for the year ended 30 June 2016

analysis of financial results

FIRSTRAND BANK

About this report

This report covers the audited summarised financial results of FirstRand Bank Limited based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2016. **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 summarised income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 72 to 73. Detailed reconciliations of normalised to IFRS results are provided on pages 82 to 87. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand Bank's annual financial statements will be published on the group's website, www.firstrand.co.za, on or about 4 October 2016.

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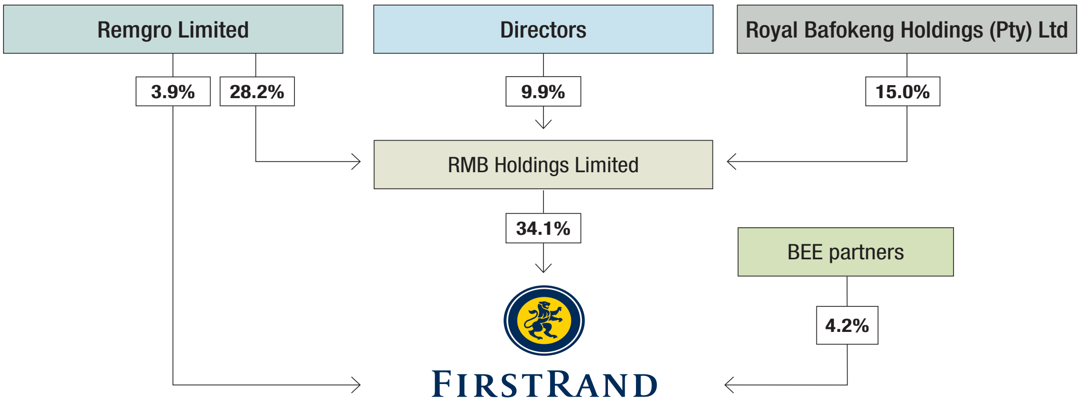
SIMPLIFIED GROUP STRUCTURE



LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% – FirstRand Bank Limited, Bond code: FRII – Banking

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

100% – FirstRand EMA (Pty) Ltd (FREMA) – Africa and emerging markets

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

100% – FirstRand Investment Holdings (Pty) Ltd (FRIHL) – Other activities

- **96%** RMB Private Equity Holdings
- **93%** RMB Private Equity
- **100%** RMB Securities
- **50%** RMB Morgan Stanley
- **100%** FNB Securities
- **100%** RentWorks
- **100%** Direct Axis
- **81%** MotoVantage
- **100%** FirstRand International – Guernsey
- **100%** RMB Australia Holdings
- **100%** FirstRand Insurance Services Company (FRISCOL)
- **100%** FirstRand Securities

100% – FirstRand Investment Management Holdings Limited – Investment management

- **100%** Ashburton Fund Managers
- **100%** Ashburton Investor Services
- **100%** Ashburton Management Company (RF)
- **100%** Ashburton Private Equity GP 1
- **100%** Ashburton Equity Hedge Fund GP 1
- **100%** Ashburton Investments International Holdings
- **100%** FNB CIS Management Company (RF)
- **100%** Atlantic Asset Management

100% – FirstRand Insurance Holdings (Pty) Ltd – Insurance

- **100%** FirstRand Life Assurance

1. Division
2. Branch
3. Representative office
** MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).*
*** Trading as FNB Channel Islands.*

Structure shows effective consolidated shareholding

For segmental analysis purposes, entities included in FRIHL and FREMA, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of results of the managing franchise. The group's securitisations and conduits are in FRIHL.

FirstRand Bank (FRB or the 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. First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, and WesBank, the instalment finance business. The FCC franchise represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola, Dubai and Shanghai.

The bank's portfolio produced a very **resilient performance**

Normalised earnings **+14%**

ROE **23%**

ROA **1.75%**

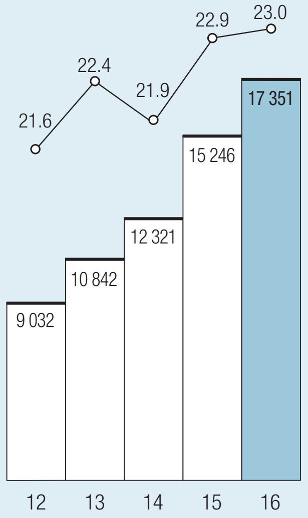
Credit loss ratio **0.84%**

NPLs % of advances **2.4%**

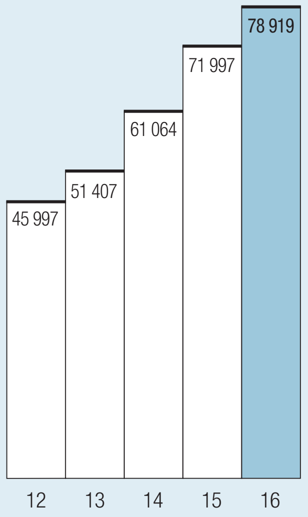
CET1 **13.9%**

The bank's portfolio has produced five years of superior performance

NORMALISED EARNINGS (R million) AND ROE (%)
CAGR 18%



NORMALISED NAV (R million)
CAGR 14%



KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

R million	**2016**	2015	% change
Earnings performance			
Normalised earnings	**17 351**	15 246	14
Attributable earnings – IFRS (refer page 75)	**16 931**	15 394	10
Headline earnings	**16 959**	15 387	10
Normalised net asset value	**78 919**	71 997	10
Tangible normalised net asset value	**78 813**	71 926	10
Average normalised net asset value	**75 458**	66 531	13
Capital adequacy* – IFRS			
Capital adequacy ratio (%)	**17.1**	16.9	
Tier 1 ratio (%)	**14.2**	14.6	
Common Equity Tier 1 (CET1) ratio (%)	**13.9**	14.2	
Balance sheet			
Normalised total assets	**1 031 579**	949 959	9
Loans and advances (net of credit impairment)	**764 088**	705 257	8
Ratios and key statistics			
ROE (%)	**23.0**	22.9	
ROA (%)	**1.75**	1.69	
Average gross loan-to-deposit ratio (%)	**93.2**	92.7	
Diversity ratio (%)	**41.6**	42.5	
Credit impairment charge	**6 255**	4 993	25
NPLs as % of advances	**2.43**	2.17	
Credit loss ratio (%)	**0.84**	0.73	
Specific coverage ratio (%)	**38.6**	41.0	
Total impairment coverage ratio (%)	**78.2**	86.6	
Performing book coverage ratio (%)	**0.99**	1.01	
Cost-to-income ratio (%)	**54.0**	55.3	
Effective tax rate (%)	**24.2**	25.1	
Number of employees	**36 310**	35 877	1

* *Ratios include unappropriated profits.*

SUMMARISED INCOME STATEMENT – NORMALISED

for the year ended 30 June

R million	2016	2015	% change
Net interest income before impairment of advances	**38 333**	33 913	13
Impairment of advances	**(6 255)**	(4 993)	25
Net interest income after impairment of advances	**32 078**	28 920	11
Non-interest revenue	**27 261**	25 057	9
Income from operations	**59 339**	53 977	10
Operating expenses	**(35 392)**	(32 591)	9
Income before tax	**23 947**	21 386	12
Indirect tax	**(763)**	(751)	2
Profit before tax	**23 184**	20 635	12
Income tax expense	**(5 614)**	(5 182)	8
Profit for the year	**17 570**	15 453	14
NCNR preference shareholders	**(219)**	(207)	6
Normalised earnings attributable to ordinary equityholders of the bank	**17 351**	15 246	14

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

for the year ended 30 June

R million	2016	2015	% change
Profit for the year	**17 570**	15 453	14
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**118**	(271)	(>100)
Gains/(losses) arising during the year	**144**	(569)	(>100)
Reclassification adjustments for amounts included in profit or loss	**20**	193	(90)
Deferred income tax	**(46)**	105	(>100)
Available-for-sale financial assets	**(495)**	(35)	>100
Losses arising during the year	**(679)**	(40)	>100
Reclassification adjustments for amounts included in profit or loss	**7**	(20)	(>100)
Deferred income tax	**177**	25	>100
Exchange differences on translating foreign operations	**482**	290	66
Gains arising during the year	**482**	290	66
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**(31)**	108	(>100)
(Losses)/gains arising during the year	**(43)**	151	(>100)
Deferred income tax	**12**	(43)	(>100)
Other comprehensive income for the year	**74**	92	(20)
Total comprehensive income for the year	**17 644**	15 545	14
Attributable to			
Ordinary equityholders	**17 425**	15 338	14
NCNR preference shareholders	**219**	207	6
Total comprehensive income for the year	**17 644**	15 545	14

SUMMARISED STATEMENT OF FINANCIAL POSITION – NORMALISED

as at 30 June

R million	2016	2015
ASSETS		
Cash and cash equivalents	**50 997**	53 725
Derivative financial instruments	**39 923**	34 112
Commodities	**12 514**	7 354
Investment securities	**111 430**	103 673
Advances	**764 088**	705 257
Accounts receivable	**4 561**	4 301
Non-current assets and disposal groups held for sale	**–**	125
Current tax asset	**166**	–
Amounts due by holding company and fellow subsidiaries	**32 793**	27 318
Property and equipment	**13 632**	12 821
Intangible assets	**106**	71
Deferred income tax asset	**1 369**	1 202
Total assets	**1 031 579**	949 959
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**14 221**	5 270
Derivative financial instruments	**50 624**	40 811
Creditors, accruals and provisions*	**12 644**	12 465
Current tax liability	**75**	69
Deposits	**826 473**	779 703
Employee liabilities	**8 772**	8 848
Other liabilities	**5 386**	3 977
Amounts due to holding company and fellow subsidiaries	**13 997**	11 836
Tier 2 liabilities	**17 468**	11 983
Total liabilities	**949 660**	874 962
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**62 111**	55 189
Capital and reserves attributable to ordinary equityholders	**78 919**	71 997
NCNR preference shares	**3 000**	3 000
Total equity	**81 919**	74 997
Total equity and liabilities	**1 031 579**	949 959

* *In the prior year, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

FLOW OF FUNDS ANALYSIS – NORMALISED

R million	**June 2016 vs June 2015 12-month movement**	June 2015 vs June 2014 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**6 922**	10 933
Working capital movement	**(2 264)**	(674)
Short trading positions and derivative financial instruments	**12 953**	3 576
Investments	**(6 006)**	(889)
Deposits and long-term liabilities	**52 255**	87 026
Total	**63 860**	99 972
Application of funds		
Advances	**(58 831)**	(83 145)
Cash and cash equivalents	**2 728**	(1 937)
Investment securities	**(7 757)**	(14 890)
Total	**(63 860)**	(99 972)

OVERVIEW OF BANK RESULTS

INTRODUCTION

The impact of Brexit on global financial markets, coupled with the heightened risk aversion it has brought about, has resulted in ever tighter financial conditions globally. This allied with increased economic uncertainty will push global growth even lower than initially anticipated.

