addition, cost management remains a key focus, which is reflected in the 2% increase in costs.

The Investment Banking division (IBD) delivered a satisfactory operational performance given the very high base created in previous years. However, provisions against certain oil and gas, and mining and metals exposures in the core lending book impacted the results. This is considered prudent action given the current macro pressures in those sectors. Asset margins were impacted by increased funding and liquidity costs, and competitive pricing. IBD continued to benefit from growth in bespoke term lending resulting from client balance sheet restructures. Advisory income remained resilient on the back of the franchise's market leadership position.

The Global Markets division delivered a subdued performance for the period with profits decreasing by 34%. The decrease is predominantly attributable to the high base created in the prior year from large once-off transactions, offset by an increase in specific credit provisions. Given the challenging market conditions, lower levels of volatility, a decrease in commodity prices and increased competitive pressures, strong performances were still seen from the domestic interest rate and structuring activities which benefited from a number of large-scale deals.

The Corporate and Transactional Banking division achieved profit growth of 33% to R288 million as it begins to see the benefits of strategies put in place to derive value from the transactional banking platform. The business also benefited from targeted coverage initiatives, increased demand for trade and working capital products, and higher deposit balances. A particular corporate exposure resulted in an increase in credit impairments.

WesBank

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

WesBank financial highlights

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Normalised earnings	**1 135**	1 291	(12)	2 190
Normalised profit before tax	**1 536**	1 793	(14)	3 042
Total assets	**161 647**	142 745	13	156 743
Total liabilities	**160 423**	141 808	13	155 058
NPLs (%)	**3.22**	2.78		2.97
Credit loss ratio (%)	**1.42**	1.28		1.42
Cost-to-income ratio (%)	**47.8**	45.0		47.5
Net interest margin (%)	**4.90**	5.69		5.28

WesBank's performance was in line with expectations given its sensitivity to the local retail credit cycle. Solid growth in new business volumes underpinned by disciplined credit origination and effective sales channels reflect the strength of WesBank's franchise.

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

Breakdown of profit contribution by activity*

Normalised PBT	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
VAF				
– Local retail	**749**	853	(12)	1 481
– International (MotoNovo)	**332**	550	(40)	650
– Corporate and commercial	**213**	143	49	411
Personal loans	**242**	247	(2)	500
Total WesBank	**1 536**	1 793	(14)	3 042

* *Refer to additional segmental disclosure on page 60.*

Strong new business volumes and profit growth continued in the MotoNovo business. The reported profit was negatively impacted by a prospective change in accounting treatment for incentive commissions on securitisation transactions of R546 million; on a like-for-like basis, normalised profits increased 16%, which reflects the operational performance of the business. Personal loans remained stable within credit expectations at this point in the cycle. New business across all of WesBank's retail portfolios reflects a good risk profile with systemic tightening continuing in credit appetite for higher-risk segments. New business production increased 1% year-on-year with personal loans and MotoNovo origination volumes up 9% and 92%, respectively. Local retail VAF's performance continues to reflect the pressures facing consumers, with advances flat year-on-year (up 10% after adjusting for a new associate reported in corporate advances). Corporate profits have increased mainly from changes to the fleet business structure, which was included for the full six-month period, compared to only three months in the prior period.

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

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

NPLs as a percentage of advances are up 16% year-on-year, but remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement. This conservative treatment is in line with group practice with 51% of NPLs currently under debt review (compared to 47% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when they went into debt review. In addition to the increase in retail customers in debt review, corporate NPLs also increased given stress in certain counterparties.

NIR increased 22% year-on-year, reflective of the growth in the advances book and rental assets, as well as additional income from the fleet business, which was included for the full six-month period, compared to only three months in the prior period.

Total operating costs are up 10% reflecting increases in depreciation and maintenance costs relating to the full maintenance rental assets (these costs are a function of growth of the portfolio and nature of the underlying book) and costs associated with a number of strategic investment initiatives. Core operating costs, however, remained in line with inflation, increasing 5%.

CAPITAL POSITION

Current targets and actual ratios for FRB (excluding foreign branches) are summarised below.

Capital adequacy position

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**13.7**	**14.2**	**16.1**

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

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

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

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

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

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

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

PROSPECTS

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

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

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

BASIS OF PRESENTATION

The bank prepares its condensed financial results in accordance with:

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

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

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

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

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

The bank believes normalised earnings more accurately reflect operational performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies. Details of the nature of these adjustments and the reasons therefore can be found on page 12.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

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

ECONOMIC INTEREST RATE HEDGES

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

INCOME ON SECURITISED ASSETS

From time to time the bank enters into transactions whereby advances are sold to a securitisation vehicle controlled by the FirstRand group. The bank's compensation for the sale comprises a cash component received immediately and a right to receive any future excess spread from the securitisation vehicle, referred to as the deferred purchase price (DPP). The initial recognition of the DPP results in a profit for the bank on the date of the sale of the advances.

The purpose of the DPP is to compensate the bank for lost margin on the disposal of advances. The net profit resulting from the derecognition of the advances and the initial recognition of DPP is recognised in NIR in terms of IFRS. When calculating normalised results the DPP profit is reclassified to NII in accordance with its economic substance.

The DPP is immediately sold to a another entity controlled by the group and the bank does not recognise any further gains or losses on the DPP other than the profit recognised at initial recognition.

FAIR VALUE ANNUITY INCOME – LENDING

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

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

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

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

CONDENSED INCOME STATEMENT – IFRS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Net interest income before impairment of advances	**14 812**	12 457	19	25 199
Impairment of advances	**(2 206)**	(2 213)	–	(4 827)
Net interest income after impairment of advances	**12 606**	10 244	23	20 372
Non-interest revenue	**14 713**	14 647	–	28 622
Income from operations	**27 319**	24 891	10	48 994
Operating expenses	**(16 946)**	(15 319)	11	(31 076)
Income before tax	**10 373**	9 572	8	17 918
Indirect tax	**(426)**	(429)	(1)	(796)
Profit before tax	**9 947**	9 143	9	17 122
Income tax expense	**(2 509)**	(2 232)	12	(4 375)
Profit for the period	**7 438**	6 911	8	12 747
Attributable to				
Ordinary equityholders	**7 336**	6 815	8	12 555
NCNR preference shareholders	**102**	96	6	192
Profit for the period	**7 438**	6 911	8	12 747

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – IFRS

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Profit for the period	**7 438**	6 911	8	12 747
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(141)**	75	(>100)	361
Losses arising during the period	**(368)**	(260)	42	(111)
Reclassification adjustments for amounts included in profit or loss	**172**	364	(53)	613
Deferred income tax	**55**	(29)	(>100)	(141)
Available-for-sale financial assets	**150**	(126)	(>100)	(149)
Gains/(losses) arising during the period	**206**	(110)	(>100)	(149)
Reclassification adjustments for amounts included in profit or loss	**(5)**	(66)	(92)	(67)
Deferred income tax	**(51)**	50	(>100)	67
Exchange differences on translating foreign operations	**141**	156	(10)	193
Gains arising during the period	**141**	156	(10)	193
Items that may not subsequently be reclassified to profit or loss				
Actuarial losses on defined benefit post-employment plans	**(12)**	(18)	(33)	(207)
Losses arising during the period	**(16)**	(25)	(36)	(287)
Deferred income tax	**4**	7	(43)	80
Other comprehensive income for the period	**138**	87	59	198
Total comprehensive income for the period	**7 576**	6 998	8	12 945
Attributable to				
Ordinary equityholders	**7 474**	6 902	8	12 753
NCNR preference shareholders	**102**	96	6	192
Total comprehensive income for the period	**7 576**	6 998	8	12 945

CONDENSED STATEMENT OF FINANCIAL POSITION – IFRS

	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**
ASSETS			
Cash and cash equivalents	**43 160**	41 298	51 788
Derivative financial instruments	**38 769**	43 684	38 633
Commodities	**6 271**	6 894	7 904
Accounts receivable	**3 839**	3 632	4 131
Current tax asset	**865**	471	–
Advances	**648 743**	574 360	622 112
Amounts due by holding company and fellow subsidiary companies	**26 976**	24 281	26 005
Investment securities and other investments	**95 635**	92 134	88 783
Investments in associates	**–**	29	–
Property and equipment	**12 438**	10 965	11 369
Intangible assets	**91**	233	84
Deferred income tax asset	**39**	–	400
Total assets	**876 826**	797 981	851 209
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**476**	5 489	5 398
Derivative financial instruments	**42 807**	48 775	41 628
Creditors and accruals	**9 192**	7 821	10 380
Current tax liability	**–**	–	53
Deposits	**723 696**	649 971	693 176
Provisions	**388**	278	386
Employee liabilities	**6 507**	5 531	8 080
Other liabilities	**4 320**	1 147	4 268
Amounts due to holding company and fellow subsidiary companies	**12 964**	10 829	12 292
Deferred income tax liability	**–**	412	–
Tier 2 liabilities	**9 868**	7 625	11 484
Total liabilities	**810 218**	737 878	787 145
Equity			
Ordinary shares	**4**	4	4
Share premium	**15 304**	15 304	15 304
Reserves	**48 300**	41 795	45 756
Capital and reserves attributable to ordinary equityholders	**63 608**	57 103	61 064
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**66 608**	60 103	64 064
Total equity and liabilities	**876 826**	797 981	851 209

CONDENSED STATEMENT OF CASH FLOWS – IFRS

	Six months ended 31 December		Year ended 30 June
R million	**2014**	**2013**	**2014**
Cash flows from operating activities			
Cash receipts from customers	**36 937**	32 835	67 634
Cash paid to customers, suppliers and employees	**(22 978)**	(20 731)	(41 379)
Dividends received	**1 044**	1 107	1 982
Dividends paid	**(5 532)**	(1 276)	(4 481)
Cash generated from operating activities	**9 471**	11 935	23 756
Increase in income-earning assets	**(31 940)**	(22 303)	(66 796)
Increase in deposits and other liabilities	**20 722**	13 071	53 558
Taxation paid	**(3 379)**	(2 484)	(5 342)
Net cash (utilised by)/generated from operating activities	**(5 126)**	219	5 176
Net cash outflow from investing activities	**(1 922)**	(1 360)	(2 733)
Net cash (outflow)/inflow from financing activities	**(1 610)**	136	7 039
Net (decrease)/increase in cash and cash equivalents	**(8 658)**	(1 005)	9 482
Cash and cash equivalents at the beginning of the period	**51 788**	42 296	42 296
Effect of exchange rate changes on cash and cash equivalents	**30**	7	10
Cash and cash equivalents at the end of the period	**43 160**	41 298	51 788
Mandatory reserve balances included above*	**17 204**	14 924	16 040

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

FLOW OF FUNDS ANALYSIS

R million	December 2014 vs June 2014 6-month movement	December 2013 vs June 2013 6-month movement	June 2014 vs June 2013 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**2 544**	5 696	9 657
Working capital movement	**(3 271)**	(8 832)	(1 543)
Derivatives positions	**(3 879)**	6 472	4 285
Investments	**557**	(1 481)	(2 717)
Deposits and long-term liabilities	**28 904**	20 099	67 163
Advances	**(26 631)**	(25 779)	(73 531)
Total	**(1 776)**	(3 825)	3 314
Application of funds			
Cash and cash equivalents	**8 628**	998	(9 492)
Investment securities and other investments	**(6 852)**	2 827	6 178
Total	**1 776**	3 825	(3 314)

CONDENSED STATEMENT OF CHANGES IN EQUITY – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2013	4	15 304	**15 308**	(559)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(18)	75
Balance as at 31 December 2013	4	15 304	**15 308**	(577)	175
Balance as at 1 July 2014	4	15 304	**15 308**	(766)	461
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(12)	(141)
Balance as at 31 December 2014	4	15 304	**15 308**	(778)	320

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	**Available-for-sale reserve**	**Foreign currency translation reserve**	**Other reserves**	**Retained earnings**	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
439	579	(7)	1 345	34 202	**36 099**	**3 000**	**54 407**
11	–	–	–	(37)	**(26)**	**–**	**(26)**
–	–	–	–	(1 180)	**(1 180)**	**–**	**(1 180)**
–	–	–	–	–	**–**	**(96)**	**(96)**
–	(126)	156	–	6 815	**6 902**	**96**	**6 998**
450	453	149	1 345	39 800	**41 795**	**3 000**	**60 103**
465	430	186	1 345	43 635	**45 756**	**3 000**	**64 064**
(465)	–	–	–	965	**500**	**–**	**500**
–	–	–	–	(5 430)	**(5 430)**	**–**	**(5 430)**
–	–	–	–	–	**–**	**(102)**	**(102)**
–	150	141	–	7 336	**7 474**	**102**	**7 576**
–	580	327	1 345	46 506	**48 300**	**3 000**	**66 608**

detailed financial analysis

The analysis of the financial results is based on normalised earnings. A detailed reconciliation between IFRS and normalised results is set out on pages 25 to 27.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Earnings performance				
Normalised earnings contribution by franchise	**7 139**	6 582	8	12 321
FNB	**4 737**	3 994	19	7 846
RMB	**1 344**	2 102	(36)	3 646
WesBank	**1 135**	1 291	(12)	2 190
FCC (including Group Treasury) and other	**25**	(709)	(>100)	(1 169)
NCNR preference dividend	**(102)**	(96)	6	(192)
Attributable earnings – IFRS (refer page 13)	**7 336**	6 815	8	12 555
Headline earnings	**7 337**	6 781	8	12 623
Normalised earnings	**7 139**	6 582	8	12 321
Normalised net asset value	**63 608**	57 103	11	61 064
Tangible normalised net asset value	**63 517**	56 870	12	60 980
Average normalised net asset value	**62 336**	54 255	15	56 236
Balance sheet				
Normalised total assets	**876 826**	797 981	10	851 209
Loans and advances (net of credit impairment)	**648 743**	574 360	13	622 112
Ratios and key statistics				
ROE (%)	**22.9**	24.3		21.9
Return on assets (%)	**1.65**	1.67		1.51
Average loan-to-deposit ratio (%)	**91.6**	89.6		90.4
Diversity ratio (%)	**41.7**	42.8		43.6
Credit impairment charge	**2 588**	2 225	16	4 925
NPLs as % of advances	**2.42**	2.63		2.36
Credit loss ratio (%)	**0.80**	0.78		0.82
Specific coverage ratio (%)	**41.5**	40.0		40.4
Total impairment coverage ratio (%)	**86.1**	77.8		86.9
Performing book coverage ratio (%)	**1.11**	1.02		1.12
Cost-to-income ratio (%)	**56.3**	55.9		57.0
Effective tax rate (%)	**25.1**	24.2		25.3

CONDENSED INCOME STATEMENT – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Net interest income before impairment of advances	**16 915**	14 873	14	29 491
Impairment of advances	**(2 588)**	(2 225)	16	(4 925)
Net interest income after impairment of advances	**14 327**	12 648	13	24 566
Non-interest revenue*	**12 088**	11 116	9	22 789
Income from operations	**26 415**	23 764	11	47 355
Operating expenses*	**(16 317)**	(14 521)	12	(29 807)
Income before tax	**10 098**	9 243	9	17 548
Indirect tax	**(426)**	(429)	(1)	(796)
Profit before tax	**9 672**	8 814	10	16 752
Income tax expense	**(2 431)**	(2 136)	14	(4 239)
Profit for the period	**7 241**	6 678	8	12 513
NCNR preference shareholders	**(102)**	(96)	6	(192)
Normalised earnings attributable to ordinary equityholders of the bank	**7 139**	6 582	8	12 321

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Profit for the period	**7 241**	6 678	8	12 513
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**(141)**	75	(>100)	361
Losses arising during the period	**(368)**	(260)	42	(111)
Reclassification adjustments for amounts included in profit or loss	**172**	364	(53)	613
Deferred income tax	**55**	(29)	(>100)	(141)
Available-for-sale financial assets	**150**	(126)	(>100)	(149)
Gains/(losses) arising during the period	**206**	(110)	(>100)	(149)
Reclassification adjustments for amounts included in profit or loss	**(5)**	(66)	(92)	(67)
Deferred income tax	**(51)**	50	(>100)	67
Exchange differences on translating foreign operations	**141**	156	(10)	193
Gains arising during the period	**141**	156	(10)	193
Items that may not subsequently be reclassified to profit or loss				
Actuarial gains on defined benefit post-employment plans	**42**	35	20	(103)
Gains/(losses) arising during the period	**59**	49	20	(142)
Deferred income tax	**(17)**	(14)	21	39
Other comprehensive income for the period	**192**	140	37	302
Total comprehensive income for the period	**7 433**	6 818	9	12 815
Attributable to:				
Ordinary equityholders	**7 331**	6 722	9	12 623
NCNR preference shareholders	**102**	96	6	192
Total comprehensive income for the period	**7 433**	6 818	9	12 815

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the period ended 31 December 2014

R million	Normalised	Margin on securitised assets	Economic hedges	Fair value annuity income (lending)	IAS 19 adjust-ment	Other headline earnings adjust-ments	TRS adjust-ment	IFRS
Net interest income before impairment of advances	**16 915**	(567)	(106)	(1 430)	–	–	–	**14 812**
Impairment of advances	**(2 588)**	–	–	382	–	–	–	**(2 206)**
Net interest income after impairment of advances	**14 327**	(567)	(106)	(1 048)	–	–	–	**12 606**
Non-interest revenue	**12 088**	567	106	1 048	–	(1)	905	**14 713**
Income from operations	**26 415**	–	–	–	–	(1)	905	**27 319**
Operating expenses	**(16 317)**	–	–	–	75	–	(704)	**(16 946)**
Income before tax	**10 098**	–	–	–	75	(1)	201	**10 373**
Indirect tax	**(426)**	–	–	–	–	–	–	**(426)**
Profit before tax	**9 672**	–	–	–	75	(1)	201	**9 947**
Income tax expense	**(2 431)**	–	–	–	(21)	–	(57)	**(2 509)**
Profit for the period	**7 241**	–	–	–	54	(1)	144	**7 438**
Attributable to:								
NCNR preference shareholders	**(102)**	–	–	–	–	–	–	**(102)**
Ordinary equityholders of the bank	**7 139**	–	–	–	54	(1)	144	**7 336**
Headline and normalised earnings adjustments	**–**	–	–	–	(54)	1	(144)	**(197)**
Normalised earnings	**7 139**	–	–	–	–	–	–	**7 139**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the period ended 31 December 2013

R million	Normalised	Margin on securitised assets	Economic hedges	Fair value annuity income (lending)	IAS 19 adjust-ment	Other headline earnings adjust-ments	TRS adjust-ment	IFRS
Net interest income before impairment of advances	14 873	(709)	(99)	(1 608)	–	–	–	12 457
Impairment of advances	(2 225)	–	–	12	–	–	–	(2 213)
Net interest income after impairment of advances	12 648	(709)	(99)	(1 596)	–	–	–	10 244
Non-interest revenue*	11 116	709	99	1 596	–	63	1 064	14 647
Income from operations	23 764	–	–	–	–	63	1 064	24 891
Operating expenses*	(14 521)	–	–	–	74	(11)	(861)	(15 319)
Income before tax	9 243	–	–	–	74	52	203	9 572
Indirect tax	(429)	–	–	–	–	–	–	(429)
Profit before tax	8 814	–	–	–	74	52	203	9 143
Income tax expense	(2 136)	–	–	–	(21)	(18)	(57)	(2 232)
Profit for the period	6 678	–	–	–	53	34	146	6 911
Attributable to:								
NCNR preference shareholders	(96)	–	–	–	–	–	–	(96)
Ordinary equityholders of the bank	6 582	–	–	–	53	34	146	6 815
Headline and normalised earnings adjustments	–	–	–	–	(53)	(34)	(146)	(233)
Normalised earnings	6 582	–	–	–	–	–	–	6 582

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

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the year ended 30 June 2014

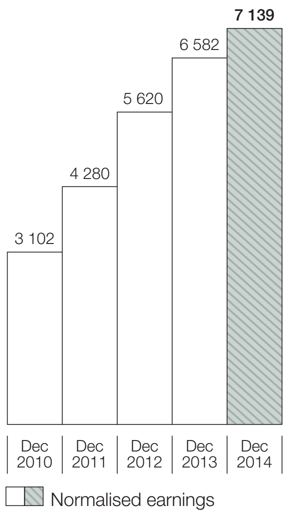
R million	Normalised	Margin on securitised assets	Economic hedges	Fair value annuity income (lending)	IAS 19 adjust-ment	Other headline earnings adjust-ments	TRS adjust-ment	IFRS
Net interest income before impairment of advances	29 491	(958)	(253)	(3 081)	–	–	–	25 199
Impairment of advances	(4 925)	–	–	98	–	–	–	(4 827)
Net interest income after impairment of advances	24 566	(958)	(253)	(2 983)	–	–	–	20 372
Non-interest revenue	22 789	958	253	2 983	–	67	1 572	28 622
Income from operations	47 355	–	–	–	–	67	1 572	48 994
Operating expenses	(29 807)	–	–	–	145	(117)	(1 297)	(31 076)
Income before tax	17 548	–	–	–	145	(50)	275	17 918
Indirect tax	(796)	–	–	–	–	–	–	(796)
Profit before tax	16 752	–	–	–	145	(50)	275	17 122
Income tax expense	(4 239)	–	–	–	(41)	(18)	(77)	(4 375)
Profit for the year	12 513	–	–	–	104	(68)	198	12 747
Attributable to:								
NCNR preference shareholders	(192)	–	–	–	–	–	–	(192)
Ordinary equityholders of the bank	12 321	–	–	–	104	(68)	198	12 555
Headline and normalised earnings adjustments	–	–	–	–	(104)	68	(198)	(234)
Normalised earnings	12 321	–	–	–	–	–	–	12 321

OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

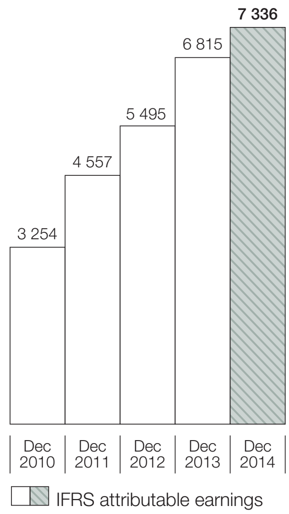
Normalised earnings
R million

CAGR 23%



IFRS attributable earnings
R million

CAGR 23%



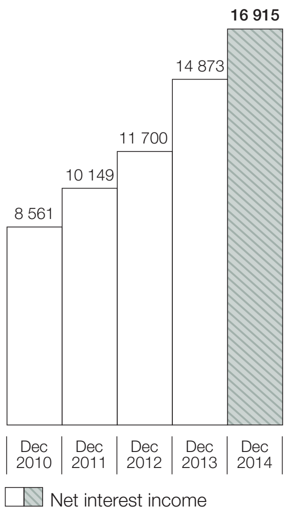
Note: 2012 to 2014 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

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

Net interest income

R million

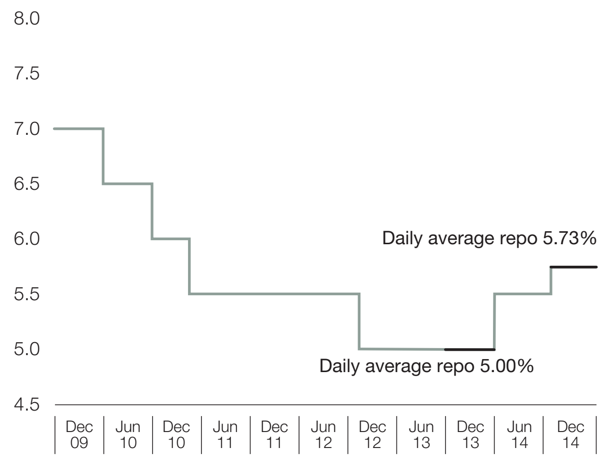
CAGR 19%



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

Repo rate

%



Note: R115 billion = average endowment book for the period. Rates were higher by 73 bps on average in the period, which translates into a positive endowment impact of approximately R423 million for the period.

Margin cascade table

Percentage of average interest-earning banking assets	%
December 2013 normalised margin	**5.17**
Capital and deposit endowment	**0.15**
Advances	**(0.05)**
– Change in balance sheet mix	**0.01**
– Asset pricing	**(0.06)**
Liabilities	**(0.07)**
– Term funding cost	**(0.04)**
– Deposit pricing	**(0.03)**
Group Treasury and other movements	**0.03**
– MTM on term issuance in professional funding	**0.08**
– Other accounting mismatches and interest rate risk hedges	**(0.05)**
December 2014 normalised margin	**5.23**

Segmental analysis of net interest income before impairment of advances

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
FNB	**8 940**	7 860	14	16 138
Retail	**6 012**	5 411	11	10 990
– Residential mortgages	**1 715**	1 762	(3)	3 418
– Card	**868**	717	21	1 517
– Personal loans	**1 085**	1 120	(3)	2 216
– Retail other	**2 344**	1 812	29	3 839
Commercial	**2 925**	2 448	19	5 146
FNB Africa	**3**	1	>100	2
RMB	**2 658**	2 782	(4)	5 178
Investment banking	**2 268**	2 440	(7)	4 468
Corporate banking	**390**	342	14	710
WesBank	**4 165**	4 177	–	8 159
FCC (including Group Treasury) and other*	**1 152**	54	>100	16
Net interest income	**16 915**	14 873	14	29 491

* *Includes consolidation adjustments.*

Key drivers

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

Average balance sheet

R million	December 2014 Average balance	December 2014 Interest income/ (expense)	December 2014 Average rate %	December 2013 Average balance	December 2013 Interest income/ (expense)	December 2013 Average rate %
INTEREST-EARNING ASSETS						
Average prime rate			**9.23**			8.50
Balances with central banks	**16 742**	**–**		14 777	–	
Cash and cash equivalents	**13 994**	**213**	**3.02**	14 011	182	2.58
Liquid assets portfolio	**44 000**	**1 704**	**7.68**	45 567	1 593	6.93
Loans and advances to customers	**567 321**	**28 514**	**9.97**	496 330	23 663	9.46
Interest-earning assets	**642 057**	**30 431**	**9.40**	570 685	25 438	8.84
INTEREST-BEARING LIABILITIES						
Average JIBAR			**5.99**			5.14
Deposits due to customers	**(384 911)**	**(7 449)**	**3.84**	(341 912)	(5 714)	3.32
Group Treasury funding	**(223 199)**	**(6 910)**	**6.14**	(197 593)	(5 486)	5.51
Interest-earning liabilities	**(608 110)**	**(14 359)**	**4.68**	(539 505)	(11 200)	4.12
ENDOWMENT AND TRADING BOOK						
Other assets*	**131 618**	**843**	**1.27**	124 374	635	1.01
Other liabilities**	**(99 024)**	**–**	**–**	(97 567)	–	–
NCNR preference shareholders	**(3 000)**	**–**	**–**	(3 000)	–	–
Equity	**(63 541)**	**–**	**–**	(54 987)	–	–
Endowment and trading book	**(33 947)**	**843**	**(4.93)**	(31 180)	635	(4.03)
Total interest-bearing liabilities, endowment and trading book	**(642 057)**	**(13 516)**	**4.18**	(570 685)	(10 565)	3.67
Net interest margin on average interest-earning assets	**642 057**	**16 915**	**5.23**	570 685	14 873	5.17

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

* *Includes preference share advances and trading assets.*

** *Includes trading liabilities.*

Note 1 – Margin analysis on loans and advances to customers

R million	December 2014 Average balance	December 2014 Average margin %	December 2013* Average balance	December 2013* Average margin %
Average prime rate (RSA)		**9.23**		8.50
Advances				
Retail – secured	**282 441**	**2.75**	259 591	3.17
Residential mortgages	**172 417**	**1.73**	164 831	1.85
VAF**	**110 024**	**4.34**	94 760	5.46
Retail – unsecured	**49 421**	**12.47**	41 777	12.79
Card	**16 746**	**9.00**	13 914	8.76
Personal loans	**22 212**	**17.09**	20 324	17.29
– FNB loans	**12 801**	**15.22**	12 741	15.60
– WesBank loans	**9 411**	**19.64**	7 583	20.12
Overdrafts	**10 463**	**8.20**	7 539	8.12
Corporate and commercial	**235 459**	**2.47**	194 962	2.78
FNB commercial	**49 843**	**3.70**	42 683	3.76
– Mortgages	**13 939**	**2.42**	11 960	2.73
– Overdrafts	**20 436**	**4.92**	17 851	4.91
– Term loans	**15 468**	**3.24**	12 872	3.12
WesBank corporate	**37 734**	**2.85**	33 880	3.11
RMB investment banking	**145 671**	**1.95**	115 737	2.34
RMB corporate banking	**2 211**	**2.57**	2 662	1.60
Total advances#	**567 321**	**3.48**	496 330	3.82

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

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

** *WesBank international net interest margin is impacted by a prospective change in accounting treatment of incentive commission for securitisation transactions.*

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

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

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

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

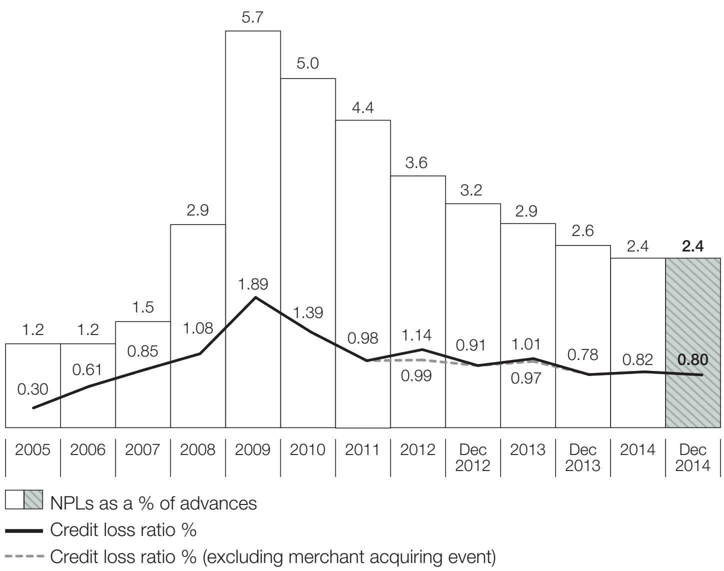
Note 2 – Margin analysis on deposits due to customers

	December 2014		December 2013*	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.23**		8.50
Deposits				
Retail	**129 059**	**2.80**	115 506	2.53
Current and savings	**44 357**	**5.41**	39 915	4.66
Call	**4 027**	**3.38**	3 986	3.02
Money market	**27 700**	**1.64**	26 065	1.63
Term	**52 975**	**1.17**	45 540	1.13
Commercial	**139 446**	**2.55**	125 659	2.30
Current and savings	**53 245**	**4.85**	48 277	4.26
Call	**34 314**	**1.29**	29 048	1.29
Money market	**19 103**	**1.94**	18 071	1.83
Term	**32 784**	**0.51**	30 263	0.43
Corporate and investment banking	**116 406**	**0.68**	100 747	0.68
Current and savings	**47 003**	**1.24**	38 703	1.22
Call	**35 351**	**0.46**	30 953	0.35
Term	**34 052**	**0.12**	31 091	0.34
Total deposits	**384 911**	**2.07**	341 912	1.90

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

CREDIT HIGHLIGHTS

NPLs and impairment history



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

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Total gross advances*	**662 534**	586 356	13	635 136
NPLs	**16 021**	15 419	4	14 984
NPLs as a % of advances	**2.42**	2.63		2.36
Impairment charge – total	**2 588**	2 225	16	4 925
Impairment charge as a % of average advances	**0.80**	0.78		0.82
Total impairments*	**13 791**	11 996	15	13 024
– Portfolio impairments	**7 148**	5 829	23	6 963
– Specific impairments	**6 643**	6 167	8	6 061
Implied loss given default (coverage)**	**41.5**	40.0		40.4
Total impairments coverage ratio#	**86.1**	77.8		86.9
Performing book coverage ratio†	**1.11**	1.02		1.12

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

Credit impairments increased 16%.

Overall NPLs increased 4%. Strong book growth resulted in an increase in NPLs in other retail and WesBank personal loans. The worsening commodity cycle resulted in higher NPLs in the corporate portfolio.

The increased impairment coverage ratio reflects the change in NPL mix, higher portfolio impairments and increased specific impairments. Portfolio impairments were driven by increasing levels of arrears in VAF and WesBank personal loans and strong book growth, and in RMB, by the oil and gas, and mining and metals sectors. Portfolio overlays increased on the back of deteriorating macroeconomic indicators. The total performing book coverage ratio increased from 102 bps in the prior period to 111 bps (June 2014: 112 bps).

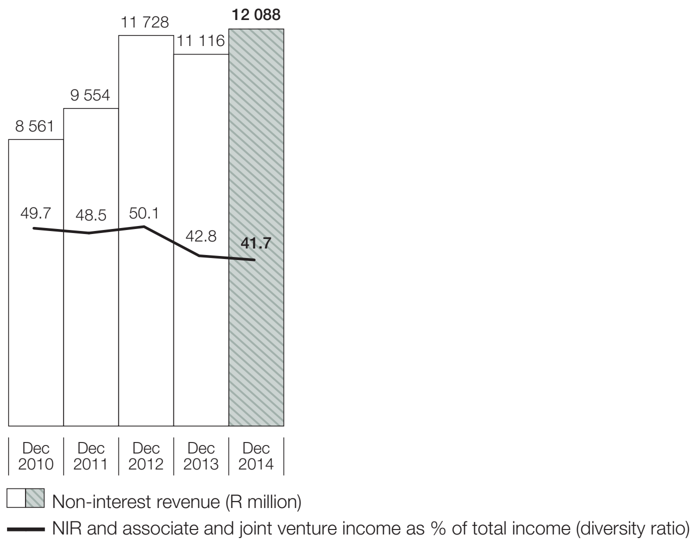
Key drivers

- A 17% reduction in residential mortgage NPLs, reflecting lower levels of new inflows on the back of disciplined origination strategies, continued high curing rates of defaulted accounts and the effectiveness of workout strategies.
- A reduction of 25% in FNB loans NPLs, reflecting tightening credit criteria and more conservative origination strategies.
- Increased NPLs in other retail, VAF and WesBank personal loans, impacted by a combination of strong book growth in the current and prior financial periods and the worsening credit cycle.
- NPLs in RMB's Investment Banking division increased primarily due to the impact of the adverse commodity cycle on certain counters.
- Increased NPLs in business banking, impacted by strong book growth.
- Post write-off recoveries of R933 million, primarily driven by card and personal loans (unsecured retail lending), and VAF.