At the same time, South Africa's economy remains fragile due to continuing low domestic growth, which is forecast to prevail over the next few years. This has been further exacerbated by rising unemployment, still high double deficits and the significant foreign ownership of South Africa's bond and equity markets. Low growth combined with weaker balance sheets of some state-owned enterprises (SOEs) has added fiscal risk which is likely to result in a sovereign downgrade by the end of 2016.

The South African consumers' disposable income in certain segments of the market, particularly those exposed to high inflation, remained under pressure.

Across the broader region, certain African countries still face significant growth headwinds as the commodity cycle unwinds.

OVERVIEW OF RESULTS

Despite this challenging economic backdrop, for the year to June 2016 FirstRand Bank's portfolio produced a good performance, growing normalised earnings 14% and producing an ROE of 23.0%.

The table below shows a breakdown of sources of normalised earnings from the operating franchises.

SOURCES OF NORMALISED EARNINGS

R million	**2016**	**% composition**	2015	% composition	% change
FNB	**10 644**	**61**	9 440	61	13
RMB	**3 692**	**21**	3 754	25	(2)
WesBank	**2 574**	**15**	1 978	13	30
FCC (including Group Treasury) and other*	**660**	**4**	281	2	>100
NCNR preference dividend	**(219)**	**(1)**	(207)	(1)	6
Normalised earnings	**17 351**	**100**	15 246	100	14

* *Includes year-on-year negative accounting mismatches primarily reflected in the nominal NII growth of the bank.*

The bank's NII increased 13% driven by ongoing growth in advances (8%) and deposits (6%). Whilst margins in many of the asset generating businesses continued to come under pressure from higher term funding and liquidity costs, earnings benefited from the positive endowment effect of an average 68 bps increase in the repo rate for the year.

Total NIR growth of 9% was robust, and especially impressive at FNB given the regulatory impact of interchange. NIR also benefited from RMB's knowledge-based fees.

Total operating expenses increased 9% and continue to trend above inflation as the bank remains committed to investing in its future growth strategies. Cost growth was impacted by lower variable costs as well as lower share-based payment expenses given the negative movement in the group's share price during the year.

The cost-to-income ratio decreased to 54.0% (2015: 55.3%).

As predicted, given the current cycle, the credit impairment ratio increased from 73 bps to 84 bps, which remains below the bank's through-the-cycle charge of 100 bps to 110 bps.

This was driven by:

- the anticipated normalisation of credit experience in the retail portfolios, i.e. mortgages, card and VAF; and
- new business strain as a result of strong book growth in unsecured retail portfolios in FNB, linked to cross-sell and up-sell strategies, and in FNB Commercial.

As a result, NPLs have increased, however, the overall credit picture remains in line with expectations and reflects both the respective franchise growth strategies and specific origination actions taken in the different segments of the bank's customer base throughout the current credit cycle.

The bank consistently adjusted credit appetite in the high risk segments of the retail market from as early as 2011, but has seen robust growth on the back of FNB's strategy to focus on lending to its core transactional customer base.

The performing book coverage ratio of 99 bps reduced marginally from the prior year's 101 bps. This was largely as a result of the partial central overlay release given the previously identified risk manifesting with NPL formation increasing in some of the underlying franchises and products resulting in higher specific impairments.

STRATEGIC OVERVIEW

As outlined in its interim results announcement, the group has adjusted its stated strategic framework to accommodate a broader set of growth opportunities, from a product, market, segment and geographic perspective. The group believes this approach will ensure sustainable and superior returns for shareholders.

FirstRand's portfolio of leading financial services franchises provides a universal set of transactional, lending, investment and insurance products and services. The franchises operate in markets and segments where they can deliver competitive and differentiated client-centric value propositions, leveraging the relevant distribution channels, product skills, licences and operating platforms of the wider group. Strategy is executed on the back of disruptive and innovative thinking, underpinned by an owner-manager culture combined with the disciplined allocation of financial resources.

Execution on this new framework has resulted in a fundamental shift in the way the group utilises its operating platforms. Through the adoption of a “franchise-neutral” business model, the customer-facing operating franchises have started to leverage group-wide technology platforms, customer bases, distribution channels, licences and skills.

In South Africa, the bank continues to focus on:

- growing profitable market share;
- cross-sell and up-sell; and
- leveraging the group’s building blocks (i.e. customer-bases, distribution channels and systems). Whether or not these platforms are part of FirstRand Bank, the optimal leverage of group-wide resources is key to protecting and growing FirstRand’s large and successful lending and transactional franchises. For example, the manufacture of credit funds on the asset management platform provides protection and upside to RMB’s origination franchise. Sales of investment products, manufactured on the asset management platform, create NIR growth for FNB.

In the rest of Africa, the bank’s balance sheet is utilised in RMB’s cross-border lending activities. The group’s subsidiaries in the rest of Africa form part of FirstRand EMA (Pty) Ltd (refer to the simplified group structure on page 01) and thus fall outside of the bank.

In addition, the MotoNovo Finance business in the UK offers a platform for further growth in developed markets.

FRANCHISE PERFORMANCE REVIEW

Below is a brief overview of the financial and operational performance of the bank’s major operating franchises.

FNB

FNB represents the bank’s activities in the retail and commercial segments in South Africa and India. It is growing its franchise strongly in both existing and new markets on the back of a compelling customer offering that provides a broad range of innovative financial services products. This offering is delivered through efficient and cost effective delivery channels, particularly electronic and digital platforms.

FNB FINANCIAL HIGHLIGHTS

R million	**2016**	2015	% change
Normalised earnings	**10 644**	9 440	13
Normalised profit before tax	**14 785**	13 112	13
Total assets	**333 320**	308 245	8
Total liabilities	**318 635**	295 140	8
NPLs (%)	**2.93**	2.63	
Credit loss ratio (%)	**1.04**	0.76	

SEGMENT RESULTS

R million	**2016**	2015	% change
Normalised PBT			
Retail	**9 102**	8 280	10
FNB Africa*	**(357)**	(323)	11
Commercial	**6 040**	5 155	17
Total FNB	**14 785**	13 112	13

* *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.*

FNB grew pre-tax profits 13%, which is a solid performance given the increasing economic and regulatory headwinds the business is currently facing and is testament to the quality of its transactional, lending and liabilities franchises.

This performance was again driven by FNB’s ongoing strategy to grow and retain core transactional accounts, use its customer relationships and data analytics to effectively cross-sell and up-sell into that customer base whilst applying disciplined origination strategies and providing innovative transactional and savings products. FNB’s cross-sell ratio improved from 2.55 to 2.65.

FNB’s overall NII increased 17% driven by growth in both advances (8%) and deposits (12%) and the positive endowment effect from higher interest rates.

The domestic retail lending businesses continued to show good growth on the back of the transactional cross-sell strategy. Despite some new business strain, particularly in unsecured, credit quality remains in line with expectations and credit appetite was tightened in the second half of the year.

Retail deposits again grew above market on the back of ongoing acquisition of core transactional accounts, and further strong momentum in sales of new products. The commercial segment also showed good new customer acquisition supporting advances and deposits growth.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	**14**	**21.9**	**6**	**14.3**
Commercial	**9**	**14.5**	**15**	**10.1**

The table below shows that FNB's deliberate focus on acquiring and cross-selling to a "sweet spot" transactional retail and commercial customer has continued to generate high quality NII growth.

	Year-on-year growth		
Customer segment	Customer numbers %	Unsecured advances %	Deposits %
Consumer	4	2	8
Premium	10	27	18
Commercial	14	–	9

As expected, bad debts and NPLs are starting to trend up following strong book growth in previous periods and the worsening economic cycle. NPLs in FNB's domestic unsecured books which have seen the strongest growth in new business, are trending in line with expectations and reflect the quality of new business written, appropriate pricing for risk and the effectiveness of FNB's customer segment and sub-segment origination strategies. NPLs were impacted by the adoption of a reclassification of distressed loans in the year under review. When the impact of this reclassification is excluded, total NPLs increased 8% year-on-year.

Overall provisioning levels have remained conservative with some of the overlays being incorporated into the models, in line with expectations. Utilisation of certain overlays will continue into the next financial year as modelled portfolio impairments continue to increase.

FNB's NIR growth of 6% was robust particularly given the impact of the reduction in interchange fees, which became effective March 2015. Fee and commission income benefited from strong volume growth of 12% with ongoing momentum across the electronic channels, again demonstrating the success of FNB's electronic migration strategy. There was some negative impact from a reduction in cash-related NIR and the cost of rewards (+14%) linked to e-migration and cross-sell strategy.

Cost growth was well contained at 8%. The cost-to-income ratio decreased to 55.0% from 56.9%.

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 strategy is anchored around its corporate and institutional clients and leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition. This, combined with an expanding market making and distribution product offering, contributes to a well diversified and sustainable earnings base. This strategy is underpinned by sound risk management, designed to effectively balance the interplay between profit growth, returns and earnings volatility.

RMB FINANCIAL HIGHLIGHTS

R million	2016	2015	% change
Normalised earnings	**3 692**	3 754	(2)
Normalised profit before tax	**5 128**	5 218	(2)
Total assets	**375 527**	352 714	6
Total liabilities	**371 143**	348 145	7
Credit loss ratio (%)	**0.27**	0.33	
Cost-to-income ratio (%)	**52.9**	49.9	

RMB produced satisfactory results for the year, which was achieved against a challenging macroeconomic environment and highlights the resilience and diversification of RMB's portfolio of businesses. RMB's balance sheet remains robust, with high quality earnings and solid operational leverage despite platform investments and increasing regulatory and compliance spend.

RMB's organisational structure continues to be based on its four separate divisions, namely Investment Banking Division (IBD), Global Markets, Private Equity and Corporate Banking, however, the business is managed on a core activity basis.

In addition, during the year, the business model was further refined to more closely reflect the core activity view. All activities relating to the corporate and transactional banking pillar have been grouped in the Corporate Banking business unit. These include the transactional banking, trade and working capital, and global foreign exchange activities, some of which were previously reported in Global Markets. As a consequence of these refinements, the business unit view has been amended and is outlined in the table below.

BREAKDOWN OF PROFIT CONTRIBUTION

R million	2016	2015	% change
Normalised PBT			
Investment Banking	**4 028**	4 194	(4)
IBD	**3 729**	3 108	20
Global Markets	**1 100**	1 175	(6)
Private Equity*	**(128)**	(79)	62
Other RMB	**(673)**	(10)	>100
Corporate Banking	**1 100**	1 024	7
Total RMB	**5 128**	5 218	(2)

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

IBD delivered an excellent performance, underpinned by strong fee income on the back of key advisory and underwriting mandates secured. It was achieved despite muted balance sheet growth and margin compression resulting from disciplined financial resource allocation designed to achieve return profile preservation. Additional proactive provisioning, particularly in the mining, and oil and gas portfolios, has strengthened the portfolio coverage ratio as the corporate sector enters a weaker credit cycle.

Corporate Banking produced strong profit growth on the back of greater leveraging of platforms and client bases. Liability-raising initiatives yielded positive results with higher deposit balances and an enhanced liquidity profile. Earnings benefited from increased demand for structured and traditional trade products, whilst the global foreign exchange business profited from currency volatility and increased client flows.

Global Markets delivered satisfactory results, with standout performance in foreign currency and commodities, benefiting from heightened volatility levels, which drove spreads wider and contributed to increased deal flow. In addition, the negative impact of the December events on fixed income reversed in the second half, producing a good result given the levels of liquidity and flow in interest rate markets. Earnings were, however, constrained by a specific credit event related to a client impacted by the foreign exchange volatility, a reduction in structuring activity year-on-year and a decline in liquidity in corporate credit trading activities post December.

Unallocated franchise costs, central portfolio overlays, endowment on allocated capital, legacy portfolios and RMB Resources are reflected in Other RMB. The legacy portfolio curtailed losses to R16 million in the current year, whilst central credit overlays of R300 million were raised against the oil and gas portfolios. The RMB Resources business reported a loss of R266 million, on the back of impairments taken against the high yield debt portfolio, which remains under pressure as a result of the downturn in the commodity cycle. As previously indicated, RMB is exiting these activities and is undertaking an orderly unwind of the portfolio with no new investments.

WesBank

WesBank represents the bank's activities in asset-based finance and related products 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 personal loans market in South Africa. WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups, and strong point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

R million	**2016**	2015	% change
Normalised earnings	**2 574**	1 978	30
Normalised profit before tax	**3 564**	2 705	32
Total assets	**169 050**	157 554	7
Total liabilities	**165 582**	154 915	7
NPLs (%)	**3.81**	3.55	
Credit loss ratio (%)	**1.65**	1.54	
Cost-to-income ratio (%)	**44.6**	47.7	
Net interest margin (%)	**4.86**	4.69	

WesBank delivered a very strong performance off a high base and in a very tough economic operating environment, producing a 32% increase in pre-tax profits to R3.6 billion. The increasing level of diversification in WesBank's portfolio of businesses has positioned the franchise well to weather the domestic credit cycle, and deliver more sustainable, less volatile earnings.

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

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY**

R million	**2016**	2015	% change
Normalised PBT			
VAF			
– Retail SA	**1 731**	1 480	17
– MotoNovo (UK)**	**950**	455	>100
– Corporate and commercial	**385**	265	45
Personal loans	**498**	505	(1)
Total WesBank	**3 564**	2 705	32

* *Refer to additional segmental disclosure on page 20.*

** *Normalised PBT for MotoNovo (UK) up 74% to GBP 44 million.*

MotoNovo's prior year profits were negatively impacted by R550 million from a prospective change in accounting treatment for incentive commissions on securitisation transactions. On a like-for-like basis, normalised profits would have declined slightly as a result of the quantum and timing of the securitisations.

Advances showed solid growth of 7% for the year mainly driven by resilient new business volumes in MotoNovo (UK) and the local VAF portfolios. Year-on-year growth in production in personal loans, however, was impacted by the NCA amendments. Overall new business production was up 18% with VAF and MotoNovo origination volumes up 2% and 36% (in GBP terms), respectively. All new business volumes continue to reflect good quality and overall risk profile remains in line with current credit appetite.

Interest margins have held up well despite higher funding and liquidity costs and the continued shift in mix from fixed to floating rate business.

As anticipated, bad debts in the local VAF portfolio are trending upwards but remain within through-the-cycle thresholds and WesBank continues to be conservatively provided. NPLs as a percentage of advances are up and remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement, have never defaulted or have balances lower than when they entered debt review. Vintage performance continues to be closely monitored.

WesBank's NIR growth of 11% was driven by satisfactory new business volumes in the domestic portfolios and a strong performance from MotoNovo.

Operating expenses grew 8%, mainly driven by investment in growth initiatives in MotoNovo, which continues to expand its footprint and product offering in the UK.

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

SEGMENT ANALYSIS OF NORMALISED EARNINGS

R million	2016	% composition	2015	% composition	% change
Retail	**8 585**	49	7 487	49	15
FNB	**6 295**		5 729		
WesBank	**2 290**		1 758		
Commercial	**4 633**	27	3 931	25	18
FNB	**4 349**		3 711		
WesBank	**284**		220		
Corporate and investment banking	**3 692**	21	3 754	25	(2)
RMB	**3 692**		3 754		
Other	**441**	3	74	1	>100
Dividends paid on NCNR preference shares	**(219)**		(207)		
FCC (including Group Treasury) and elimination adjustments	**660**		281		
Normalised earnings	**17 351**	100	15 246	100	14

MANAGEMENT OF FINANCIAL RESOURCES

The management of the group's financial resources which it defines as capital, funding and liquidity, and risk appetite (in all currencies), is critical and supportive to the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite.

Forecast growth in both earnings and balance sheet risk weighted assets is based upon the macroeconomic outlook and then evaluated against the financial resources available with the requirements of the providers of capital and regulators also taken into account. The expected outcomes and constraints are then stress tested and the group sets financial and prudential targets through different business cycles and scenarios, thus enabling it to deliver on its commitments to stakeholders at a defined confidence level.

The management of the group's financial resources is executed through Group Treasury and is independent of the operating franchises. This ensures the required level of discipline is applied in the allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets, in order to deliver shareholder value.

Given the high levels of uncertainty and volatility in funding markets, the group is exploring strategic options to protect its counterparty status to maintain access to financial markets and hard-currency funding in the event of a sovereign ratings downgrade. Since the year end, the group (through its wholly-owned subsidiary FirstRand Securities Limited) has become a member of the interest rate derivatives clearing service, SwapClear, one of the clearing platforms provided by multi-national clearing house, LCH. This will be key to execution of the rest of Africa strategy and growing MotoNovo.

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.9	8.1	10.4
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**13.9**	**14.2**	**17.1**

* *Excludes the bank-specific individual capital requirement and add-on for domestic systemically important banks.*

** *FRB including foreign branches. Includes unappropriated profits.*

The bank has maintained its 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 and accounting changes, macroeconomic conditions and future outlook.

The bank continues to actively manage capital composition and, to this end, issued approximately R4.9 billion Basel III-compliant Tier 2 instruments in the domestic market during the past 12 months. This resulted in a more efficient capital composition which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments, either in the domestic and/or international markets. This ensures sustainable support for ongoing growth initiatives and also compensates for the haircut applied to Tier 2 instruments which are not compliant with Basel III.

Liquidity position

Taking into account the liquidity risk introduced by its business activities across various currencies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality 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.

The bank exceeds the 70% (2015: 60%) minimum liquidity coverage ratio as set out by the Basel Committee for Banking Supervision (BCBS) with a Liquidity Coverage Ratio (LCR) for the bank of 102% (2015: 84%). At 30 June 2016, the bank's available HQLA sources of liquidity per the LCR was R141 billion, with an additional R11 billion of management liquidity available.

Regulatory changes

On 18 November 2015, the SARB released a proposed directive related to the Net Stable Funding Ratio (NSFR). The SARB believes that the BCBS calibration does not reflect the actual stability of institutional funding in the SA context, given the significant barriers preventing liquidity from leaving the domestic financial system. It has, therefore, proposed a 35% available stable funding factor for institutional funding less than six months in tenor, compared to 0% under the BCBS framework. It is expected that this change will significantly assist the SA banking sector in meeting the NSFR requirements without severely impacting the economy. FirstRand expects to be fully compliant with NSFR requirements on the new calibration.

PROSPECTS

Domestic GDP growth is expected to remain low throughout the 2017 financial year. Ongoing political and policy uncertainty, combined with an even more constrained global growth scenario, will continue to pose further downside risk.

Inflation will remain above the top end of the target band for the rest of 2016 year and into 2017 with some further increases in administered pricing anticipated whilst the SARB is moving towards the peak of the tightening cycle, event risk remains high.