NON-INTEREST REVENUE – UP 9%

Non-interest revenue and diversity ratio

NIR CAGR 9%



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

Analysis of non-interest revenue

		Six months ended 31 December		% change	Year ended 30 June
R million	**Notes**	**2014**	**2013**		**2014**
Fee and commission income	1	**10 227**	9 524	7	18 812
Fair value income	2	**697**	680	3	2 116
Investment income		**44**	(92)	(>100)	(99)
Other non-interest revenue		**1 120**	1 004	12	1 960
Total non-interest revenue		**12 088**	11 116	9	22 789

NIR growth was underpinned by ongoing strategies to grow volumes and a robust performance from investing activities. Fee and commission income represents 85% of total NIR.

Note 1 – Fee and commission income – up 7%

R million	Six months ended 31 December 2014	Six months ended 31 December 2013	% change	Year ended 30 June 2014
Bank commission and fee income	**10 159**	9 164	11	18 568
– Card commission	**1 845**	1 580	17	3 149
– Cash deposit fees	**896**	867	3	1 664
– Commission on bills, drafts and cheques	**805**	749	7	1 595
– Bank charges	**6 613**	5 968	11	12 160
Knowledge-based fees	**408**	513	(20)	1 137
Insurance income	**510**	473	8	964
Other non-bank commission	**825**	923	(11)	1 301
Gross fee and commission income	**11 902**	11 073	7	21 970
Fee and commission expenditure	**(1 675)**	(1 549)	8	(3 158)
Total fee and commission income	**10 227**	9 524	7	18 812

Key drivers

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

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

- WesBank's NIR growth of 22% was driven by new business volume growth and a strong contribution from the full maintenance rental book, as well as additional income from the fleet business, which was included for the full six month period, compared to only three months in the prior period.
- Resilient levels of knowledge-based fee income, albeit down from the high base in the comparative period, reflecting:
  - improved levels of debt and equity capital market fees on the back of a number of significant transactions;
  - more subdued M&A deal flow, resulting directly from significantly reduced levels of corporate activity; and
  - reduced levels of structuring and origination fees given the high base in the comparative period.

Note 2 – Fair value income – up 3%

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Client execution and flow	**438**	537	(18)	1 340
Markets	**294**	292	1	972
Other	**(35)**	(149)	(77)	(196)
Total	**697**	680	3	2 116

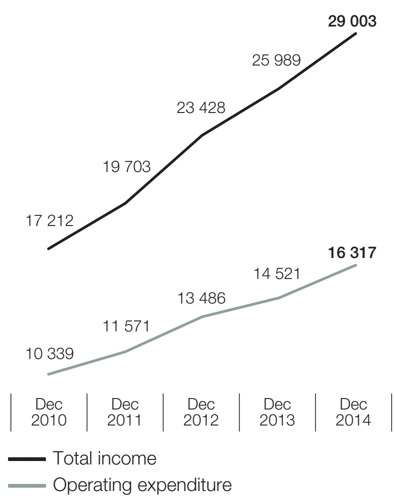
Key drivers

- Hedging and structuring results were down on lower volumes and some bespoke once-off large transactions executed in the comparative period.
- RMB's client-execution revenues remained muted in South Africa due to increased competition, compressed margins and lower volumes compared to the high base in the comparative period.
- Interest rate risk income was positively impacted by the derivatives and repo desks in response to the SARB keeping interest rates unchanged in September 2014.
- The bank's net TRS fair value income increased by R185 million during the period mainly due to the 41% increase in the FirstRand share price and the impact of the vesting of certain schemes during the reporting period.

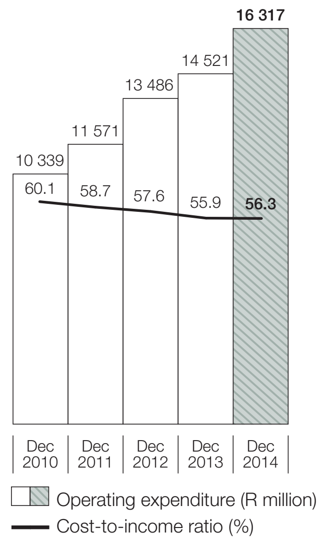
OPERATING EXPENSES – UP 12%

Operating jaws

R million



Operating efficiency



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

Operating expenses

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Staff expenditure	**9 570**	8 482	13	17 149
– Direct staff expenditure	**5 768**	5 195	11	10 374
– Other staff-related expenditure*	**3 802**	3 287	16	6 775
Depreciation	**820**	805	2	1 673
Amortisation of other intangible assets	**23**	28	(18)	54
Advertising and marketing	**525**	573	(8)	1 020
Insurance	**106**	102	4	206
Lease charges	**533**	511	4	1 023
Professional fees	**665**	449	48	1 156
Audit fees	**95**	99	(4)	190
Computer expenses	**675**	632	7	1 407
Maintenance	**437**	362	21	662
Telecommunications	**132**	152	(13)	289
Cooperation agreements and joint ventures**	**470**	509	(8)	1 052
Property	**400**	334	20	678
Business travel	**165**	146	13	288
Other expenditure	**1 701**	1 337	27	2 960
Total operating expenses	**16 317**	14 521	12	29 807

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

** *The 2013 cooperation agreements and JV profit share expense have been restated as the process was refined during the current year.*

Key drivers

- Cost growth of 12% was driven by higher levels of variable costs associated with income generation and ongoing investment into infrastructure, capacity and expansion.
- Staff costs increased 13%:

Description	% change	Reasons
Direct staff costs	11	Unionised increases of 8% and there was an increase in the staff complement across the bank.
Variable staff costs	16	Directly related to higher levels of profitability.
IFRS 2 share-based payment expenses	19	Reflects the increase in share price of the shares granted and the number of new cash-settled grants.

- Decrease of 8% in cooperation agreements and JV costs due to margin pressure and increased operating expenses incurred by the partners.
- The 48% growth in professional fees and 7% in computer expenses reflects increased spend on development, implementation and improvement projects related to various electronic platforms, as well as additional compliance-related projects during the period.
- Increase in property and maintenance expenses relate to recent new premises and associated maintenance costs.

DIRECT TAXATION – UP 14%

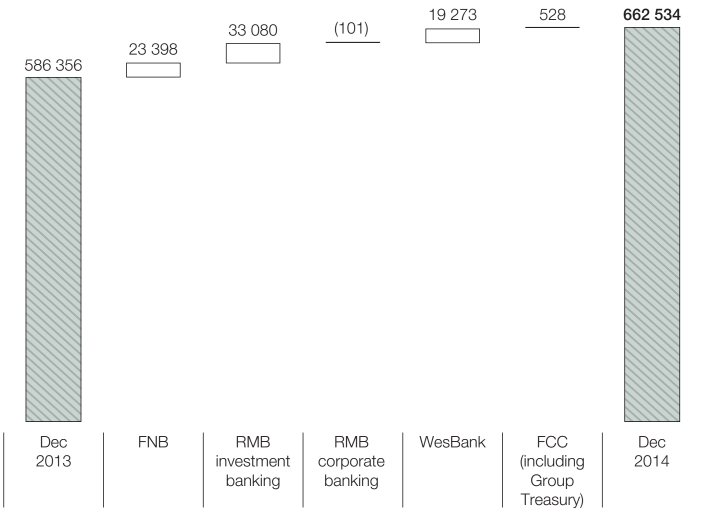
Key drivers

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

ABRIDGED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
ASSETS				
Derivative financial instruments	**38 769**	43 684	(11)	38 633
Advances	**648 743**	574 360	13	622 112
Investment securities and other investments	**95 635**	92 134	4	88 783
Other assets	**93 679**	87 803	7	101 681
Total assets	**876 826**	797 981	10	851 209
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**723 696**	649 971	11	693 176
Short trading positions and derivative financial instruments	**43 283**	54 264	(20)	47 026
Other liabilities	**43 239**	33 643	29	46 943
Total liabilities	**810 218**	737 878	10	787 145
Total equity	**66 608**	60 103	11	64 064
Total equity and liabilities	**876 826**	797 981	10	851 209

Gross advances by franchise
R million



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

Advances – up 13%

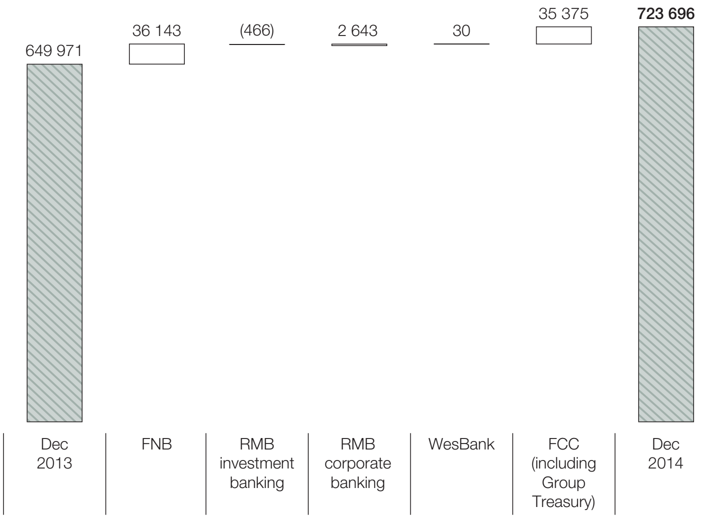
	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Normalised gross advances	**662 534**	586 356	13	635 136
Normalised impairment of advances	**(13 791)**	(11 996)	15	(13 024)
Normalised net advances	**648 743**	574 360	13	622 112

Portfolio/product	% change	Key drivers
FNB retail	**7**	
Residential mortgages	5	- Growth of 16% in secured affordable housing, reflecting client demand. - 6% growth in FNB HomeLoans benefiting from improvement in new business volumes.
Card	22	- Driven by targeted new client acquisition, client migration and an 8% increase in active accounts and increased utilisation.
Personal loans	4	- Modest growth reflects conservative origination strategies and risk appetite, with consumer personal loans (including student loans) growing at 10% while mass market loans decreased 5%.
Other retail	38	- Growth of 16% in overdrafts and in excess of 50% in revolving credit facilities, although growth has moderated from the comparative period, reflecting a reduction in risk appetite, slowing customer acquisition and competitive pressures.
FNB commercial	**19**	- Driven by new client acquisition in the business segment, resulting in a 23% growth in business banking advances, with continuing growth in commercial property finance, agriculture and overdraft product sets.
RMB investment banking core advances (excluding repos)	**22**	- Robust growth from the SA advances book, although total advances growth moderated to 5% on a rolling six-month basis.
WesBank	**14**	- Strong growth in new business volumes of over 58% (in GBP terms) from MotoNovo but slower new business volumes of 9% from personal loans. - An 18% decline was experienced in the SA retail portfolio as a result of a change in operating structure of one of WesBank's original equipment manufacturers. The entity has been transferred to FirstRand Investment Holdings Limited. This decline is also reflective of the more constrained economic environment and a significant period-on-period slowdown in new vehicle sales.

DEPOSITS – UP 11%

Gross deposits by franchise

R million



Client franchise deposits grew 18% year-on-year, with institutional funding increasing 2%.

Key drivers

- FNB's deposits increased 14%.
- Retail deposit growth of 14%, supported by ongoing product innovation.
- Commercial deposit growth of 14% was assisted by new client acquisition and cross-sell.
- Growth in deposit balances:

Product	%
Current accounts	**9**
Savings and transmission accounts	**12**
Fixed deposits	**9**
Notice accounts	**19**

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

segment
report

SEGMENT REPORT

for the six months ended 31 December 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	1 715	868	1 085	2 344	**6 012**	2 925	3	**8 940**
Impairment of advances	(55)	(16)	(415)	(493)	**(979)**	(154)	(20)	**(1 153)**
Net interest income after impairment of advances	1 660	852	670	1 851	**5 033**	2 771	(17)	**7 787**
Non-interest revenue	155	680	358	4 441	**5 634**	3 057	244	**8 935**
Income from operations	1 815	1 532	1 028	6 292	**10 667**	5 828	227	**16 722**
Operating expenses	(833)	(781)	(467)	(4 073)	**(6 154)**	(3 351)	(396)	**(9 901)**
Income before tax	982	751	561	2 219	**4 513**	2 477	(169)	**6 821**
Indirect tax	(18)	(19)	(9)	(178)	**(224)**	(18)	(1)	**(243)**
Profit for the period before tax	964	732	552	2 041	**4 289**	2 459	(170)	**6 578**
Income tax expense	(270)	(205)	(155)	(570)	**(1 200)**	(689)	48	**(1 841)**
Profit for the year	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**
Attributable to:								
Ordinary equityholders	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**
Attributable earnings to ordinary equityholders	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	694	527	397	1 471	**3 089**	1 770	(122)	**4 737**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
2 268	390	**2 658**	**4 165**	1 152	**16 915**	(2 103)	**14 812**
(401)	(55)	**(456)**	**(1 129)**	150	**(2 588)**	382	**(2 206)**
1 867	335	**2 202**	**3 036**	1 302	**14 327**	(1 721)	**12 606**
1 909	596	**2 505**	**1 149**	(501)	**12 088**	2 625	**14 713**
3 776	931	**4 707**	**4 185**	801	**26 415**	904	**27 319**
(2 158)	(664)	**(2 822)**	**(2 540)**	(1 054)	**(16 317)**	(629)	**(16 946)**
1 618	267	**1 885**	**1 645**	(253)	**10 098**	275	**10 373**
(38)	21	**(17)**	**(109)**	(57)	**(426)**	–	**(426)**
1 580	288	**1 868**	**1 536**	(310)	**9 672**	275	**9 947**
(443)	(81)	**(524)**	**(401)**	335	**(2 431)**	(78)	**(2 509)**
1 137	207	**1 344**	**1 135**	25	**7 241**	197	**7 438**
1 137	207	**1 344**	**1 135**	(77)	**7 139**	197	**7 336**
–	–	**–**	**–**	102	**102**	–	**102**
1 137	207	**1 344**	**1 135**	25	**7 241**	197	**7 438**
1 137	207	**1 344**	**1 135**	(77)	**7 139**	197	**7 336**
–	–	**–**	**–**	–	**–**	1	**1**
1 137	207	**1 344**	**1 135**	(77)	**7 139**	198	**7 337**
–	–	**–**	**–**	–	**–**	(144)	**(144)**
–	–	**–**	**–**	–	**–**	(54)	**(54)**
1 137	207	**1 344**	**1 135**	(77)	**7 139**	–	**7 139**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Cost-to-income ratio (%)	44.5	50.5	32.4	60.0	**52.8**	56.0	>100	**55.4**
Diversity ratio (%)	8.3	43.9	24.8	65.5	**48.4**	51.1	98.8	**50.0**
Credit loss ratio (%)	0.06	0.19	6.55	9.57	**0.92**	0.60	12.52	**0.87**
NPLs as a percentage of advances (%)	2.88	1.87	5.39	4.71	**3.04**	2.42	23.87	**2.95**
Income statement includes:								
Depreciation	(3)	(3)	(1)	(545)	**(552)**	(10)	(1)	**(563)**
Amortisation	–	–	–	(3)	**(3)**	–	–	**(3)**
Impairment charges	–	–	–	(2)	**(2)**	–	–	**(2)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	175 097	17 356	12 831	11 143	**216 427**	52 825	398	**269 650**
NPLs	5 037	324	691	525	**6 577**	1 278	95	**7 950**
Investments in associates and joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	152	1 490	1	148 031	**149 674**	148 638	330	**298 642**
Total assets	173 790	16 835	11 741	28 981	**231 347**	52 194	439	**283 980**
Total liabilities	173 536	16 422	11 484	24 660	**226 102**	50 745	609	**277 456**
Capital expenditure	(1)	2	–	1 561	**1 562**	20	–	**1 582**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	**Corporate banking**	**Total RMB**	**WesBank****	**FCC (including Group Treasury) and other**	**FRB – normalised**	**Normalised and headline earnings adjustments**	**FRB – IFRS**
51.7	67.3	**54.7**	**47.8**	>100	**56.3**	–	**57.4**
45.7	60.4	**48.5**	**21.6**	(76.96)	**41.7**	–	**49.8**
0.37	1.72	**0.41**	**1.42**	(0.05)	**0.80**	–	**0.68**
1.27	0.70	**1.25**	**3.22**	–	**2.42**	–	**2.43**
(34)	(1)	**(35)**	**(210)**	(12)	**(820)**	–	**(820)**
(4)	–	**(4)**	**(15)**	(1)	**(23)**	–	**(23)**
–	–	**–**	**–**	–	**(2)**	–	**(2)**
222 455	6 326	**228 781**	**161 683**	2 420	**662 534**	(3 723)	**658 811**
2 823	44	**2 867**	**5 204**	–	**16 021**	–	**16 021**
–	–	**–**	**–**	–	**–**	–	**–**
110 690	62 823	**173 513**	**50**	251 491	**723 696**	–	**723 696**
341 156	6 785	**347 941**	**161 647**	83 258	**876 826**	–	**876 826**
339 966	6 432	**346 398**	**160 423**	25 941	**810 218**	–	**810 218**
136	1	**137**	**537**	5	**2 261**	–	**2 261**