The rand is expected to remain weak against the USD for the foreseeable future and could weaken further if domestic socio-economic uncertainty intensifies, the Fed hikes US rates aggressively and rating agencies downgrade the foreign currency sovereign rating by more than one notch.

Rest of Africa GDP is expected to average around 2.5% – 4% over the near term. Downside risks include the impact of Brexit, slowing Chinese trend growth along with a rebalancing of its growth dynamic away from resource intensive investment towards consumption. This will continue to weigh on the outlook for commodity prices. Dollar strength poses a challenge to countries that have high levels of foreign debt.

Against these short- to medium-term challenges, both domestic and regional, the bank expects credit growth to remain subdued, particularly as the origination businesses also continue to cut appetite in higher risk segments. Volumes in the transactional activities are expected to remain resilient despite lower economic activity mainly on the back of the leading market positions the franchises enjoy. Ongoing innovation in product and channel rollout will support this, as will the acquisition of new customers and cross-sell.

The group remains committed to growing economic profits on a sustainable basis and will continue to only allocate capital to growth initiative's that maximise returns. It remains confident that the quality of its portfolio of businesses, the strength of its balance sheet, ongoing discipline in resource allocation and the strategies it is currently investing in will ensure ongoing growth and superior returns to its shareholders.

EVENTS AFTER THE REPORTING PERIOD (AUDITED)

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

BOARD CHANGES

The following changes to the board of directors have taken place.

Appointments		Effective date
JP Burger	Chief executive officer	1 October 2015
AP Pullinger	Deputy chief executive officer and executive director	1 October 2015
PJ Makosholo	Non-executive director	1 October 2015
F Knoetze	Non-executive director	1 April 2016

Resignations		Effective date
SE Nxasana	Chief executive officer and executive director	30 September 2015
KB Schoeman	Non-executive director	30 September 2015
L Crouse	Non-executive director	31 March 2016

SEGMENT REPORT

for the year ended 30 June 2016

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	3 722	2 305	2 583	5 911	**14 521**	7 646	8	**22 175**
Impairment of advances	(387)	(565)	(1 078)	(755)	**(2 785)**	(397)	2	**(3 180)**
Net interest income after impairment of advances	3 335	1 740	1 505	5 156	**11 736**	7 249	10	**18 995**
Non-interest revenue	331	1 591	829	8 736	**11 487**	6 496	621	**18 604**
Income from operations	3 666	3 331	2 334	13 892	**23 223**	13 745	631	**37 599**
Operating expenses	(1 705)	(1 966)	(1 046)	(9 041)	**(13 758)**	(7 669)	(986)	**(22 413)**
Income before tax	1 961	1 365	1 288	4 851	**9 465**	6 076	(355)	**15 186**
Indirect tax	(13)	(49)	(18)	(283)	**(363)**	(36)	(2)	**(401)**
Profit for the year before tax	1 948	1 316	1 270	4 568	**9 102**	6 040	(357)	**14 785**
Income tax expense	(545)	(368)	(356)	(1 281)	**(2 550)**	(1 691)	100	**(4 141)**
Profit for the year	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
Attributable to								
Ordinary equityholders	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
Attributable earnings to ordinary shareholders	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 403	948	914	3 287	**6 552**	4 349	(257)	**10 644**
Cost-to-income ratio (%)	42.1	50.5	30.7	61.7	**52.9**	54.2	>100	**55.0**
Diversity ratio (%)	8.2	40.8	24.3	59.6	**44.2**	45.9	98.7	**45.6**
Credit loss ratio (%)	0.21	2.73	7.20	5.66	**1.20**	0.55	(0.33)	**1.04**
NPLs as a percentage of advances (%)	2.46	3.46	6.81	5.48	**3.03**	2.49	18.66	**2.93**
Income statement includes								
Depreciation	(6)	(5)	(5)	(1 342)	**(1 358)**	(33)	(4)	**(1 395)**
Amortisation	–	–	–	(12)	**(12)**	–	(1)	**(13)**
Net impairment charges	–	–	–	5	**5**	–	–	**5**
Statement of financial position includes								
Advances (after ISP – before impairments)	187 806	21 968	16 090	14 343	**240 207**	77 224	761	**318 192**
– Normal advances	187 806	21 968	16 090	14 343	**240 207**	77 224	761	**318 192**
– Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 628	759	1 095	786	**7 268**	1 922	142	**9 332**
Total deposits	131	1 557	2	178 459	**180 149**	167 399	758	**348 306**
Total assets	186 396	21 229	14 774	32 983	**255 382**	76 790	1 148	**333 320**
Total liabilities	186 017	20 575	14 207	23 093	**243 892**	73 236	1 507	**318 635**
Capital expenditure	–	3	7	2 636	**2 646**	33	–	**2 679**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 20.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
4 019	1 557	5 576	9 081	1 501	38 333	(2 790)	35 543
(514)	(162)	(676)	(2 694)	295	(6 255)	257	(5 998)
3 505	1 395	4 900	6 387	1 796	32 078	(2 533)	29 545
5 337	1 593	6 930	2 635	(908)	27 261	1 602	28 863
8 842	2 988	11 830	9 022	888	59 339	(931)	58 408
(4 731)	(1 881)	(6 612)	(5 226)	(1 141)	(35 392)	357	(35 035)
4 111	1 107	5 218	3 796	(253)	23 947	(574)	23 373
(83)	(7)	(90)	(232)	(40)	(763)	–	(763)
4 028	1 100	5 128	3 564	(293)	23 184	(574)	22 610
(1 128)	(308)	(1 436)	(990)	953	(5 614)	154	(5 460)
2 900	792	3 692	2 574	660	17 570	(420)	17 150
2 900	792	3 692	2 574	441	17 351	(420)	16 931
–	–	–	–	219	219	–	219
2 900	792	3 692	2 574	660	17 570	(420)	17 150
2 900	792	3 692	2 574	441	17 351	(420)	16 931
–	–	–	–	–	–	28	28
2 900	792	3 692	2 574	441	17 351	(392)	16 959
–	–	–	–	–	–	(102)	(102)
–	–	–	–	–	–	494	494
2 900	792	3 692	2 574	441	17 351	–	17 351
50.6	59.7	52.9	44.6	>100	54.0	–	54.4
57.0	50.6	55.4	22.5	(>100)	41.6	–	44.8
0.24	0.48	0.27	1.65	(0.04)	0.84	–	0.85
1.42	0.34	1.27	3.81	–	2.43	–	2.59
(103)	(3)	(106)	(461)	(27)	(1 989)	–	(1 989)
(6)	–	(6)	(22)	(5)	(46)	–	(46)
(44)	2	(42)	(77)	–	(114)	–	(114)
216 383	34 442	250 825	168 992	40 897	778 906	(47 814)	731 092
208 615	34 442	243 057	168 992	4 270	734 511	(3 419)	731 092
7 768	–	7 768	–	36 627	44 395	(44 395)	–
3 073	116	3 189	6 432	–	18 953	–	18 953
98 168	105 222	203 390	62	274 715	826 473	–	826 473
339 258	36 269	375 527	169 050	153 682	1 031 579	–	1 031 579
336 224	34 919	371 143	165 582	94 300	949 660	–	949 660
73	2	75	1 306	10	4 070	–	4 070

SEGMENT REPORT

for the year ended 30 June 2015

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa*	Total FNB
Net interest income before impairment of advances	3 548	1 856	2 232	4 794	**12 430**	6 454	4	**18 888**
Impairment of advances	(111)	(191)	(715)	(743)	**(1 760)**	(365)	(3)	**(2 128)**
Net interest income after impairment of advances	3 437	1 665	1 517	4 051	**10 670**	6 089	1	**16 760**
Non-interest revenue	305	1 436	757	8 511	**11 009**	6 006	501	**17 516**
Income from operations	3 742	3 101	2 274	12 562	**21 679**	12 095	502	**34 276**
Operating expenses	(1 689)	(1 772)	(916)	(8 625)	**(13 002)**	(6 901)	(824)	**(20 727)**
Income before tax	2 053	1 329	1 358	3 937	**8 677**	5 194	(322)	**13 549**
Indirect tax	(35)	(44)	(18)	(300)	**(397)**	(39)	(1)	**(437)**
Profit for the year before tax	2 018	1 285	1 340	3 637	**8 280**	5 155	(323)	**13 112**
Income tax expense	(565)	(360)	(375)	(1 018)	**(2 318)**	(1 444)	90	**(3 672)**
Profit for the year	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
Attributable to								
Ordinary equityholders	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
Attributable earnings to ordinary shareholders	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 453	925	965	2 619	**5 962**	3 711	(233)	**9 440**
Cost-to-income ratio (%)	43.8	53.8	30.6	64.8	**55.5**	55.4	>100	**56.9**
Diversity ratio (%)	7.9	43.6	25.3	64.0	**47.0**	48.2	99.2	**48.1**
Credit loss ratio (%)	0.06	1.08	5.42	6.82	**0.91**	0.58	0.88	**0.76**
NPLs as a percentage of advances (%)	2.54	2.09	4.91	4.10	**2.73**	2.18	18.06	**2.63**
Income statement includes								
Depreciation	(6)	(5)	(1)	(1 170)	**(1 182)**	(24)	(3)	**(1 209)**
Amortisation	–	–	–	(3)	**(3)**	–	–	**(3)**
Net impairment charges	–	–	–	(3)	**(3)**	–	–	**(3)**
Statement of financial position includes								
Advances (after ISP – before impairments)	180 208	19 488	13 856	12 315	**225 867**	67 147	443	**293 457**
– Normal advances	180 208	19 488	13 856	12 315	**225 867**	67 147	443	**293 457**
– Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 585	407	680	505	**6 177**	1 466	80	**7 723**
Total deposits	155	1 467	1	156 676	**158 299**	152 912	409	**311 620**
Total assets	178 987	18 895	12 787	30 417	**241 086**	66 580	579	**308 245**
Total liabilities	178 390	18 171	12 118	22 080	**230 759**	63 478	903	**295 140**
Capital expenditure	–	3	7	2 639	**2 649**	33	23	**2 705**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 01) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 20.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
3 939	1 286	5 225	7 755	2 045	33 913	(3 684)	30 229
(596)	(177)	(773)	(2 358)	266	(4 993)	637	(4 356)
3 343	1 109	4 452	5 397	2 311	28 920	(3 047)	25 873
5 336	1 510	6 846	2 376	(1 681)	25 057	4 159	29 216
8 679	2 619	11 298	7 773	630	53 977	1 112	55 089
(4 412)	(1 611)	(6 023)	(4 830)	(1 011)	(32 591)	(907)	(33 498)
4 267	1 008	5 275	2 943	(381)	21 386	205	21 591
(73)	16	(57)	(238)	(19)	(751)	–	(751)
4 194	1 024	5 218	2 705	(400)	20 635	205	20 840
(1 176)	(288)	(1 464)	(727)	681	(5 182)	(57)	(5 239)
3 018	736	3 754	1 978	281	15 453	148	15 601
3 018	736	3 754	1 978	74	15 246	148	15 394
–	–	–	–	207	207	–	207
3 018	736	3 754	1 978	281	15 453	148	15 601
3 018	736	3 754	1 978	74	15 246	148	15 394
–	–	–	–	–	–	(7)	(7)
3 018	736	3 754	1 978	74	15 246	141	15 387
–	–	–	–	–	–	(107)	(107)
–	–	–	–	–	–	(34)	(34)
3 018	736	3 754	1 978	74	15 246	–	15 246
47.6	57.6	49.9	47.7	>100	55.3	–	56.4
57.5	54.0	56.7	23.5	(>100)	42.5	–	49.1
0.29	0.56	0.33	1.54	(0.04)	0.73	–	0.66
0.92	1.06	0.94	3.55	–	2.17	–	2.27
(66)	(3)	(69)	(411)	(28)	(1 717)	–	(1 717)
(8)	–	(8)	(36)	(3)	(50)	–	(50)
–	–	–	–	2	(1)	–	(1)
208 624	33 192	241 816	157 982	25 516	718 771	(33 294)	685 477
197 468	33 192	230 660	157 982	6 594	688 693	(3 216)	685 477
11 156	–	11 156	–	18 922	30 078	(30 078)	–
1 925	352	2 277	5 603	–	15 603	(50)	15 553
94 076	98 083	192 159	53	275 871	779 703	–	779 703
316 633	36 081	352 714	157 554	131 446	949 959	–	949 959
313 381	34 764	348 145	154 915	76 762	874 962	–	874 962
172	3	175	826	6	3 712	–	3 712

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Year ended 30 June 2016				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	**4 344**	**1 808**	**670**	**2 259**	**9 081**
Impairment of advances	**(1 366)**	**(338)**	**(15)**	**(975)**	**(2 694)**
Normalised profit before tax	**1 731**	**950**	**385**	**498**	**3 564**
Normalised earnings	**1 247**	**684**	**284**	**359**	**2 574**
Advances	**98 377**	**28 866**	**29 879**	**11 870**	**168 992**
NPLs	**4 857**	**126**	**321**	**1 128**	**6 432**
Advances margin (%)	**3.76**	**5.65**	**2.40**	**19.52**	**4.86**
NPLs (%)	**4.94**	**0.44**	**1.07**	**9.50**	**3.81**
Credit loss ratio (%)	**1.41**	**1.36**	**0.05**	**8.73**	**1.65**

	Year ended 30 June 2015				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	4 082	933	702	2 038	7 755
Impairment of advances	(1 217)	(163)	(149)	(829)	(2 358)
Normalised profit before tax	1 480	455	265	505	2 705
Normalised earnings	1 066	328	220	364	1 978
Advances	95 759	20 923	30 828	10 472	157 982
NPLs	4 163	75	462	903	5 603
Advances margin (%)	3.71	5.69	2.56	19.60	4.69
NPLs (%)	4.35	0.36	1.50	8.62	3.55
Credit loss ratio (%)	1.27	0.96	0.49	8.45	1.54

income statement analysis

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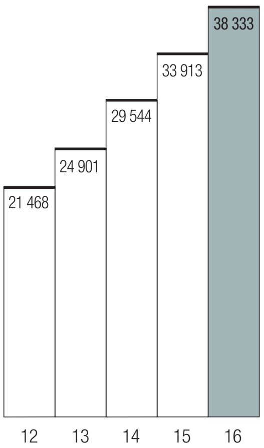
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 13%

NET INTEREST INCOME

R million

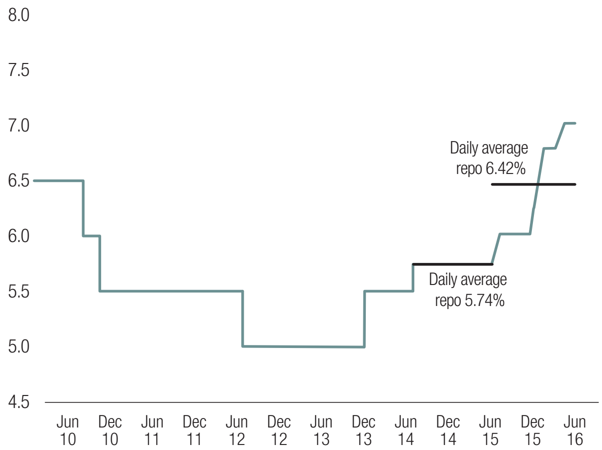
CAGR 16%



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

REPO RATE

%



Note: R154 billion = average endowment book for the year. Rates were higher by 68 bps on average in the current year, which translates into a positive endowment impact of approximately R1 049 million.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
June 2015 normalised margin	**5.02**
Capital and endowment benefit	**0.19**
Advances	**0.10**
– Change in balance sheet mix	**0.03**
– Asset pricing	**0.07**
Liabilities	**(0.08)**
– Change in balance sheet mix (deposits)	**0.04**
– Term funding cost	**(0.08)**
– Deposit pricing	**(0.04)**
Group Treasury and other movements	**(0.06)**
– MTM vs accrual on term issuance in professional funding	**(0.04)**
– Increase in HQLA	**(0.05)**
– Other accounting mismatches and interest rate risk hedges	**0.03**
June 2016 normalised margin	**5.17**

ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	2016	2015	% change
Net interest income			
Lending	**17 640**	16 414	7
Transactional*	**12 498**	10 061	24
Deposits	**2 690**	2 434	11
Capital endowment	**4 280**	3 340	28
Group Treasury	**598**	1 307	(54)
Other (negative endowment, e.g fixed assets)	**627**	357	76
Total net interest income	**38 333**	33 913	13

* *Includes NII related to transactional deposit products and related deposit endowment, overdrafts and credit cards.*

KEY DRIVERS

- Positive endowment effect from the 25 bps increases in the repo rate in July and November 2015 and March 2016, and 50 bps in January 2016 (an average increase of 68 bps in the repo rate for the year).
- Higher capital levels further underpinned NII growth.
- Strong advances and deposit growth of 8% and 6%, respectively, boosted NII.
- An increase in FNB margins mainly due to endowment on increased deposit base. Advances growth and repricing benefits in card, retail overdrafts and FNB loans, were, to some extent, offset by higher funding and liquidity costs.
- WesBank's margins increased as a result of the change in mix of the advances portfolio and strong book growth in MotoNovo (UK), offset by an increase in funding and liquidity costs, and increased market pricing competitiveness.
- Investment banking advances margins were negatively impacted by higher term funding and liquidity costs as well as competitive pricing pressure locally and internationally, resulting in constrained long-term asset and margin growth.
- A decrease of R74 million (2015: R77 million increase) in the dollar funding carry costs relating to excess dollar liquidity, impacted by the deployment of a portion of the funding of assets during the current year.
- R319 million (2015: R196 million) positive mark-to-market movement in the non-hedge accounted interest rate risk management hedge positions. These will pull to par in future periods.
- A reduction of R282 million in the mark-to-market movements (2015: positive R347 million) on fair value term funding instruments due to movements in the domestic yield curve. These movements will reverse over the duration of the underlying instruments. These are long-dated instruments.
- With the liquidity coverage ratio (LCR) becoming a prudential regulatory requirement from 1 January 2015, higher holdings of HQLA resulted in lower interest margins in the bank.

AVERAGE BALANCE SHEET

		June 2016			June 2015		
R million	Notes	Average balance[#,†]	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate				**9.92**			9.24
Balances with central banks		**18 506**	**–**	**–**	17 225	–	–
Cash and cash equivalents		**13 457**	**341**	**2.53**	14 756	369	2.50
Liquid assets portfolio		**89 339**	**6 513**	**7.29**	61 382	4 334	7.06
Loans and advances to customers	1	**620 413**	**66 210**	**10.67**	582 194	57 827	9.93
Interest-earning assets		**741 715**	**73 064**	**9.85**	675 557	62 530	9.26
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.59**			6.05
Deposits due to customers	2	**(439 698)**	**(19 291)**	**4.39**	(393 539)	(15 123)	3.84
Group Treasury funding		**(266 855)**	**(16 785)**	**6.29**	(249 744)	(14 735)	5.90
Interest-bearing liabilities		**(706 553)**	**(36 076)**	**5.11**	(643 283)	(29 858)	4.64
ENDOWMENT AND TRADING BOOK							
Other assets*		**190 890**	**–**	**–**	134 616	–	–
Other liabilities**		**(145 697)**	**–**	**–**	(98 098)	–	–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(77 355)**	**–**	**–**	(65 792)	–	–
Endowment and trading book		**(35 162)**	**1 345**	**(3.83)**	(32 274)	1 241	(3.85)
Total interest-bearing liabilities, endowment and trading book		**(741 715)**	**(34 731)**	**4.68**	(675 557)	(28 617)	4.24
Net interest margin on average interest-earning assets		**741 715**	**38 333**	**5.17**	675 557	33 913	5.02