SEGMENT REPORT

for the six months ended 31 December 2013

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	1 762	717	1 120	1 812	**5 411**	2 448	1	**7 860**
Impairment of advances	(83)	(15)	(604)	(411)	**(1 113)**	(102)	(8)	**(1 223)**
Net interest income after impairment of advances	1 679	702	516	1 401	**4 298**	2 346	(7)	**6 637**
Non-interest revenue	111	707	445	3 903	**5 166**	2 775	177	**8 118**
Income from operations	1 790	1 409	961	5 304	**9 464**	5 121	170	**14 755**
Operating expenses	(794)	(708)	(447)	(3 661)	**(5 610)**	(3 030)	(335)	**(8 975)**
Income before tax	996	701	514	1 643	**3 854**	2 091	(165)	**5 780**
Indirect tax	(19)	(18)	(17)	(165)	**(219)**	(16)	(1)	**(236)**
Profit for the period before tax	977	683	497	1 478	**3 635**	2 075	(166)	**5 544**
Income tax expense	(274)	(191)	(139)	(411)	**(1 015)**	(581)	46	**(1 550)**
Profit for the year	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**
Attributable to:								
Ordinary equityholders	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**
Attributable earnings to ordinary equityholders	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	703	492	358	1 067	**2 620**	1 494	(120)	**3 994**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised and headline earnings adjustments	FRB – IFRS
2 440	342	**2 782**	**4 177**	54	**14 873**	(2 416)	**12 457**
(112)	(8)	**(120)**	**(882)**	–	**(2 225)**	12	**(2 213)**
2 328	334	**2 662**	**3 295**	54	**12 648**	(2 404)	**10 244**
2 518	550	**3 068**	**944**	(1 014)	**11 116**	3 531	**14 647**
4 846	884	**5 730**	**4 239**	(960)	**23 764**	1 127	**24 891**
(2 116)	(652)	**(2 768)**	**(2 304)**	(474)	**(14 521)**	(798)	**(15 319)**
2 730	232	**2 962**	**1 935**	(1 434)	**9 243**	329	**9 572**
(29)	(15)	**(44)**	**(142)**	(7)	**(429)**	–	**(429)**
2 701	217	**2 918**	**1 793**	(1 441)	**8 814**	329	**9 143**
(756)	(60)	**(816)**	**(502)**	732	**(2 136)**	(96)	**(2 232)**
1 945	157	**2 102**	**1 291**	(709)	**6 678**	233	**6 911**
1 945	157	**2 102**	**1 291**	(805)	**6 582**	233	**6 815**
–	–	**–**	**–**	96	**96**	–	**96**
1 945	157	**2 102**	**1 291**	(709)	**6 678**	233	**6 911**
1 945	157	**2 102**	**1 291**	(805)	**6 582**	233	**6 815**
–	–	**–**	**–**	–	**–**	(34)	**(34)**
1 945	157	**2 102**	**1 291**	(805)	**6 582**	199	**6 781**
–	–	**–**	**–**	–	**–**	(146)	**(146)**
–	–	**–**	**–**	–	**–**	(53)	**(53)**
1 945	157	**2 102**	**1 291**	(805)	**6 582**	–	**6 582**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	42.4	49.7	28.6	64.1	**53.0**	58.0	>100	**56.2**
Diversity ratio (%)	5.9	49.6	28.4	68.3	**48.8**	53.1	99.4	**50.8**
Credit loss ratio (%)	0.10	0.22	9.60	10.99	**1.12**	0.47	6.72	**1.01**
NPLs as a percentage of advances (%)	3.65	2.49	7.48	5.39	**3.87**	3.29	22.53	**3.78**
Income statement includes:								
Depreciation	(3)	(2)	(1)	(539)	**(545)**	(11)	(2)	**(558)**
Amortisation	–	–	–	(5)	**(5)**	(6)	–	**(11)**
Impairment charges	–	–	–	(1)	**(1)**	(10)	–	**(11)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	166 954	14 173	12 280	8 053	**201 460**	44 539	253	**246 252**
NPLs	6 089	353	919	434	**7 795**	1 465	57	**9 317**
Investments in associates and joint ventures	19	–	–	(19)	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	127	1 408	–	130 033	**131 568**	130 805	126	**262 499**
Total assets	165 430	13 616	11 003	25 258	**215 307**	44 228	345	**259 880**
Total liabilities	164 498	12 967	10 480	23 934	**211 879**	42 159	493	**254 531**
Capital expenditure	1	2	–	943	**946**	20	–	**966**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised and headline earnings adjustments	FRB – IFRS
42.7	73.1	**47.3**	**45.0**	(49.4)	**55.9**	–	**56.5**
50.8	61.7	**52.4**	**18.4**	>100	**42.8**	–	**54.0**
0.12	0.28	**0.13**	**1.28**	–	**0.78**	–	**0.78**
1.13	0.12	**1.10**	**2.78**	–	**2.63**	–	**2.64**
(34)	(3)	**(37)**	**(184)**	(26)	**(805)**	–	**(805)**
(3)	–	**(3)**	**(12)**	(2)	**(28)**	–	**(28)**
(1)	–	**(1)**	**–**	2	**(10)**	–	**(10)**
189 375	6 427	**195 802**	**142 410**	1 892	**586 356**	(3 059)	**583 297**
2 138	8	**2 146**	**3 956**	–	**15 419**	–	**15 419**
29	–	**29**	**–**	–	**29**	–	**29**
111 156	60 180	**171 336**	**20**	216 116	**649 971**	–	**649 971**
305 187	7 058	**312 245**	**142 745**	83 111	**797 981**	–	**797 981**
303 669	6 780	**310 449**	**141 808**	31 090	**737 878**	–	**737 878**
26	2	**28**	**219**	232	**1 445**	–	**1 445**

SEGMENT REPORT
for the year ended 30 June 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	3 418	1 517	2 216	3 839	**10 990**	5 146	2	**16 138**
Impairment of advances	(158)	(101)	(980)	(581)	**(1 820)**	(262)	(99)	**(2 181)**
Net interest income after impairment of advances	3 260	1 416	1 236	3 258	**9 170**	4 884	(97)	**13 957**
Non-interest revenue	312	1 296	848	7 456	**9 912**	5 569	379	**15 860**
Income from operations	3 572	2 712	2 084	10 714	**19 082**	10 453	282	**29 817**
Operating expenses	(1 573)	(1 400)	(888)	(7 732)	**(11 593)**	(6 146)	(688)	**(18 427)**
Income before tax	1 999	1 312	1 196	2 982	**7 489**	4 307	(406)	**11 390**
Indirect tax	(36)	(38)	(33)	(347)	**(454)**	(34)	(1)	**(489)**
Profit for the year before tax	1 963	1 274	1 163	2 635	**7 035**	4 273	(407)	**10 901**
Income tax expense	(550)	(357)	(326)	(740)	**(1 973)**	(1 196)	114	**(3 055)**
Profit for the year	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Attributable to:								
Ordinary equityholders	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Attributable earnings to ordinary equityholders	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised and headline earnings adjustments	FRB – IFRS
4 468	710	**5 178**	**8 159**	16	**29 491**	(4 292)	**25 199**
(170)	(31)	**(201)**	**(2 060)**	(483)	**(4 925)**	98	**(4 827)**
4 298	679	**4 977**	**6 099**	(467)	**24 566**	(4 194)	**20 372**
4 858	1 095	**5 953**	**2 044**	(1 068)	**22 789**	5 833	**28 622**
9 156	1 774	**10 930**	**8 143**	(1 535)	**47 355**	1 639	**48 994**
(4 505)	(1 280)	**(5 785)**	**(4 848)**	(747)	**(29 807)**	(1 269)	**(31 076)**
4 651	494	**5 145**	**3 295**	(2 282)	**17 548**	370	**17 918**
(57)	(25)	**(82)**	**(253)**	28	**(796)**	–	**(796)**
4 594	469	**5 063**	**3 042**	(2 254)	**16 752**	370	**17 122**
(1 286)	(131)	**(1 417)**	**(852)**	1 085	**(4 239)**	(136)	**(4 375)**
3 308	338	**3 646**	**2 190**	(1 169)	**12 513**	234	**12 747**
3 308	338	**3 646**	**2 190**	(1 361)	**12 321**	234	**12 555**
–	–	**–**	**–**	192	**192**	–	**192**
3 308	338	**3 646**	**2 190**	(1 169)	**12 513**	234	**12 747**
3 308	338	**3 646**	**2 190**	(1 361)	**12 321**	234	**12 555**
–	–	**–**	**–**	–	**–**	68	**68**
3 308	338	**3 646**	**2 190**	(1 361)	**12 321**	302	**12 623**
–	–	**–**	**–**	–	**–**	(198)	**(198)**
–	–	**–**	**–**	–	**–**	(104)	**(104)**
3 308	338	**3 646**	**2 190**	(1 361)	**12 321**	–	**12 321**

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	42.2	49.8	29.0	68.5	**55.5**	57.4	>100	**57.6**
Diversity ratio (%)	8.4	46.1	27.7	66.0	**47.4**	52.0	99.5	**49.6**
Credit loss ratio (%)	0.09	0.70	7.72	7.09	**0.90**	0.57	42.67	**0.88**
NPLs as a percentage of advances (%)	3.29	2.21	5.82	5.85	**3.47**	2.52	25.73	**3.31**
Income statement includes:								
Depreciation	(6)	(5)	(2)	(1 144)	**(1 157)**	(27)	(1)	**(1 185)**
Amortisation	–	–	–	(10)	**(10)**	(12)	–	**(22)**
Impairment charges	–	–	–	(17)	**(17)**	(10)	–	**(27)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	171 173	15 761	12 516	9 470	**208 920**	49 903	241	**259 064**
NPLs	5 625	348	729	554	**7 256**	1 259	62	**8 577**
Investments in associates	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	129	1 349	25	138 171	**139 674**	138 262	195	**278 131**
Total assets	169 776	15 216	11 448	24 683	**221 123**	49 382	260	**270 765**
Total liabilities	167 934	14 000	10 228	22 568	**214 730**	45 108	634	**260 472**
Capital expenditure	6	9	1	2 325	**2 341**	36	12	**2 389**

* *Relates to head office costs and FNB's activities in India. Earnings from subsidiaries in the rest of Africa form part of FREMA and are not reported in bank (see simplified group structure on page 119).*

** *Refer to additional segmental information on page 60.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised and headline earnings adjustments	FRB – IFRS
48.3	70.9	**52.0**	**47.5**	(71.01)	**57.0**	–	**57.7**
52.1	60.7	**53.5**	**20.0**	>100	**43.6**	–	**53.2**
0.09	0.54	**0.10**	**1.42**	0.08	**0.82**	–	**0.81**
0.83	0.09	**0.81**	**2.97**	–	**2.36**	–	**2.37**
(65)	(5)	**(70)**	**(375)**	(43)	**(1 673)**	–	**(1 673)**
(5)	–	**(5)**	**(25)**	(2)	**(54)**	–	**(54)**
(1)	–	**(1)**	**–**	14	**(14)**	(117)	**(131)**
210 401	6 442	**216 843**	**156 856**	2 373	**635 136**	(3 485)	**631 651**
1 740	6	**1 746**	**4 661**	–	**14 984**	–	**14 984**
–	–	**–**	**–**	–	**–**	–	**–**
103 111	70 160	**173 271**	**48**	241 726	**693 176**	–	**693 176**
319 688	6 826	**326 514**	**156 743**	97 187	**851 209**	–	**851 209**
315 450	6 303	**321 753**	**155 058**	49 862	**787 145**	–	**787 145**
77	4	**81**	**972**	37	**3 479**	–	**3 479**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Six months ended 31 December 2014				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before Impairment of advances	**2 090**	**551**	**528**	**996**	**4 165**
Impairment of advances	**(507)**	**(60)**	**(175)**	**(387)**	**(1 129)**
Normalised profit before tax	**749**	**332**	**213**	**242**	**1 536**
Normalised earnings	**539**	**239**	**182**	**174**	**1 135**
Advances	**97 539**	**11 690**	**42 631**	**9 823**	**161 683**
NPLs	**3 627**	**63**	**728**	**786**	**5 204**
Advances margin (%)	**3.75**	**9.44***	**2.85**	**19.64**	**4.90**
NPLs (%)	**3.72**	**0.54**	**1.71**	**8.00**	**3.22**
Credit loss ratio (%)	**1.05**	**0.96**	**0.86**	**8.16**	**1.42**

	Six months ended 31 December 2013				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before Impairment of advances	2 045	727	564	841	4 177
Impairment of advances	(514)	(30)	(93)	(245)	(882)
Normalised profit before tax	853	550	143	247	1 793
Normalised earnings	614	396	103	178	1 291
Advances	92 890	6 352	34 977	8 191	142 410
NPLs	2 813	33	590	520	3 956
Advances margin (%)	4.29	20.97*	3.11	20.12	5.69
NPLs (%)	3.03	0.52	1.69	6.35	2.78
Credit loss ratio (%)	1.15	0.85	0.55	6.35	1.28

	Year ended 30 June 2014				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before Impairment of advances	4 139	1 147	1 111	1 762	8 159
Impairment of advances	(1 204)	(135)	(119)	(602)	(2 060)
Normalised profit before tax	1 481	650	411	500	3 042
Normalised earnings	1 066	468	296	360	2 190
Advances	95 863	13 185	38 659	9 149	156 856
NPLs	3 387	37	578	659	4 661
Advances margin (%)	4.23	10.59*	2.77	20.51	5.28
NPLs (%)	3.53	0.28	1.50	7.20	2.97
Credit loss ratio (%)	1.32	1.30	0.33	7.34	1.42

* *Normalised interest margin on WesBank's MotoNovo book has been impacted by a transfer of NII from FCC (including Group Treasury) to compensate WesBank for margin forfeited on securitised assets (refer to page 12). This is included in WesBank's NII, whilst the securitised advances are not reflected on the bank's balance sheet.*

balance sheet and return analysis

ECONOMIC VIEW OF THE BALANCE SHEET

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

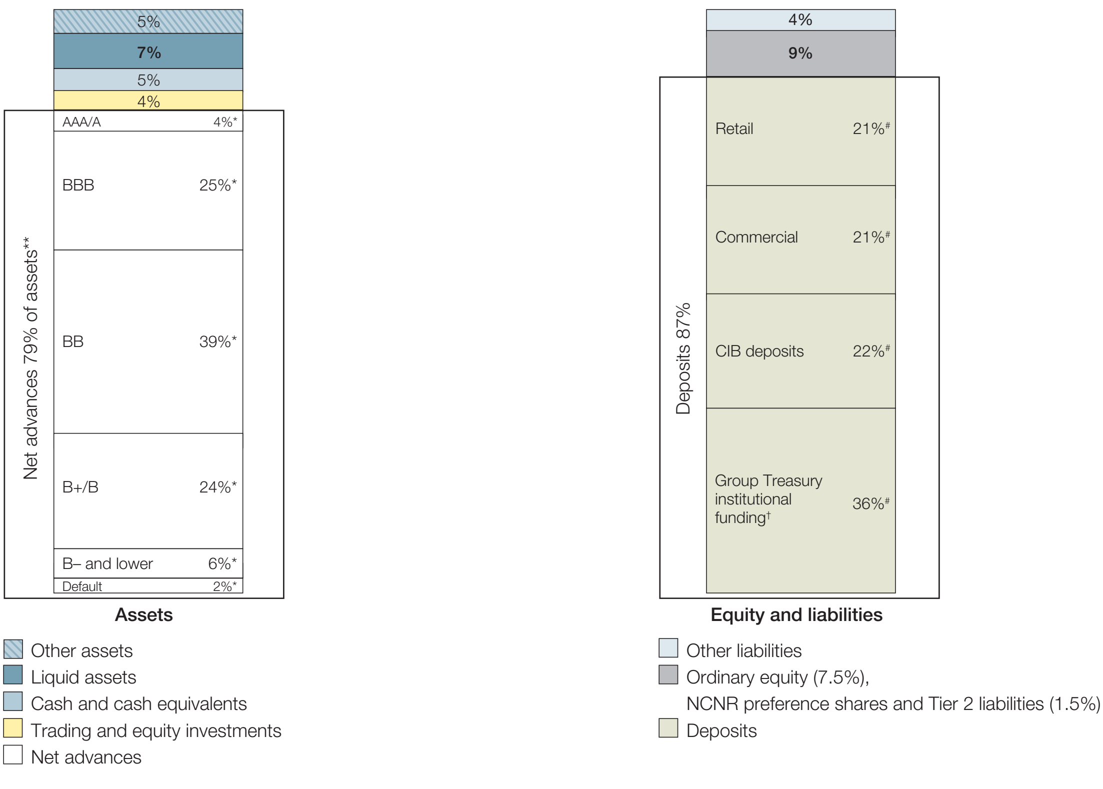
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 79% of total assets. The composition of the net advances portfolio consists of retail secured (44%), retail unsecured (7%) and corporate and commercial (49%). Total NPLs were R16 billion (2.42% as a percentage of advances) with a credit loss ratio of 0.80% and 92% of advances are rated B or better.

Cash and cash equivalents and liquid assets represent 5% and 7% respectively of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low.

The bank's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the bank has continued to reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 28 months in 2014.

The bank's capital ratios remained strong with the CET1 ratio at 13.7%, Tier 1 ratio at 14.2% and total capital adequacy ratio at 16.1%. Gearing reduced to 13.9 times (December 2013: 14.5 times).

Economic view of the balance sheet as at 31 December 2014



* *Of net advances.*
** *Rating segmentation has been redefined since June 2014.*
\# *Of deposits.*
† *Includes consolidation and IFRS adjustments.*

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

CAPITAL

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

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

PERIOD UNDER REVIEW

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

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

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

Capital adequacy position

%	CET1	Tier 1	Total
Regulatory minimum*	5.5	7.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**			
– excluding unappropriated profits	**13.0**	**13.6**	**15.4**
– including unappropriated profits	**13.7**	**14.2**	**16.1**

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

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

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

Leverage position

%	Actual
Regulatory minimum*	4.0
Target	>5.0
Actual**	**6.4**

* *Reflects the SARB minimum requirement; Basel minimum is 3%.*
** *Reflects solo supervision, i.e. FRB excluding foreign branches.*

Regulatory update

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

CAPITAL ADEQUACY

Composition of capital

The table below shows the composition of regulatory capital.

Composition of capital*

R million	31 December 2014	31 December 2013	30 June 2014
Supply of capital			
Excluding unappropriated profits			
CET1 capital	**57 213**	54 094	57 532
Tier 1 capital	**59 613**	56 794	59 932
Total qualifying capital and reserves	**67 628**	63 486	68 164
Including unappropriated profits			
CET1 capital	**60 012**	54 094	57 532
Tier 1 capital	**62 412**	56 794	59 932
Total qualifying capital and reserves	**70 427**	63 486	68 164
Demand for capital			
Credit risk	**321 598**	293 248	310 872
Counterparty credit risk	**10 687**	6 904	9 623
Operational risk	**71 693**	63 417	67 364
Market risk	**12 045**	9 466	11 577
Equity investment risk	**5 663**	6 529	6 564
Other assets**	**17 059**	23 900	17 257
Total RWA	**438 745**	403 464	423 257

* *Reflects solo supervision, i.e. FRB excluding foreign branches.*
** *Includes investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

Supply of capital

CET1 capital benefited from strong internal capital generation through earnings.

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

Demand for capital

Overall movement in RWA can be attributed to the following:

- credit risk increased due to organic growth, model recalibrations and regulatory refinement;
- counterparty credit risk increased due to volume growth and refinement of internal methodologies;
- operational risk increased due to:
  - recalibration of risk scenarios; and
  - the SARB add-on for the difference between the capital calculated on the advanced measurement and standardised approaches;
- market risk increased due to volume and mark-to-market movements; and
- equity investment risk decreased mainly due to the disposals of investments and foreign exchange movements.

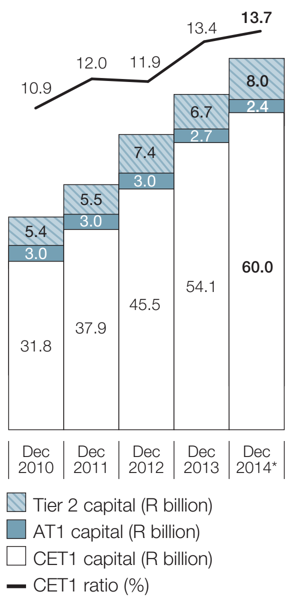
For more detail on the composition of capital and main features of capital instruments, refer to www.firstrand.co.za/investorcentre/pages/capitaldisclosures.aspx.

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

HISTORICAL OVERVIEW OF CAPITAL ADEQUACY

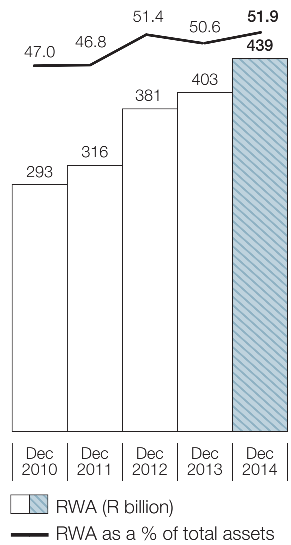
The graphs below show a historical overview of capital adequacy and RWA.

Capital adequacy history



* *Includes unappropriated profits.*

RWA history



FUNDING AND LIQUIDITY

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

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

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

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

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

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

FUNDING MANAGEMENT

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

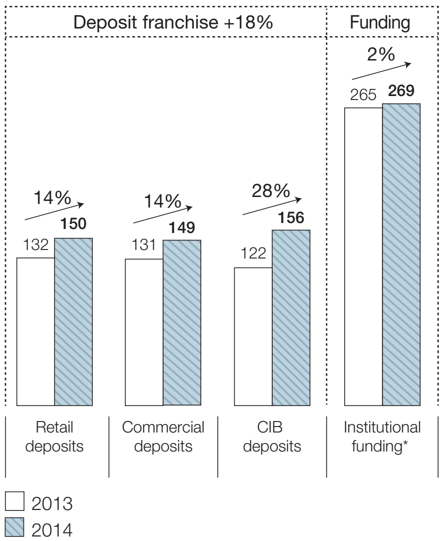
- the closed rand system where all rand transactions are cleared and settled in South Africa through registered banks and clearing institutions domiciled in South Africa;
- concentration of customer current accounts with the largest banks;
- the prudential exchange control framework in place in South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

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

The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 67% of domestic funding liabilities at 31 December 2014. During the period under review, the bank has continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings products and term savings. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing. To fund operations, the bank accesses the domestic money markets daily and has, during the course of the period, accessed capital markets. The bank has frequently issued various capital and funding instruments within the capital markets on an auction and reverse enquiry basis with strong support from investors.

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

FirstRand Bank funding by segment
R billion



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

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

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

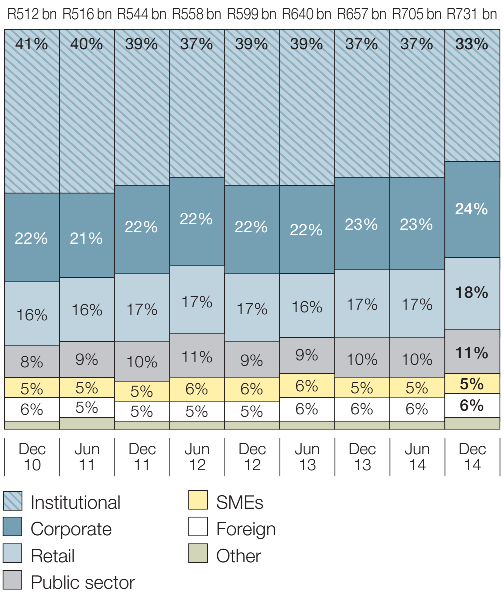
Funding measurement and activity
The bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from the deposit franchise in comparison to the South African aggregate, however, its funding profile also reflects the structural features described above. The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

FirstRand Bank's funding sources

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

FirstRand Bank's funding sources

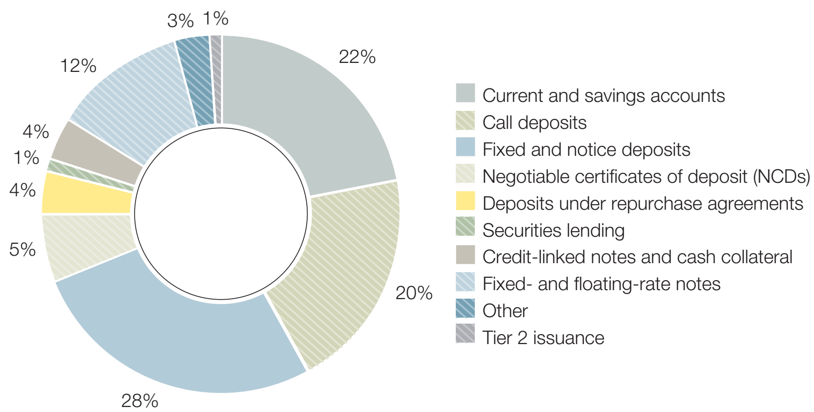
R billion



Source: SARB BA900 returns, December 2014.

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

FirstRand Bank's funding analysis by instrument type

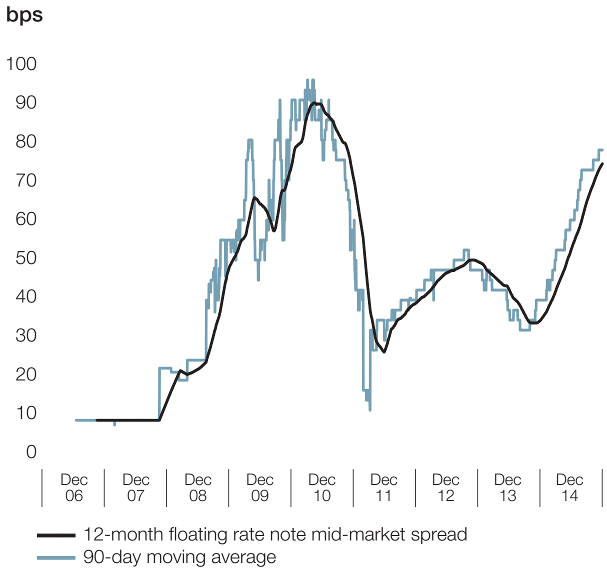


The bank's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-issued money market instrument by banks, namely 12-month NCDs and shows that liquidity spreads have continued to increase.

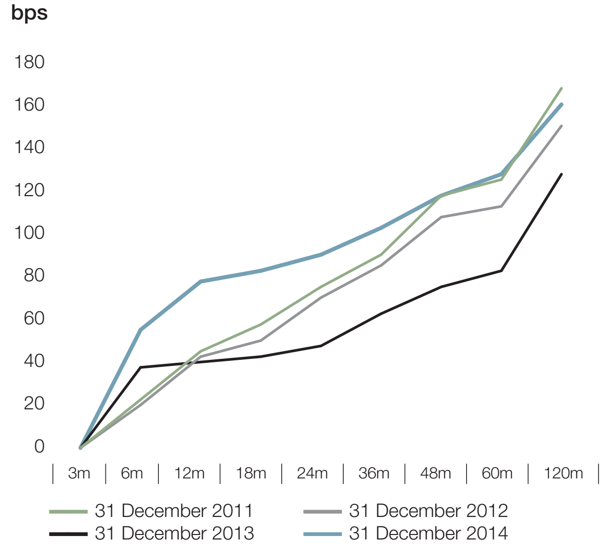
12-month liquidity spread



Source: Bloomberg (RMBP screen) and Reuters.

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

Long-term funding spreads

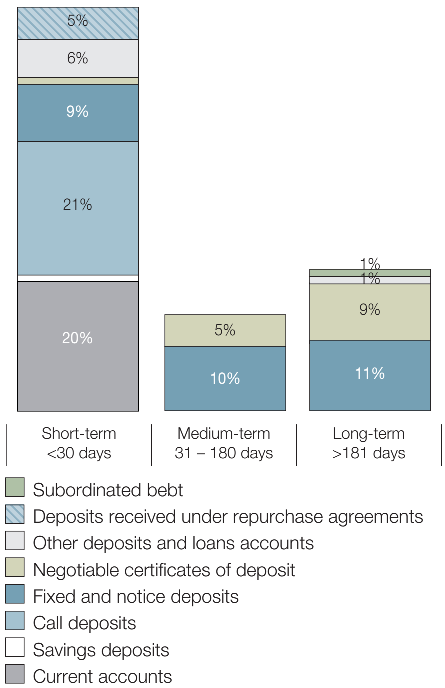


Source: Bloomberg (RMBP screen) and Reuters.

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

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

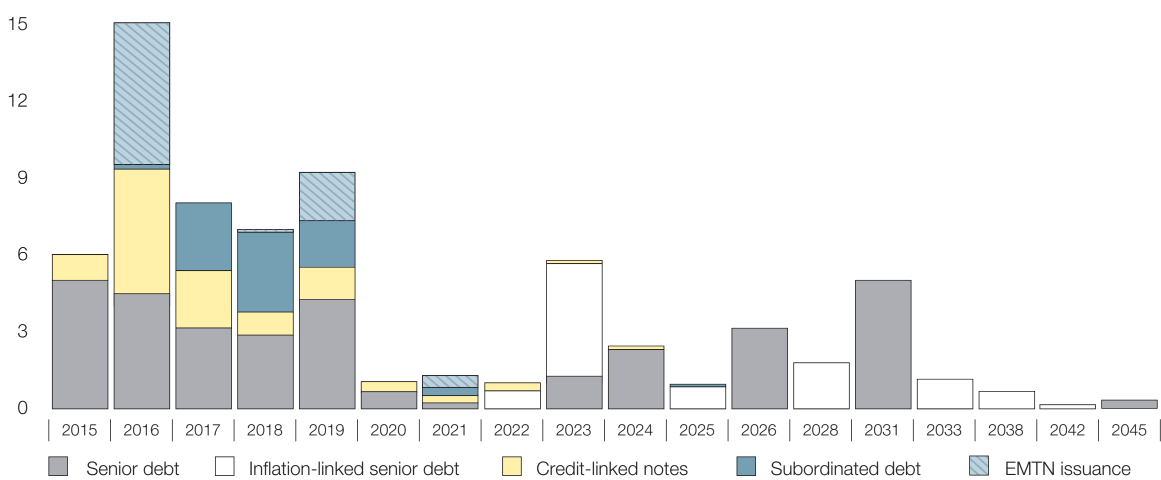
FirstRand Bank's funding liabilities by instrument type and term at 31 December 2014



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

Maturity profile of FirstRand Bank's capital market instruments

R billion



FOREIGN CURRENCY BALANCE SHEET

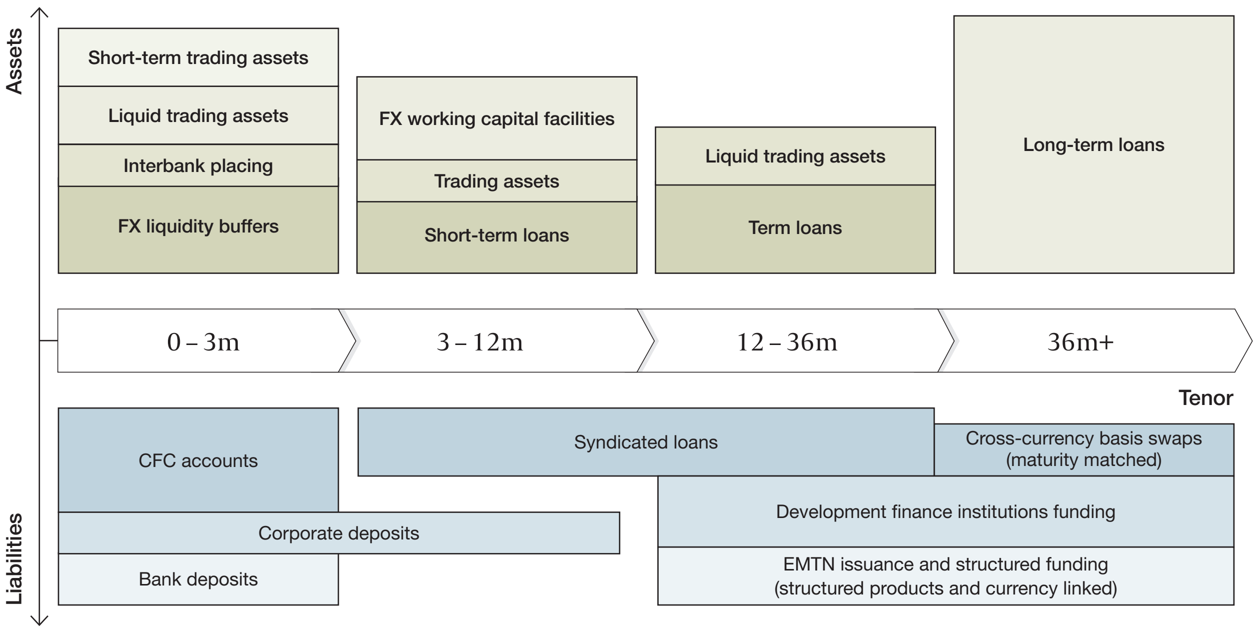
Given the group's objective to grow its franchise in the rest of Africa, India and the corridors, and the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk within the risk appetite approved by the board and risk committee. The SARB via *Exchange Control Circular 6 of 2010* introduced macro-prudential limits applicable to authorised dealers. The group utilises its own foreign currency measurement balance sheet measures based on economic risk and has set internal limits below those allowed by the macro-prudential limits framework.