Interest income is the gross interest received on assets and interest expense is the gross interest paid on liabilities.
* *Includes preference share advances, trading assets and securitisation notes.*
** *Includes trading liabilities.*
\# *Includes level 1 HQLA.*
† *Includes level 2 HQLA and corporate bonds not qualifying as HQLA.*

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

R million	June 2016 Average balance	June 2016 Average margin %	June 2015** Average balance	June 2015** Average margin %
Average prime rate (RSA)		**9.92**		9.24
ADVANCES				
Retail – secured	**308 452**	**2.70**	290 538	2.65
Residential mortgages	**185 354**	**1.73**	175 750	1.77
VAF	**123 098**	**4.15**	114 788	3.98
Retail – unsecured	**61 469**	**12.56**	52 094	12.42
Card	**21 194**	**9.63**	17 732	9.10
Personal loans	**26 237**	**17.07**	22 947	17.08
– FNB loans	**15 204**	**15.29**	13 233	15.24
– WesBank loans	**11 033**	**19.52**	9 714	19.60
Overdrafts	**14 038**	**8.55**	11 415	8.21
Corporate and commercial	**250 492**	**2.39**	239 562	2.42
FNB commercial	**70 804**	**3.53**	60 918	3.70
– Mortgages	**16 776**	**2.49**	14 580	2.62
– Overdrafts	**25 808**	**4.53**	21 840	4.87
– Term loans	**28 220**	**3.24**	24 498	3.30
WesBank corporate	**30 143**	**2.40**	29 598	2.56
RMB investment banking*	**119 932**	**1.82**	123 014	1.92
RMB corporate banking	**29 613**	**1.90**	26 032	1.62
Total advances	**620 413**	**3.55**	582 194	3.43

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

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

*** 2015 margins have been restated due to segmentation.*

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

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

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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

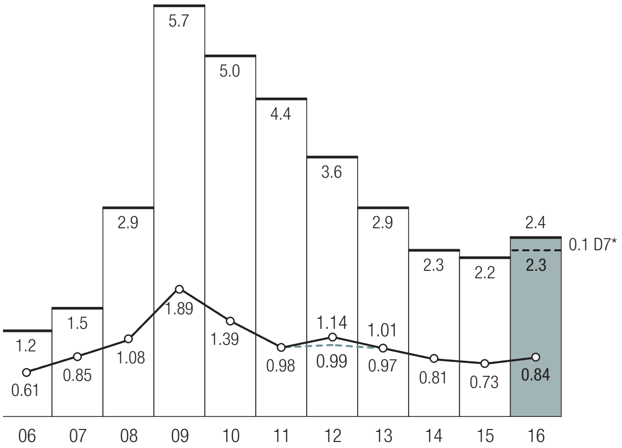
	June 2016		June 2015*	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**9.92**		9.24
DEPOSITS				
Retail	**153 868**	**3.00**	134 941	2.86
Current and savings	**52 016**	**6.37**	47 393	5.59
Call	**2 633**	**3.01**	2 928	2.84
Money market	**35 457**	**1.51**	29 164	1.65
Term	**63 762**	**1.07**	55 456	1.15
Commercial	**159 720**	**2.80**	141 837	2.57
Current and savings	**59 722**	**5.56**	53 758	4.94
Call	**39 072**	**1.35**	35 235	1.29
Money market	**21 164**	**2.10**	19 381	2.01
Term	**39 762**	**0.45**	33 463	0.46
Corporate and investment banking	**126 110**	**0.78**	116 761	0.69
Current and savings	**56 832**	**1.33**	48 946	1.31
Call	**28 890**	**0.48**	36 857	0.22
Term	**40 388**	**0.23**	30 958	0.28
Total deposits	**439 698**	**2.29**	393 539	2.11

Average balances are daily averages for FNB and WesBank, and monthly averages for RMB.

* *2015 margins have been restated due to segmentation.*

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



* *Further information is on page 28.*

R million	Year ended 30 June 2016	2015	% change
Total gross advances – including credit-related assets*	**778 906**	718 771	8
NPLs – including credit-related assets	**18 953**	15 603	21
NPLs as a % of advances – including credit-related assets	**2.43**	2.17	
Impairment charge – including credit-related assets	**6 255**	4 993	25
Impairment charge as a % of average advances – including credit-related assets	**0.84**	0.73	
Total impairments*	**14 818**	13 514	10
– Portfolio impairments	**7 510**	7 109	6
– Specific impairments	**7 308**	6 405	14
Implied loss given default (coverage)**	**38.6**	41.0	
Total impairments coverage ratio#	**78.2**	86.6	
Performing book coverage ratio†	**0.99**	1.01	

* *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 credit loss ratio increased from 73 bps in June 2015 to 84 bps, reflecting the deteriorating macroeconomic environment, resulting in increased specific impairments and the creation of additional portfolio impairments during the year. This represents a 25% increase.

Operational NPLs increased 15% excluding the impact of the distressed debt reclassification, as detailed below.

This has, in part been driven by strong book growth in card, FNB loans and other retail, although advances growth rates have moderated from the comparative period.

Prior to the year under review, FNB and WesBank adopted different approaches to the treatment of unsecured loans customers currently in debt review. FNB did not specifically reference debt review as a default event, i.e. classified as NPLs, whereas WesBank classified all unsecured and VAF debt review customers as NPLs whether in arrears or not. Following an assessment in the current year of the *SARB Directive 7,* the bank took the opportunity to align FNB to WesBank's classification (D7), which is even more stringent than the SARB requirements. As a result, in the current year FNB migrated all unsecured loans debt review customers from performing or arrears to NPLs.

For residential mortgages (secured loans) the treatment now is to reflect all debt review customers which are currently performing (i.e. no instalment in arrears under the original contract) to the arrears bucket. Accounts that were two months in arrears were relegated to NPLs.

The consequence of this reclassification was minimal on the actual impairment charge, however, NPLs across all FNB retail portfolios increased R953 million in the current year, contributing a 6% increase to bank NPLs (up 21%) and 0.3% to the ratio of retail NPLs as a % of advances.

Given that these paying distressed debt customers have a lower LGD (loss given default) experience, the overall coverage per product reduces.

The table below details the impact to NPLs in the current year across the FNB portfolios and in total for the bank.

R million	Operational NPLs	Reclassified NPLs	Total NPLs	Total NPLs % increase	Operational NPLs % change
Residential mortgages	4 253	375	4 628	1	(7)
Card	559	200	759	86	37
Personal loans	843	252	1 095	61	24
Retail other	660	126	786	56	31
Total NPLs	18 000	953	18 953	21	15

Operational NPLs include distressed debt review that migrated into NPLs through the normal ageing process (≥3 instalments past due) prior to the reclassification in the current year.

The bank continues to adopt the policy of not rescheduling paying debt review customers to performing status irrespective of payment behaviour under debt review requirements. This is more conservative than the allowed treatment under D7 rehabilitation/curing requirements which allow the customers to be reclassified as "performing" once at least six consecutive payments are received. The next phase of the alignment project will agree the write off policies across the unsecured products and the bank will take cognisance of IFRS 9 principles.

	Debt review coverage		Non-debt review coverage		Total NPL coverage		
Coverage ratio (%)	2016	2015	2016	2015	2016	2015	
FNB credit card	**43.0**	–*	**76.0**	72.7	**67.3**	72.7	
FNB retail other	**43.0**	–*	**75.6**	77.6	**70.4**	77.4	
FNB loans	**66.7**	–*	**70.1**	74.3	**69.3**	74.3	
WesBank loans**	**32.6**	46.6	**70.2**	67.7	**41.2**	52.8	
VAF**	**18.3**	25.2	**40.5**	38.4	**29.5**	31.9	

* *2015 not restated for FNB and coverage not calculated.*

** *The debt review coverage reduced year-on-year due to the increasing proportions of older paying debt review accounts, consistent with prior year trends.*

The total impairment coverage ratio reduced to 78.2% from 86.6% at June 2015 given the change in NPL mix and the impact of paying debt review customers. The increase in portfolio impairments was driven by strong book growth in the unsecured lending portfolios, specifically personal loans and card, and FNB retail other. Additional portfolio impairments of >R300 million were created in RMB against the broader resources portfolios. The performing book coverage ratio of 99 bps reduced marginally from the prior year of 101 bps. This was largely as a result of the partial central overlay release, given the previously identified risk manifesting with the NPL formation increasing in some of the underlying franchises and products over the last 12 months, resulting in higher specific impairments.

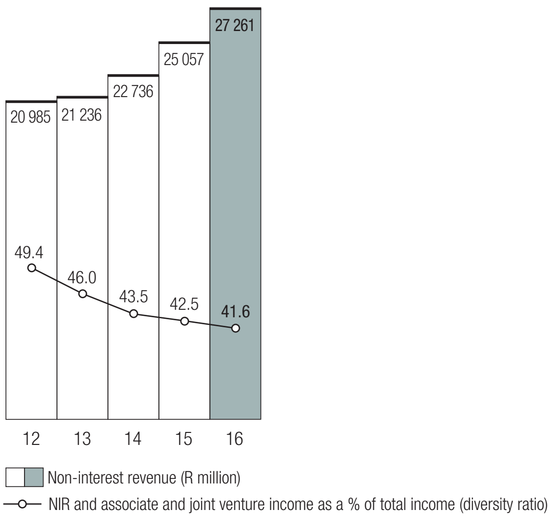
KEY DRIVERS

- Retail NPLs as a % of advances increased 18% to 3.53% (2015: 3.21%), impacted by a marginal increase of R43 million in residential mortgage NPLs largely due to the D7 definition change. The turn of the cycle, resulting in lower cure rates and an increase in new NPL formation across the portfolio, is expected to continue.
- A 61% increase in FNB loans and 86% increase in card NPLs, reflecting the worsening macro environment, new book strain and the impact of implementation of D7. D7 amounted to 61% and 57%, respectively, of the increase in NPLs in these portfolios.
- SA retail VAF and WesBank personal loans NPLs increased 17% and 25% respectively. Restructured debt review accounts, a large proportion of which are performing, as well as the worsening cycle impacted NPL formation.
- Corporate and commercial NPLs increased 29%. Specific impairments, however, increased only 1% due to significant collateral held on the related NPLs. This resulted in the coverage ratio lowering to 44.1% from 56.5% in June 2015.
- Post write-off recoveries remained robust at R1.86 billion (2015: R1.83 billion) driven by card, the unsecured retail lending portfolios and VAF.