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

Philosophy on foreign currency external debt

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

Graphical representation of the foreign currency balance sheet



REGULATORY UPDATE

Basel III

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

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

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

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

Liquidity coverage ratio

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

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

Disclosure requirements

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

The SARB issued *Directive 11 of 2014* which requires banks to disclose the simple average of the prior three month end liquidity coverage ratio figures on a quarterly basis. This is effective from the first quarter of 2015 and will correspond with quarterly capital disclosures. The disclosure only applies to banking and/or deposit-taking entities. The South African banking industry and the SARB are currently defining the reporting disclosures template. The bank's intention is to comply with these requirements from 2015 onwards.

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

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

Committed liquidity facility

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

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

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

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

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

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

Net Stable Funding Ratio

The BCBS released the updated NSFR in October 2014. The latest NSFR is in alignment with the consultative paper released earlier in the year and the NSFR now represents more of a structural balance sheet funding ratio compared to the originally proposed one-year stressed balance sheet ratio. The BCBS maintains the principle that a stable funding profile in relation to the composition of a bank's assets and off-balance sheet items promotes a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The ratio has to at least equal 100%. It is anticipated that the ratio will become a requirement on 1 January 2018, once the calibration has been finalised.

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

Recovery and resolution regime

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

Recovery planning

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

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

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

Resolution plan

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

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

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

LIQUIDITY RISK POSITION

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

FirstRand Bank's composition of liquid assets

	As at 31 December 2014			
R billion	High-quality liquid assets	After Basel III haircut Level 1	After Basel III haircut Level 2	Management buffer after haircuts
Cash and deposits with central banks	24	24	–	24
Government bonds and bills*	57	57	–	55
Corporate bonds	11	–	5	5
Other liquid assets	–	–	–	9
Total	**92**	**81**	**5**	**93**

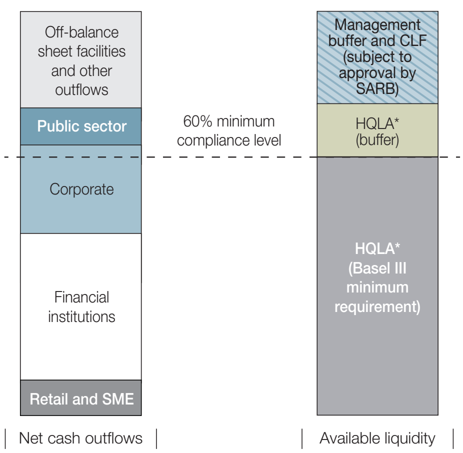
* *SARB specified haircuts for management buffers.*

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

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

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

FirstRand Bank LCR



* *High-quality liquid assets.*

CREDIT

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

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

	Six months ended 31 December		% change	Year ended 30 June
R million	**2014**	**2013**		**2014**
Total gross advances*	**662 534**	586 356	13	635 136
NPLs	**16 021**	15 419	4	14 984
NPLs as a % of advances	**2.42**	2.63		2.36
Impairment charge – total	**2 588**	2 225	16	4 925
Impairment charge as a % of average advances	**0.80**	0.78		0.82
Total impairments*	**13 791**	11 996	15	13 024
– Portfolio impairments	**7 148**	5 829	23	6 963
– Specific impairments	**6 643**	6 167	8	6 061
Implied loss given default (coverage)**	**41.5**	40.0		40.4
Total impairments coverage ratio#	**86.1**	77.8		86.9
Performing book coverage ratio†	**1.11**	1.02		1.12

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

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

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

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 723 million (December 2013: R3 059 million; June 2014: R3 485 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R382 million (December 2013: R12 million; June 2014: R98 million). Under IFRS, these are accounted for under NIR.

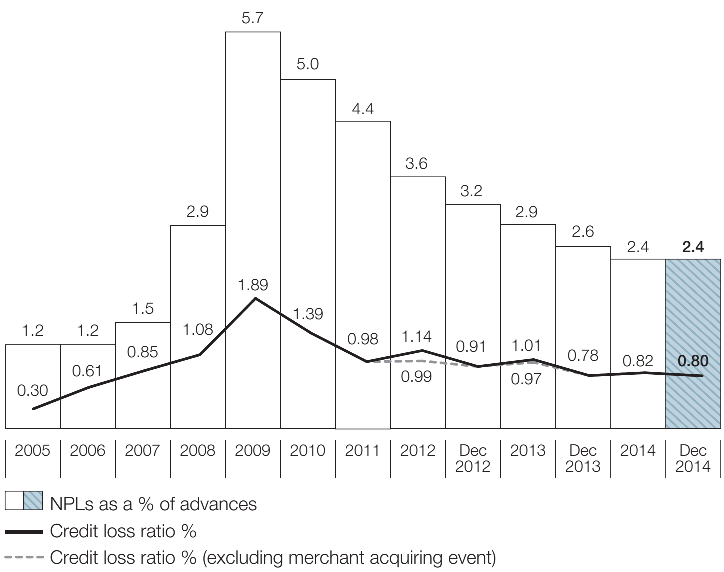
Retail credit portfolios

- Retail NPLs decreased 1%. NPLs as a percentage of advances decreased to 3.29% from 3.61% at December 2013.
- NPLs in the residential mortgages portfolio continue to decline as a result of curing and workouts. The rate of inflows into NPLs has also slowed. NPLs as a percentage of advances declined further to 2.88% (December 2013: 3.65%).
- As expected, VAF NPLs increased as consumers continue to be under pressure. It is also worth noting that all restructured debt review accounts are included in NPLs even though 40% of these accounts at December 2014 had never defaulted.
- NPLs on the unsecured lending book increased 4%. The better-than-expected credit profile is due to enhanced loan origination policies implemented since 2011.
- The 51% increase in WesBank personal loans NPLs is due to higher inflows as well as an increasing number of debt review restructured accounts which at December 2014, represented 60% of NPLs. Due to the amended repayment profile, debt review restructured accounts remain on the books for an extended period, remaining in NPLs even though clients may be fully performing in terms of the revised repayment terms. This is in line with the bank's policy to only migrate out of NPLs when all arrears in terms of original credit facilities have been repaid.
- The retail impairment charge as a percentage of average advances was 1.17% (December 2013: 1.26%). The improvement was driven by the slowdown in the inflow of NPLs and also benefited from strong post write-off recoveries of R933 million, mainly emanating from unsecured portfolios and VAF.

Corporate and commercial credit portfolios

- Although NPLs in RMB investment banking increased as a result of certain defaulted accounts, NPLs as a percentage of advances for the corporate and commercial portfolio decreased to 1.50% from 1.53%.
- The NPL coverage ratio of 57.7% was impacted by the level of coverage on recent NPLs in the mining and metals portfolios.
- The impairment charge increased to 0.50% from 0.24% at December 2013 as a result of higher NPL inflows and includes portfolio impairments in excess of R350 million.

NPLs and impairment history



NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances				
	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
Retail	**335 479**	308 893	9	51	327 117
Retail – secured	**284 326**	266 196	7	43	280 221
Residential mortgages	**175 097**	166 954	5	27	171 173
VAF	**109 229**	99 242	10	16	109 048
Retail – unsecured	**51 153**	42 697	20	8	46 896
Card	**17 356**	14 173	22	3	15 761
Personal loans	**22 654**	20 471	11	3	21 665
– FNB loans	**12 831**	12 280	4	2	12 516
– WesBank loans	**9 823**	8 191	20	1	9 149
Retail other	**11 143**	8 053	38	2	9 470
Corporate and commercial	**324 237**	275 318	18	49	305 405
FNB commercial	**52 825**	44 539	19	8	49 903
WesBank corporate	**42 631**	34 977	22	6	38 659
RMB investment banking	**222 455**	189 375	17	34	210 401
RMB corporate banking	**6 326**	6 427	(2)	1	6 442
FNB Africa*	**398**	253	57	–	241
FCC (including Group Treasury)	**2 420**	1 892	28	–	2 373
Total advances	**662 534**	586 356	13	100	635 136
Of which:					
Accrual book	**473 552**	424 369	12	71	453 778
Fair value book**	**188 982**	161 987	17	29	181 358

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

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

	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
RMB advances	**222 455**	189 375	17	100	210 401
Less: assets under agreements to resell	**(35 837)**	(36 599)	(2)	(16)	(32 753)
RMB advances net of assets under agreements to resell	**186 618**	152 776	22	84	177 648

Sector and geographical analysis of advances

	As at 31 December		% change	% composition	As at 30 June
R million	**2014**	**2013**		**2014**	**2014**
Gross advances	**664 067**	588 028	13	100	636 658
Less: Interest in suspense	**(1 533)**	(1 672)	(8)	–	(1 522)
Advances net of interest in suspense	**662 534**	586 356	13	100	635 136
Sector analysis					
Agriculture	**23 043**	20 487	12	3	20 345
Banks	**9 626**	7 901	22	1	8 352
Financial institutions	**81 427**	70 391	16	12	74 792
Building and property development	**24 528**	28 509	(14)	5	32 395
Government, Land Bank and public authorities	**14 625**	14 034	4	2	14 088
Individuals	**334 566**	309 074	8	51	327 275
Manufacturing and commerce	**81 710**	68 835	19	12	75 665
Mining	**21 904**	20 237	8	3	20 153
Transport and communication	**17 900**	18 772	(5)	3	17 898
Other services	**53 205**	28 116	89	8	44 173
Total advances	**662 534**	586 356	13	100	635 136
Geographic analysis					
South Africa	**613 436**	550 627	11	93	590 484
Other Africa	**24 717**	17 856	38	4	19 192
UK	**14 467**	9 674	50	2	18 794
Other Europe	**5 147**	5 649	(9)	1	4 238
North America	**2 297**	680	>100	–	714
South America	**–**	331	(100)	–	–
Australasia	**2**	435	(100)	–	2
Asia	**2 468**	1 104	>100	–	1 712
Total advances	**662 534**	586 356	13	100	635 136

NOTE 2: ANALYSIS OF NPLS

Segmental analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2014**	**2013**	**2014**
Retail	**11 053**	11 161	(1)	69	11 339	**3.29**	3.61	3.47
Retail – secured	**8 727**	8 935	(2)	54	9 049	**3.07**	3.36	3.23
Residential mortgages	**5 037**	6 089	(17)	31	5 625	**2.88**	3.65	3.29
VAF	**3 690**	2 846	30	23	3 424	**3.38**	2.87	3.14
Retail – unsecured	**2 326**	2 226	4	15	2 290	**4.55**	5.21	4.88
Card	**324**	353	(8)	2	348	**1.87**	2.49	2.21
Personal loans	**1 477**	1 439	3	9	1 388	**6.52**	7.03	6.41
– FNB loans	**691**	919	(25)	4	729	**5.39**	7.48	5.82
– WesBank loans	**786**	520	51	5	659	**8.00**	6.35	7.20
Retail other	**525**	434	21	4	554	**4.71**	5.39	5.85
Corporate and commercial	**4 873**	4 201	16	30	3 583	**1.50**	1.53	1.17
FNB commercial	**1 278**	1 465	(13)	8	1 259	**2.42**	3.29	2.52
WesBank corporate	**728**	590	23	5	578	**1.71**	1.69	1.50
RMB investment banking	**2 823**	2 138	32	18	1 740	**1.27**	1.13	0.83
RMB corporate banking	**44**	8	>100	–	6	**0.70**	0.12	0.09
FNB Africa*	**95**	57	67	1	62	**23.87**	22.53	25.73
FCC (including Group Treasury)	**–**	–	–	–	–	**–**	–	–
Total NPLs	**16 021**	15 419	4	100	14 984	**2.42**	2.63	2.36
Of which:								
Accrual book	**13 489**	13 306	1	84	13 344	**2.85**	3.14	2.94
Fair value book	**2 532**	2 113	20	16	1 640	**1.34**	1.30	0.90

* *Includes FNB's activities in India.*

Sector and geographic analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2014**	**2013**	**2014**
Sector analysis								
Agriculture	**156**	599	(74)	1	174	**0.68**	2.92	0.86
Financial services	**268**	231	16	2	167	**0.33**	0.33	0.22
Building and property development	**1 797**	1 988	(10)	11	2 080	**7.33**	6.97	6.42
Government, Land Bank and public authorities	**27**	26	4	–	53	**0.18**	0.19	0.38
Individuals	**10 928**	11 144	(2)	69	11 323	**3.27**	3.61	3.46
Manufacturing and commerce	**1 201**	852	41	7	469	**1.47**	1.24	0.62
Mining	**665**	43	>100	4	52	**3.04**	0.21	0.26
Transport and communication	**210**	99	>100	1	65	**1.17**	0.53	0.36
Other services	**769**	437	76	5	601	**1.45**	1.55	1.36
Total NPLs	**16 021**	15 419	4	100	14 984	**2.42**	2.63	2.36
Geographic analysis								
South Africa	**15 238**	14 895	2	95	14 886	**2.48**	2.71	2.52
Other Africa	**625**	67	>100	4	–	**2.53**	0.38	–
UK	**63**	33	91	–	37	**0.44**	0.34	0.20
North America	**–**	35	(>100)	–	–	**–**	5.15	–
South America	**–**	331	(>100)	–	–	**–**	100.00	–
Asia	**95**	58	64	1	61	**3.85**	5.25	3.56
Total NPLs	**16 021**	15 419	4	100	14 984	**2.42**	2.63	2.36

Security and recoverable amounts by portfolio

	As at 31 December						As at 30 June		
	2014			2013			2014		
R million	**NPLs**	**Security held and expected recoveries**	**Specific impairments***	**NPLs**	**Security held and expected recoveries**	**Specific impairments***	**NPLs**	**Security held and expected recoveries**	**Specific impairments***
Retail	**11 053**	**7 285**	**3 768**	11 161	7 340	3 821	11 339	7 603	3 736
Retail – secured	**8 727**	**6 546**	**2 181**	8 935	6 733	2 202	9 049	6 886	2 163
Residential mortgages	**5 037**	**4 017**	**1 020**	6 089	4 809	1 280	5 625	4 504	1 121
VAF	**3 690**	**2 529**	**1 161**	2 846	1 924	922	3 424	2 382	1 042
Retail – unsecured	**2 326**	**739**	**1 587**	2 226	607	1 619	2 290	717	1 573
Card	**324**	**87**	**237**	353	99	254	348	94	254
Personal loans	**1 477**	**527**	**950**	1 439	394	1 045	1 388	474	914
– FNB loans	**691**	**140**	**551**	919	169	750	729	159	570
– WesBank loans	**786**	**387**	**399**	520	225	295	659	315	344
Retail other	**525**	**125**	**400**	434	114	320	554	149	405
Corporate and commercial	**4 873**	**2 061**	**2 812**	4 201	1 906	2 295	3 583	1 320	2 263
FNB commercial	**1 278**	**473**	**805**	1 465	697	768	1 259	526	733
WesBank corporate	**728**	**293**	**435**	590	236	354	578	170	408
RMB investment banking	**2 823**	**1 295**	**1 528**	2 138	973	1 165	1 740	624	1 116
RMB corporate banking	**44**	**–**	**44**	8	–	8	6	–	6
FNB Africa**	**95**	**32**	**63**	57	6	51	62	–	62
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Total	**16 021**	**9 378**	**6 643**	15 419	9 252	6 167	14 984	8 923	6 061

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

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge increased from 78 bps at December 2013 to 80 bps at December 2014.

Income statement impairments

	Total impairment charge				As a % of average advances			
	As at 31 December		% change	As at 30 June	As at 31 December		As at 30 June*	Six months ended 30 June**
R million	**2014**	**2013**		**2014**	**2014**	**2013**	**2014**	**2014**
Retail	**1 933**	1 902	2	3 761	**1.17**	1.26	1.21	1.17
Retail – secured	**622**	627	(1)	1 497	**0.44**	0.48	0.56	0.64
Residential mortgages	**55**	83	(34)	158	**0.06**	0.10	0.09	0.09
VAF	**567**	544	4	1 339	**1.04**	1.13	1.32	1.53
Retail – unsecured	**1 311**	1 275	3	2 264	**5.35**	6.16	5.21	4.42
Card	**16**	15	7	101	**0.19**	0.22	0.70	1.15
Personal loans	**802**	849	(6)	1 582	**7.24**	8.36	7.57	6.96
– FNB loans	**415**	604	(31)	980	**6.55**	9.60	7.72	6.07
– WesBank loans	**387**	245	58	602	**8.16**	6.35	7.34	8.24
Retail other	**493**	411	20	581	**9.57**	10.99	7.09	3.88
Corporate and commercial	**785**	315	>100	582	**0.50**	0.24	0.21	0.18
FNB commercial	**154**	102	51	262	**0.60**	0.47	0.57	0.68
WesBank corporate	**175**	93	88	119	**0.86**	0.55	0.33	0.14
RMB investment banking	**401**	112	>100	170	**0.37**	0.12	0.09	0.06
RMB corporate banking	**55**	8	>100	31	**1.72**	0.28	0.54	0.71
FNB Africa*	**20**	8	>100	99	**12.52**	6.72	42.67	73.68
FCC (including Group Treasury)**	**(150)**	–	(>100)	483	**(0.05)**	–	0.08	0.16
Total impairment charge	**2 588**	2 225	16	4 925	**0.80**	0.78	0.82	0.88
Of which:								
Portfolio impairment charge	**654**	289	>100	971	**0.20**	0.10	0.16	0.22
Specific impairment charge	**1 934**	1 936	–	3 954	**0.60**	0.68	0.66	0.66

* *Includes FNB's activities in India.*

** *Percentages calculated on total average advances.*

NOTE 4: BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

The bank constantly monitors market conditions as well as recent and expected recoveries on NPLs to determine its coverage ratios.