NON-INTEREST REVENUE – UP 9%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 7%



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

ANALYSIS OF NON-INTEREST REVENUE

R million	Notes	Year ended 30 June 2016	2015	% change
Fee and commission income	1	**21 297**	20 009	6
Markets, client and other fair value income	2	**2 807**	2 522	11
Investment income		**91**	74	23
Other non-interest revenue	3	**3 066**	2 452	25
Total non-interest revenue		**27 261**	25 057	9

NIR growth was satisfactory given the negative regulatory impact of the reduction in interchange fees which became effective on 16 March 2015, resulting in a negative “drag” of c.R300 million, as well as the difficult macro environment. The overall negative impact was cushioned by increased transaction volumes during the year, assisted by the change in eBucks rewards.

Fee and commission income growth was pleasing given these factors, benefiting from robust volume growth specifically in the electronic channels, in line with FNB’s strategy. Fee and commission income represents 78% (2015: 80%) of total NIR.

The downward trend in the diversity ratio, despite very strong growth in NIR over the past five years, results from strong deposit growth together with endowment impacts, specific credit strategies, including strong corporate advances growth, change in mix in retail and repricing strategies. NIR was also impacted by lower absolute transactional fees as a result of e-migration and regulatory pressures, as mentioned above.

NOTE 1 – FEE AND COMMISSION INCOME – UP 6%

	Year ended 30 June		
R million	2016	2015	% change
Bank commissions and fee income	**21 342**	20 292	5
– Card commissions	**3 062**	3 342	(8)
– Cash deposit fees	**1 752**	1 724	2
– Commissions on bills, drafts and cheques	**1 963**	1 727	14
– Bank charges*	**14 565**	13 499	8
Knowledge-based fees	**1 337**	976	37
Management and fiduciary fees	**683**	577	18
Insurance income	**1 210**	1 045	16
Other non-bank commissions	**638**	513	24
Gross fee and commission income	**25 210**	23 403	8
Fee and commission expenditure	**(3 913)**	(3 394)	15
Total fee and commission income	**21 297**	20 009	6

* *Bank charges include annual and monthly administrative fees, fees for customer transaction processing, e.g. SASwitch fees, cash withdrawal fees, debit order charges, internet banking fees, and utilisation of other banking services.*

KEY DRIVERS

- FNB grew NIR 6%, negatively affected by the year-on-year reduction of c.R300 million (8%) in interchange fees (decreasing card commissions) and an increase of 14% (R176 million) in allocated rewards, in line with strategy to migrate clients to electronic transaction channels.
- Financial transaction volume growth remained robust at 12%, benefiting from increased product cross-sell and up-sell, and an increase of 4% in the active customer base, with growth of 10% in Premium. Insurance revenues grew 16%. Absolute growth in fee income was curtailed by the continued strategy to migrate customers to electronic channels.
- Electronic volumes increased 13%, while manual volumes grew marginally above 2%.

	Increase in transaction volumes %
Mobile (excluding prepaid)	**21**
Internet banking	**4**
Cheque card	**11**
Banking app	**76**
ADT/ATM cash deposits	**24**

- WesBank's NIR growth of 11% was underpinned by satisfactory new business volumes of 18%, and a strong performance from MotoNovo (UK).
- Knowledge-based fees remained robust, underpinned by solid levels of M&A advisory income as well as high levels of structuring fees due to strong deal flow, specifically relating to developed market cross-border activity with some notable deals concluded during the year.

NOTE 2 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 11%

	Year ended 30 June		
R million	2016	2015	% change
Client*	**1 201**	1 623	(26)
Markets	**1 532**	769	99
Other	**74**	130	(43)
Total	**2 807**	2 522	11

** The review of RMB's organisational business model has led to further refinement of disclosures.*

KEY DRIVERS

- Client revenues remained resilient, specifically in currency-facilitation, albeit at lower levels than the comparative period. Trading conditions in SA remained under pressure on the back of increased competition and compressed margins.
- The results from the structuring business was more muted in the current financial year, negatively impacted by a specific credit event related to a client impacted by the foreign exchange volatility and a reduction in structuring activity year-on-year.
- The markets business was positively impacted by soft and hard commodity prices, coupled with increased gold demand from the Indian market. Flow trading and residual risk activities remained robust, benefiting from increased volatility and volumes, specifically in the foreign exchange and inflation desks, with a resilient performance from the fixed income business post the significant rate volatility experienced in December 2015.
- The decrease in other fair value is primarily due to movement in the net TRS fair value income impacted by the R8.48 reduction in the group's share price in comparison to the R12.57 increase in the share price in the prior year.

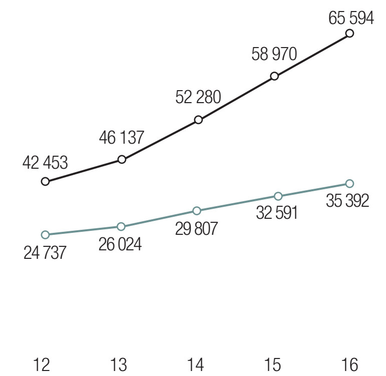
NOTE 3 – OTHER NON-INTEREST REVENUE – UP 25%

Other NIR includes rental income, with the most significant rental income being the WesBank fixed maintenance rental income, and smart box and speedpoint rental.

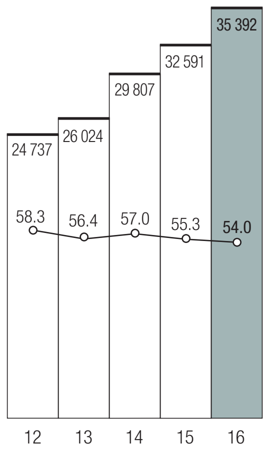
The bank provides various services to other entities in the group, for which it earns income. This income is included in other NIR and has shown strong growth.

OPERATING EXPENSES – UP 9%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: 2013 to 2016 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

OPERATING EXPENSES

	Year ended 30 June		
R million	**2016**	2015	% change
Staff expenditure	**20 724**	19 169	8
– Direct staff expenditure	**13 257**	11 558	15
– Other staff-related expenditure	**7 467**	7 611	(2)
Depreciation	**1 989**	1 717	16
Amortisation of other intangible assets	**46**	50	(8)
Advertising and marketing	**1 025**	1 044	(2)
Insurance	**225**	209	8
Lease charges	**1 189**	1 093	9
Professional fees	**1 521**	1 259	21
Audit fees	**288**	244	18
Computer expenses	**1 577**	1 388	14
Maintenance	**1 070**	871	23
Telecommunications	**251**	264	(5)
Cooperation agreements and joint ventures	**579**	871	(34)
Property	**767**	763	1
Business travel	**350**	319	10
Other operating expenditure	**3 791**	3 330	14
Total operating expenses	**35 392**	32 591	9

KEY DRIVERS

- Cost growth was 9% with core costs, excluding new investment and “build the business” system and platform costs, growing 7%.
- This was primarily driven by lower variable costs resulting from moderation in the level of income generation and a relative change in income mix in the current year.
- Overall cost growth reflects ongoing investment in capacity and expansion initiatives, and was also negatively impacted by the rand depreciating against international currencies year-on-year.

	% change	Reasons
Direct staff costs	**15**	Unionised increases in excess of 9% in August 2015 and a reallocation of >R200 million between other staff costs to direct staff cost relating to Pension Fund contributions and currency depreciation in foreign branches.
Other staff-related expenditure	**(2)**	The moderation from 12% in the year to June 2015 is directly related to lower levels of profitability and NIACC growth in the current year, and lower IFRS 2 share-based payment expenses given the negative move in the group’s share price during the year.

- The increase of 16% in depreciation was impacted by increased investment in infrastructure, e.g. ATMs/ADTs over the last few years, ongoing investment in electronic platforms and the commissioning of new premises over the previous two financial years.
- The 21% growth in professional fees and 14% growth in computer expenses reflect increased spend on development, implementation and improvement projects related to various electronic platforms, additional compliance-related projects, as well as the impact of the rand depreciation during the year.
- The increase in audit fees are partly driven by additional audit costs of new businesses and additional non-audit service spend relating to IFRS 9 implementation as well as other group projects.

DIRECT TAXATION – UP 8%

The bank’s effective tax rate reduced marginally from 25.1% to 24.2%, impacted by slower growth in standard rated NII and NIR, e.g. fee and commission income during the year.

balance sheet analysis and financial resource management

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ECONOMIC VIEW OF THE BALANCE SHEET

The structure of the balance sheet reflects the group's strategy since 2009 to increase balance sheet resilience, diversify credit exposures across sectors and segments, and increase market liquidity with less reliance on institutional funding.

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 (41%), retail unsecured (8%) and corporate and commercial (49%) with 92% of advances rated B or better. Total NPLs were R18 953 million (2.43% as a percentage of advances) with a credit loss ratio of 0.84%.