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments				Coverage ratios (% of NPLs)		
	As at 31 December		% change	As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**		**2014**	**2014**	**2013**	**2014**
Specific impairments*							
Retail	**3 768**	3 821	(1)	3 736	**34.1**	34.2	32.9
Retail – secured	**2 181**	2 202	(1)	2 163	**25.0**	24.6	23.9
Residential mortgages	**1 020**	1 280	(20)	1 121	**20.3**	21.0	19.9
VAF**	**1 161**	922	26	1 042	**31.5**	32.4	30.4
Retail – unsecured	**1 587**	1 619	(2)	1 573	**68.2**	72.7	68.7
Card	**237**	254	(7)	254	**73.1**	72.0	73.0
Personal loans	**950**	1 045	(9)	914	**64.3**	72.6	65.9
– FNB loans	**551**	750	(27)	570	**79.7**	81.6	78.2
– WesBank loans	**399**	295	35	344	**50.8**	56.7	52.2
Retail other	**400**	320	25	405	**76.2**	73.7	73.1
Corporate and commercial	**2 812**	2 295	23	2 263	**57.7**	54.6	63.2
FNB commercial	**805**	768	5	733	**63.0**	52.4	58.2
WesBank corporate	**435**	354	23	408	**59.8**	60.0	70.6
RMB investment banking	**1 528**	1 165	31	1 116	**54.1**	54.5	64.1
RMB corporate banking	**44**	8	>100	6	**100.0**	100.0	100.0
FNB Africa^	**63**	51	24	62	**66.3**	89.5	100.0
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default#	**6 643**	6 167	8	6 061	**41.5**	40.0	40.4
Portfolio impairments†	**7 148**	5 829	23	6 963	**44.6**	37.8	46.5
Total impairments/total impairment coverage ratio‡	**13 791**	11 996	15	13 024	**86.1**	77.8	86.9

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

** *The decline in the coverage ratio in the current period is a result of the lower coverage ratio which applies to accounts that have been restructured in terms of the debt review process and where a specific court order has been granted. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms. This is in line with the bank'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 specific impairments and credit fair value adjustments as a percentage of NPLs.*

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

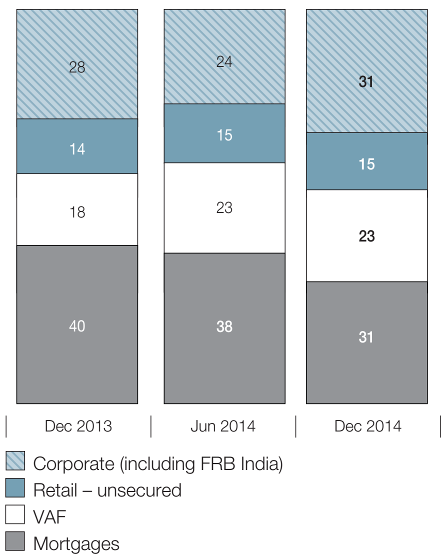
‡ *Total impairments and credit fair value adjustments as a percentage of NPLs.*

^ *Includes FNB's activities in India.*

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

NPL distribution

%



RECONCILIATION OF IMPAIRMENTS

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

Balance sheet impairments and credit fair value adjustments

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**	**2014**	**2013**	**2014**	**2014**	**2013**	**2014**
Non-performing book	**5 165**	5 002	4 995	**1 478**	1 165	1 066	**6 643**	6 167	6 061
Performing book	**4 903**	3 935	4 544	**2 245**	1 894	2 419	**7 148**	5 829	6 963
Total impairments	**10 068**	8 937	9 539	**3 723**	3 059	3 485	**13 791**	11 996	13 024

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

Balance sheet specific impairments – amortised cost

	As at 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Opening balance	**4 995**	5 228	(4)	5 228
Reclassifications and transfers	**34**	–	>100	(4)
Acquisitions	**8**	–	>100	22
Exchange rate difference	**2**	4	(50)	9
Unwinding and discounted present value on NPLs	**(44)**	(82)	(46)	(128)
Bad debts written off	**(2 584)**	(2 736)	(6)	(5 547)
Net new impairments created	**2 754**	2 588	6	5 415
Closing balance	**5 165**	5 002	3	4 995

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

Income statement impairments

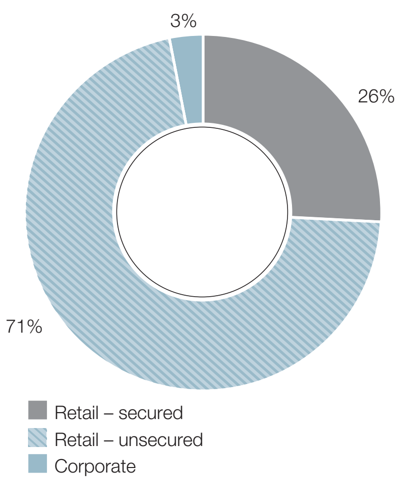
	Six months ended 31 December		% change	As at 30 June
R million	**2014**	**2013**		**2014**
Specific impairment charge	**2 754**	2 588	6	5 415
Recoveries of bad debts written off	**(933)**	(825)	13	(1 616)
Net specific impairment charge (amortised cost)	**1 821**	1 763	3	3 799
Portfolio impairment charge (amortised cost)	**385**	450	(14)	1 028
Credit fair value adjustments	**382**	12	>100	98
– Non-performing book	**113**	173	(35)	155
– Performing book	**269**	(161)	(>100)	(57)
Total impairments	**2 588**	2 225	16	4 925

IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries of R933 million, primarily emanating from the unsecured retail lending portfolio, reduced the impairment charge to R2 588 million for the period.
- Impairment charges were significantly reduced by post write-off recoveries for FNB Card and particularly FNB loans.

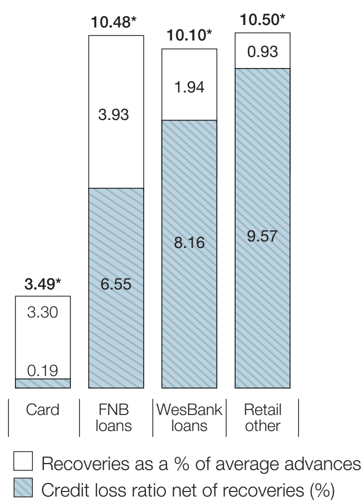
Post write-off recoveries split

%



Retail credit loss ratios and recoveries

%



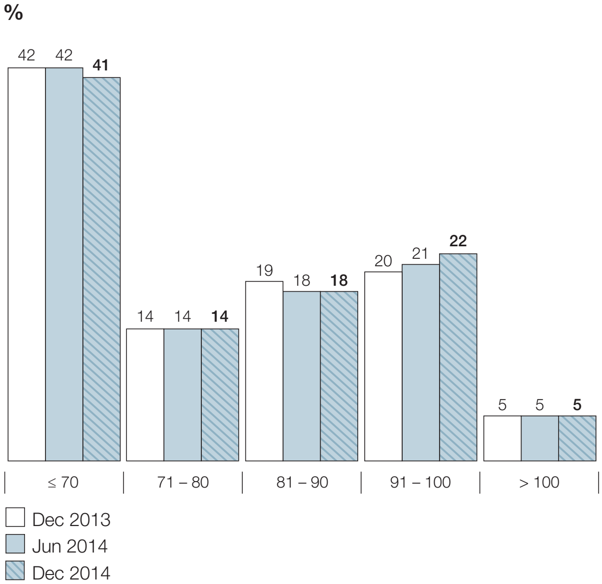
* *Credit loss ratio gross of recoveries (%).*

RISK ANALYSES

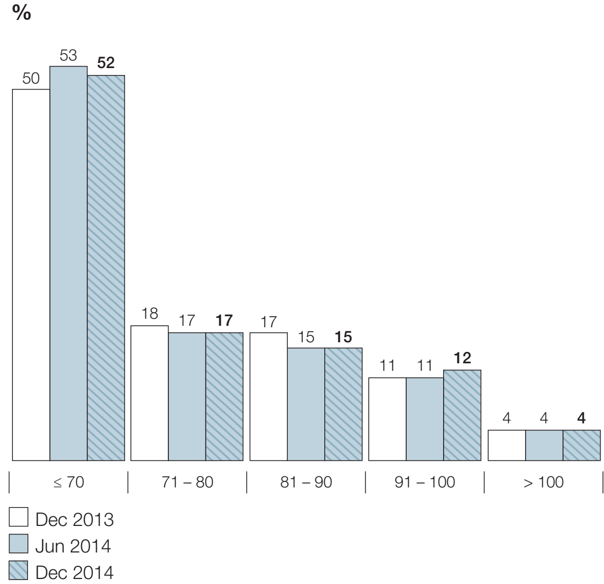
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

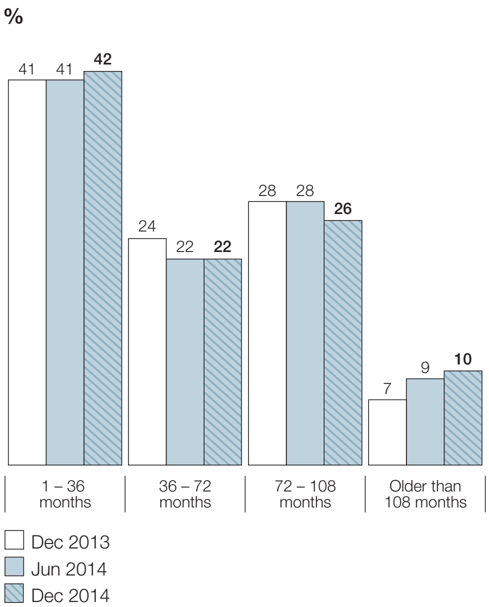
Residential mortgages balance-to-original value



Residential mortgages balance-to-market value



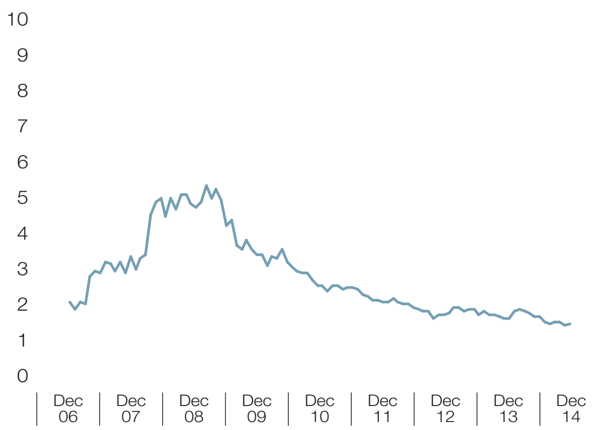
Residential mortgages age distribution



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

FNB HomeLoans arrears

%

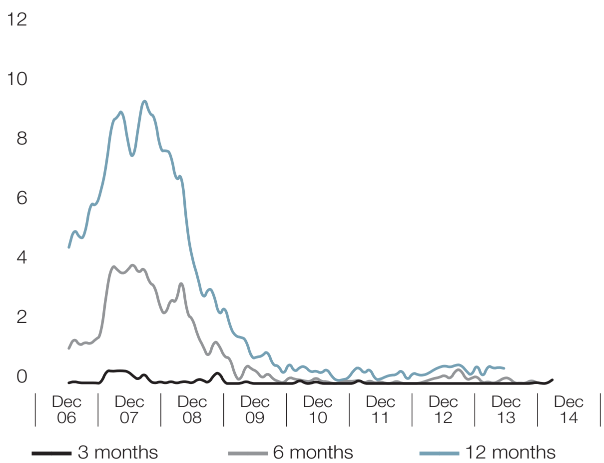


The following graphs provide the vintage analyses for FNB HomeLoans and WesBank retail VAF. Vintage graphs reflect the default experience three, six and twelve months after each origination date as well as the impact of origination strategies and the macroeconomic environment on portfolio performance.

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

FNB HomeLoans vintage analysis

%

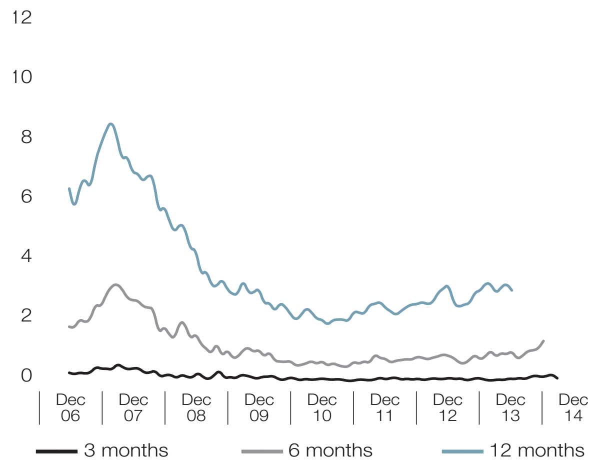


The WesBank retail cumulative vintages analysis continue to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

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

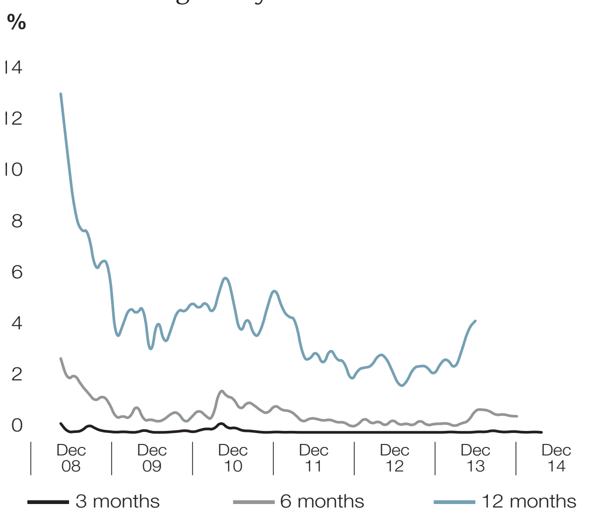
WesBank retail VAF vintage analysis

%



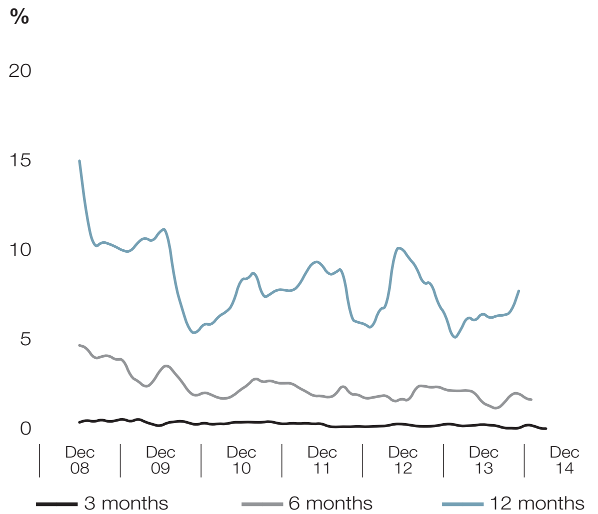
FNB Card default rates remain at very low levels, even on a through-the-cycle basis. There was a minor increase in risk appetite from October 2013, which resulted in more business written in the lower-end consumer segment at slightly higher default rates. This was reviewed and adjusted downwards again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

FNB Card vintage analysis



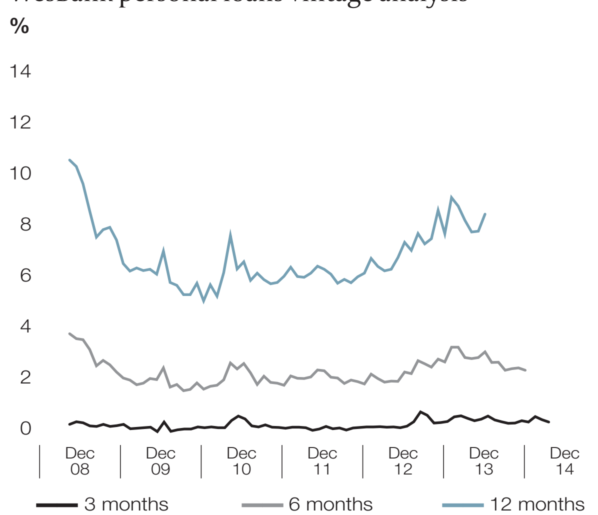
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite. Continued actions are undertaken to ensure these portfolios remain within risk appetite. FNB loan vintages reflect improvement since December 2008 levels. This positive outcome is the result of active management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

FNB personal loans vintage analysis



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

WesBank personal loans vintage analysis



SUPPLEMENTARY INFORMATION

Segmental advances NPLs and impairment analysis

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

	Six months ended 31 December 2014				
R million/%	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
FNB	269 650	7 950	2.95	1 153	0.87
FNB retail	216 427	6 577	3.04	979	0.92
– Residential mortgages	175 097	5 037	2.88	55	0.06
– Card	17 356	324	1.87	16	0.19
– Personal loans	12 831	691	5.39	415	6.55
– Retail other	11 143	525	4.71	493	9.57
FNB commercial	52 825	1 278	2.42	154	0.60
FNB Africa*	398	95	23.87	20	12.52
WesBank	161 683	5 204	3.22	1 129	1.42
WesBank asset-backed finance	151 860	4 418	2.91	742	0.99
– WesBank retail	109 229	3 690	3.38	567	1.04
– WesBank corporate	42 631	728	1.71	175	0.86
WesBank loans	9 823	786	8.00	387	8.16
RMB	228 781	2 867	1.25	456	0.41
RMB investment banking	222 455	2 823	1.27	401	0.37
RMB corporate banking	6 326	44	0.70	55	1.72
FCC (including Group Treasury)**	2 420	–	–	(150)	(0.05)
Total	662 534	16 021	2.42	2 588	0.80

* *Includes FNB's activities in India.*

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

Six months ended 31 December 2013					Year ended 30 June 2014				
Advances	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**	**Advances**	**NPLs**	**NPLs as a % of advances**	**Total impairment charge**	**Impairments as % of average advances**
246 252	9 317	3.78	1 223	1.01	259 064	8 577	3.31	2 181	0.88
201 460	7 795	3.87	1 113	1.12	208 920	7 256	3.47	1 820	0.90
166 954	6 089	3.65	83	0.10	171 173	5 625	3.29	158	0.09
14 173	353	2.49	15	0.22	15 761	348	2.21	101	0.70
12 280	919	7.48	604	9.60	12 516	729	5.82	980	7.72
8 053	434	5.39	411	10.99	9 470	554	5.85	581	7.09
44 539	1 465	3.29	102	0.47	49 903	1 259	2.52	262	0.57
253	57	22.53	8	6.72	241	62	25.73	99	42.67
142 410	3 956	2.78	882	1.28	156 856	4 661	2.97	2 060	1.42
134 219	3 436	2.56	637	0.98	147 707	4 002	2.71	1 458	1.06
99 242	2 846	2.87	544	1.13	109 048	3 424	3.14	1 339	1.32
34 977	590	1.69	93	0.55	38 659	578	1.50	119	0.33
8 191	520	6.35	245	6.35	9 149	659	7.20	602	7.34
195 802	2 146	1.10	120	0.13	216 843	1 746	0.81	201	0.10
189 375	2 138	1.13	112	0.12	210 401	1 740	0.83	170	0.09
6 427	8	0.12	8	0.28	6 442	6	0.09	31	0.54
1 892	–	–	–	–	2 373	–	–	483	0.08
586 356	15 419	2.63	2 225	0.78	635 136	14 984	2.36	4 925	0.82

supplementary information

FAIR VALUE MEASUREMENTS

VALUATION METHODOLOGY

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

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

Financial instruments

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

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

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

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 112, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

- as far as possible, market inputs are sourced in line with market prices;
- generally accepted valuation methodologies are consistently used for particular products unless deemed inappropriate by the relevant governance forums;
- where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;

- formal change control procedures are in place;
- awareness of the weaknesses of the models used and appropriate reflection in the valuation output where relevant;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation.

Levels of fair value hierarchy

Level 1

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

Level 2

Fair value is determined using inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly such as quoted prices for similar items in an active market or for an identical item in an inactive market, or valuation models using observable inputs or inputs derived from observable market data. This category includes loans and advances to customers, equities listed in an inactive market, debt instruments, private equity investments, non-recourse investments and deposits, over the counter derivatives, deposits, other liabilities and Tier 2 liabilities.

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Negotiable certificates of deposit	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves	Not applicable
Deposits					
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit-linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate.	Market interest rates and curves	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	As at 31 December 2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**18**	**38 744**	**6**	**38 768**
Advances*	**–**	**36 546**	**148 713**	**185 259**
Investment securities and other investments	**51 270**	**30 528**	**13 363**	**95 161**
Amounts due by holding company and fellow subsidiary companies	**–**	**362**	**–**	**362**
Total financial assets measured at fair value	**51 288**	**106 180**	**162 082**	**319 550**
Liabilities				
Recurring fair value measurements				
Short trading positions	**475**	**1**	**–**	**476**
Derivative financial instruments	**133**	**42 662**	**11**	**42 806**
Deposits	**1 569**	**89 599**	**1 169**	**92 337**
Other liabilities	**–**	**3 349**	**–**	**3 349**
Tier 2 liabilities	**–**	**–**	**–**	**–**
Amounts due to holding company and fellow subsidiary companies	**–**	**219**	**–**	**219**
Total financial liabilities measured at fair value	**2 177**	**135 830**	**1 180**	**139 187**

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

	As at 31 December 2013			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	7	43 668	9	43 684
Advances*	–	34 538	124 390	158 928
Investment securities and other investments	53 221	33 975	4 497	91 693
Amounts due by holding company and fellow subsidiary companies	–	404	–	404
Total financial assets measured at fair value	53 228	112 585	128 896	294 709
Liabilities				
Recurring fair value measurements				
Short trading positions	5 489	–	–	5 489
Derivative financial instruments	24	48 740	11	48 775
Deposits	6	80 802	814	81 622
Other liabilities	–	171	–	171
Tier 2 liabilities	–	1 041	–	1 041
Amounts due to holding company and fellow subsidiary companies	–	146	–	146
Total financial liabilities measured at fair value	5 519	130 900	825	137 244

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	As at June 2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	22	38 610	1	38 633
Advances*	–	31 809	146 064	177 873
Investment securities and other investments	49 299	33 461	5 518	88 278
Commodities	7 904	–	–	7 904
Amounts due by holding company and fellow subsidiary companies	–	305	–	305
Total financial assets measured at fair value	57 225	104 185	151 583	312 993
Liabilities				
Recurring fair value measurements				
Short trading positions	5 397	–	–	5 397
Derivative financial instruments	25	41 598	5	41 628
Deposits	125	82 104	952	83 181
Other liabilities	–	3 287	–	3 287
Tier 2 liabilities	–	1 030	–	1 030
Amounts due to holding company and fellow subsidiary companies	–	226	–	266
Total financial liabilities measured at fair value	5 547	128 245	957	134 749

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

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

	As at 31 December 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	**–**	**–**	There were no transfers into or out of level 1 during the period.
Level 2	**1**	**(353)**	The transfer into level 2 related to the lifting of a trading suspension on the investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	**353**	**(1)**	Investment securities to the value of R353 million were transferred into level 3 out of level 2 as these investment securities were delisted from an exchange.
Total transfers	**354**	**(354)**	

	As at 31 December 2013		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	–	–	There were no transfers into or out of level 1 during the period.
Level 2	–	(37)	
Level 3	37	–	Derivative financial instruments and deposits to the value of R37 million were transferred out of level 2 into level 3 as a result of certain unobservable inputs becoming significant to the calculation of fair value.
Total transfers	37	(37)	

Transfers between fair value hierarchy levels

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

	As at 30 June 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	–	–	There were no transfers into or out of level 1 during the period.
Level 2	–	(187)	
Level 3	187	–	Investment securities to the value of R187 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.
Total transfers	187	(187)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	As at 31 December 2014		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**1**	**5**	**–**
Advances	**146 064**	**3 453**	**–**
Investment securities and other investments	**5 518**	**240**	**55**
Total financial assets measured at fair value in level 3	**151 583**	**3 698**	**55**
Liabilities			
Derivative financial instruments	**5**	**6**	**–**
Deposits	**952**	**10**	**–**
Total financial liabilities measured at fair value in level 3	**957**	**16**	**–**

	As at 31 December 2013		
R million	**Fair value on 30 June 2013**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	1	–	–
Advances	112 331	1 524	–
Investment securities and other investments	4 831	118	9
Total financial assets measured at fair value in level 3	117 163	1 642	9
Liabilities			
Derivative financial instruments	1	–	–
Deposits	1 302	203	–
Total financial liabilities measured at fair value in level 3	1 303	203	–

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

As at 31 December 2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2014**
–	**–**	**–**	**–**	**–**	**6**
(1 701)	**–**	**–**	**(1)**	**898**	**148 713**
7 197	**–**	**353**	**–**	**–**	**13 363**
5 496	**–**	**353**	**(1)**	**898**	**162 082**
–	**–**	**–**	**–**	**–**	**11**
207	**–**	**–**	**–**	**–**	**1 169**
207	**–**	**–**	**–**	**–**	**1 180**

As at 31 December 2013					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate difference**	**Fair value on 31 December 2013**
–	–	8	–	–	9
10 138	–	–	–	397	124 390
(469)	3	–	–	5	4 497
9 669	3	8	–	402	128 896
–	–	10	–	–	11
(722)	–	19	–	12	814
(722)	–	29	–	12	825

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Changes in level 3 instruments with recurring fair value measurements continued

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

	As at 30 June 2014		
R million	**Fair value on 30 June 2013**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	1	–	–
Advances	112 331	3 139	–
Investment securities and other investments	4 831	317	55
Total financial assets measured at fair value in level 3	117 163	3 456	55
Liabilities			
Derivative financial instruments	1	4	–
Deposits	1 302	–	–
Total financial liabilities measured at fair value in level 3	1 303	4	–

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

As at 30 June 2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate difference**	**Fair value on 30 June 2014**
–	–	–	–	–	1
30 179	–	–	–	415	146 064
122	–	187	–	6	5 518
30 301	–	187	–	421	151 583
–	–	–	–	–	5
(371)	–	–	–	21	952
(371)	–	–	–	21	957

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

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

	As at 31 December 2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**5**	**–**	**5**
Advances*	**2 814**	**–**	**2 814**
Investment securities and other investments	**167**	**55**	**222**
Total	**2 986**	**55**	**3 041**
Liabilities			
Derivative financial instruments	**10**	**–**	**10**
Deposits	**(10)**	**–**	**(10)**
Total	**–**	**–**	**–**

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

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

R million	As at 31 December 2013 Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Total gains/losses
Assets			
Derivative financial instruments	8	–	8
Advances*	1 112	–	1 112
Investment securities and other investments	180	9	189
Total	1 300	9	1 309
Liabilities			
Derivative financial instruments	10	–	10
Deposits	164	–	164
Total	174	–	174

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

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

R million	As at 30 June 2014 Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Total gains/(losses)
Assets			
Advances*	2 889	–	2 889
Investment securities and other investments	290	51	341
Total	3 179	51	3 230
Liabilities			
Derivative financial instruments	4	–	4
Deposits	(2)	–	(2)
Total	2	–	2

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

			As at 31 December 2014		
				Reasonably possible alternative fair value	
R million	**Significant unobservable inputs**	**Reasonably possible changes to significant unobservable inputs**	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**
Assets					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**6**	**7**	**6**
Advances	**Credit**	**Credit migration matrix***	**148 713**	**151 294**	**148 723**
Investment securities and other investments	**Growth rates and P/E ratios of unlisted investments**	**Unobservable inputs are increased and decreased by 10%**	**13 363**	**14 693**	**11 996**
Total financial assets measured at fair value in level 3			**162 082**	**165 994**	**160 725**
Liabilities					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**11**	**11**	**12**
Deposits	**Credit risk of the cash collateral leg of credit-linked notes**	**Credit migration matrix****	**1 169**	**1 051**	**1 285**
Total financial liabilities measured at fair value in level 3			**1 180**	**1 062**	**1 297**

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

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

	As at 31 December 2013			As at 30 June 2014		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
	9	9	9	1	1	1
	124 390	125 226	123 052	146 064	147 016	146 478
	4 497	5 033	3 973	5 518	6 086	4 957
	128 896	130 268	127 034	151 583	153 103	151 436
	11	11	11	5	5	5
	814	734	894	952	857	1 048
	825	745	905	957	862	1 053

OTHER FAIR VALUE MEASUREMENTS

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

	As at 31 December 2014		As at 31 December 2013		As at 30 June 2014	
R million	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**	**Carrying amount**	**Fair value**
Assets						
Advances	**463 484**	**463 039**	415 432	410 978	444 239	446 233
Investment securities and other investments	**472**	**472**	441	441	505	505
Total financial assets at amortised cost	**463 956**	**463 511**	415 873	411 419	444 744	446 738
Liabilities						
Deposits	**631 360**	**632 831**	568 349	569 447	609 995	611 136
Tier 2 liabilities	**9 868**	**10 134**	6 584	6 657	10 454	10 705
Other liabilities	**970**	**970**	976	976	981	975
Total financial liabilities at amortised cost	**642 198**	**643 935**	575 909	577 080	621 430	622 816

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

Day 1 profit or loss

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

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

	As at 31 December		As at 30 June
R million	**2014**	**2013**	**2014**
Balance at 1 July	**11**	16	16
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(3)**	(3)	(5)
Balance at end of reporting period	**8**	13	11

CONTINGENCIES AND COMMITMENTS

	As at 31 December		% change	As at 30 June
	2014	**2013**		**2014**
Contingencies				
Guarantees	**31 232**	31 550	(1)	30 895
Letters of credit	**8 442**	7 081	19	7 075
Total contingencies	**39 674**	38 631	3	37 970
Capital commitments				
Contracted capital commitments	**621**	1 350	(54)	694
Capital expenditure authorised not yet contracted	**1 153**	901	28	2 321
Total capital commitments	**1 774**	2 251	(21)	3 015
Other commitments				
Irrevocable commitments	**71 506**	76 557	(7)	73 659
Operating lease and other commitments	**2 003**	2 118	(5)	2 047
Total other commitments	**73 509**	78 675	(7)	75 706
Total contingencies and commitments	**114 957**	119 557	(4)	116 691

COMPANY INFORMATION

FIRSTRAND BANK LIMITED
Registration number 1929/001225/06

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

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

SPONSOR
(In terms of JSE debt listing requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8118

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

Deloitte & Touche
Building 8
Deloitte Place
The Woodlands
Woodlands Drive
Woodmead, Sandton
Docex 10 Johannesburg

LISTED FINANCIAL INSTRUMENTS OF THE BANK

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ15	ZAG000094368
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS111	ZAG000114687
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS118	ZAG000118498
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRX15	ZAG000051103
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
	FirstRand Bank Limited	FRI15	ZAG000051137
Credit-linked notes	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC85	ZAG000091109
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC97	ZAG000093212
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466

	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	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC226	ZAG000122722
	FirstRand Bank Limited	FRD003	ZAG000114067
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

London Stock Exchange (LSE)

European medium term note (EMTN) programme

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

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FIRSTRAND BANK LIMITED (JSE company code: BIFR1)	FIRSTRAND EMA (PTY) LTD (FREMA)	FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL)	ASHBURTON INVESTMENTS HOLDINGS LIMITED	FIRSTRAND INSURANCE HOLDINGS (PTY) LTD
Banking	**Africa and emerging markets**	**Other activities****	**Investment management**	**Insurance**

Banking

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

Africa and emerging markets

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

Other activities**

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

Investment management

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

Insurance

100%	FirstRand Life Assurance

Structure shows effective consolidated shareholding.

1. Division
2. Branch
3. Representative office

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

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

CREDIT RATINGS

FIRSTRAND BANK LIMITED (FRB)

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

Credit ratings assigned by Standard & Poor's Ratings Services (S&P) as at 27 March 2015

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

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

Credit ratings assigned by Moody's Investors Service (Moody's) as at 27 March 2015

	FirstRand Bank Limited	Sovereign rating South Africa
Foreign currency deposit ratings and sovereign foreign currency bond ratings		
Long-term	**Baa2**	Baa2
Outlook	**Stable**	Stable
Short-term	**P-2**	
Local currency deposit ratings and sovereign local currency bond ratings		
Long-term	**Baa2**	Baa2
Outlook	**Stable**	Stable
Short-term	**P-2**	
National scale		
Long-term	**A1.za**	
Short-term	**P-1.za**	
Bank financial strength rating	**C-**	
Baseline credit assessment	**baa2**	

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

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

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

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

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

Credit ratings assigned by Fitch Ratings (Fitch) as at 27 March 2015

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

DEFINITIONS

Additional Tier 1 (AT1) capital	NCNR preference share capital less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per income statement expressed as a percentage of average advances (average between the opening and closing balance for the period).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per income statement divided by income before direct tax per income statement.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Net income after capital charge (NIACC)	Normalised earnings less cost of equity multiplied by average ordinary shareholders' equity and reserves.
Normalised earnings	The bank believes normalised earnings more accurately reflect its economic performance. IFRS earnings are adjusted to take into account headline earnings adjustments, non-operational items and accounting anomalies. Refer to page 12 for a detailed description of the difference between normalised and IFRS results.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders' equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to credit risk of counterparties, operational risk, market risk, equity investment risk and other risks multiplied by on– and off-balance sheet assets.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 plus Tier 2 capital.

STUDIO 5

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FIRSTRAND BANK