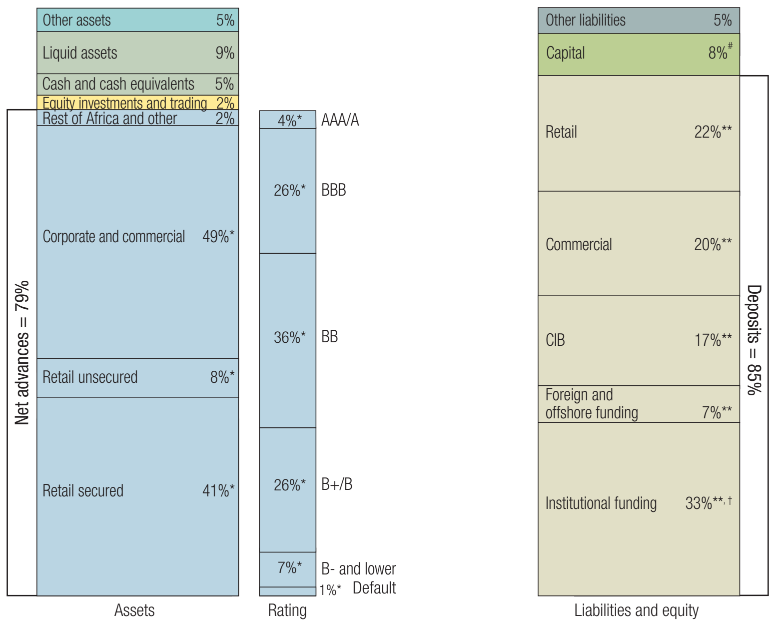
Cash and cash equivalents, and liquid assets represent 5% and 9%, respectively, of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low.

The 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 31 months at 30 June 2016 (2015: 31 months).

The bank's capital ratios remained strong with the CET1 ratio 13.9%, Tier 1 ratio 14.2% and total capital adequacy ratio 17.1%. Gearing decreased to 13.1 times (2015: 13.5 times).

ECONOMIC VIEW OF THE BALANCE SHEET

%



* *As a proportion of loans and advances.*

** *As a proportion of deposit franchise.*

\# *Ordinary equity and NCNR preference shares and Tier 2 liabilities (2%).*

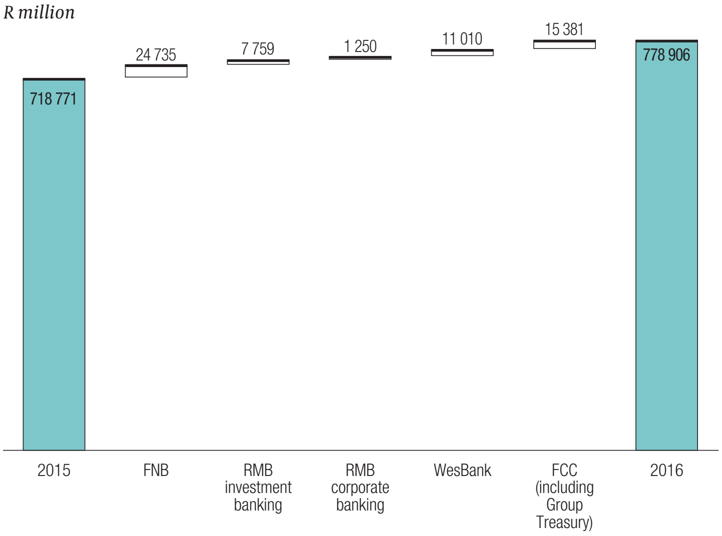
† *Includes RMB institutional funding and foreign branch platform.*

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

ADVANCES – UP 8%

GROSS ADVANCES GROWTH BY FRANCHISE

R million



ADVANCES

R million	As at 30 June		
	2016	2015	% change
Normalised gross advances	**778 906**	718 771	8
Normalised impairment of advances	**(14 818)**	(13 514)	10
Normalised net advances	**764 088**	705 257	8

Advances growth moderated from 11% for the interim reporting period ended December 2015 to 8% for the financial year.

Growth rates moderated across most retail portfolios compared to the prior year as well as compared to the first half of the financial year, reflecting the impact of the continued deterioration in the macro environment, the rising interest rate cycle and the bank's resultant reduced risk appetite.

The SA macro environment, adverse commodity cycle and higher funding costs contributed to a dampening in the corporate portfolio growth rates over the last 12 to 18 months. This coupled with disciplined financial resource allocation, margin compression and continued proactive provisioning contributed to muted balance sheet growth in the corporate portfolio. Satisfactory growth continued in the commercial portfolio, although moderating in the second half of the financial year.

Advances *continued*

PORTFOLIO/ PRODUCT	% CHANGE	KEY DRIVERS
FNB retail	**6**	
Residential mortgages	4	➲ Continued strong growth of 13% in secured affordable housing, on the back of client demand. ➲ 3% growth in FNB HomeLoans, with growth marginally below nominal house price inflation.
Card	13	➲ Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation, primarily in the Premium segment. Growth in Consumer card was flat given reduced risk appetite.
Personal loans	16	➲ Growth slowed down from 19% recorded in the six month period to December 2015 reflecting a more conservative origination appetite since November 2015.
Retail other	16	➲ Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating from the prior year, reflecting lower risk appetite, slowing customer acquisition and more competitive pressures.
FNB commercial	**15**	➲ Reflects targeted new client acquisition in the business segment, resulting in growth of 19% in Agric, 15% commercial property finance and 13% in specialised finance advances.
RMB*	**2**	➲ Growth in the SA advances book slowed from the 7% recorded in the prior year, reflecting the constrained macro environment and competitive pressures. Cross-border growth was up 11% in USD terms. The introduction of the LCR with effect from 1 January 2015 and the resultant creation of HQLA, in addition to the macro environment, resulted in growth of 4% in RMB's core advances book, down from 7% in the prior year.
WesBank	**7**	➲ Strong growth of 36% in GBP terms in new business volumes in MotoNovo, driven by increased volumes, new products and increased footprint. ➲ Overall growth in advances was negatively impacted by new business volumes of 2% in SA Retail VAF, impacted by the 12% negative year-on-year new passenger vehicle sales in South Africa and an increase of 10% in new business volumes in WesBank loans, reflecting a reduction in risk appetite in light of the macro environment. ➲ Corporate new business volumes reflected 4% growth, reflecting the difficult macro environment.

* *Excludes assets under agreements to resell.*

CREDIT

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		Year ended 30 June		
R million	Notes	**2016**	2015	% change
Total gross advances – including credit-related assets*	1	**778 906**	718 771	8
NPLs – including credit-related assets	2	**18 953**	15 603	21
NPLs as a % of advances – including credit-related assets	2	**2.43**	2.17	
Impairment charge – including credit-related assets	3	**6 255**	4 993	25
Impairment charge as a % of average advances – including credit-related assets	3	**0.84**	0.73	
Total impairments*	4	**14 818**	13 514	10
– Portfolio impairments		**7 510**	7 109	6
– Specific impairments		**7 308**	6 405	14
Implied loss given default (coverage)**	4	**38.6**	41.0	
Total impairments coverage ratio#		**78.2**	86.6	
Performing book coverage ratio†		**0.99**	1.01	

* *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 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, firstly, 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. Secondly, certain investment securities designated as HQLA and certain corporate bonds have been reclassified as loans and advances. The adjustments had the following impact:

- advances were increased with HQLA and corporate bonds of R47 814 million (2015: R33 294 million) inclusive of statement of financial position credit fair value adjustments of R3 419 million (2015: R3 424 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R257 million (2015: R637 million). Under IFRS, these are accounted for under NIR.

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances			
	As at 30 June			
R million	**2016**	2015	% change	**2016 % composition**
Retail	**379 320**	353 021	7	**50**
Retail – secured	**315 049**	296 890	6	**42**
Residential mortgages	**187 806**	180 208	4	**25**
VAF	**127 243**	116 682	9	**17**
– SA	**98 377**	95 759	3	**13**
– MotoNovo (UK)*	**28 866**	20 923	38	**4**
Retail – unsecured	**64 271**	56 131	15	**8**
Card	**21 968**	19 488	13	**3**
Personal loans	**27 960**	24 328	15	**4**
– FNB	**16 090**	13 856	16	**2**
– WesBank	**11 870**	10 472	13	**2**
Retail other	**14 343**	12 315	16	**1**
Corporate and commercial	**378 225**	349 285	8	**47**
FNB commercial	**77 224**	67 147	15	**10**
WesBank corporate	**29 879**	30 828	(3)	**4**
RMB investment banking	**216 383**	208 624	4	**28**
RMB corporate banking	**34 442**	33 192	4	**4**
HQLA corporate advances**	**20 297**	9 494	>100	**1**
FNB Africa#	**761**	443	72	**–**
FCC (including Group Treasury)	**20 600**	16 022	29	**3**
Securitisation notes	**14 641**	7 301	>100	**2**
Other	**5 959**	8 721	(32)	**1**
Total advances	**778 906**	718 771	8	**100**
Of which:				
Accrual book	**532 530**	491 021	8	**68**
Fair value book†	**246 376**	227 750	8	**32**

* *MotoNovo (UK) book GBP 1.47 billion (+34%).*

** *Managed by the Group Treasurer.*

Includes activities in FNB India.

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

The table below reflects assets under agreements to resell included in the RMB corporate and investment banking loan books.

R million	Advances			
	As at 30 June			
	2016	2015	% change	**2016 % composition**
Corporate and investment banking advances	**250 825**	241 816	4	**100**
Less: assets under agreements to resell	**(40 818)**	(35 600)	15	**(16)**
RMB advances net of assets under agreements to resell	**210 007**	206 216	2	**84**

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

R million	Advances			
	As at 30 June			
	2016	2015	% change	**2016 % composition**
Gross advances	**780 374**	720 142	8	**100**
Less: interest in suspense	**(1 468)**	(1 371)	7	**–**
Advances net of interest in suspense	**778 906**	718 771	8	**100**
Sector analysis				
Agriculture	**28 032**	25 216	11	**4**
Banks	**10 674**	16 651	(36)	**1**
Financial institutions	**101 303**	83 746	21	**13**
Building and property development	**39 315**	33 012	19	**5**
Government, Land Bank and public authorities	**19 524**	17 610	11	**3**
Individuals	**366 556**	341 998	7	**47**
Manufacturing and commerce	**86 185**	87 451	(1)	**11**
Mining	**16 426**	23 715	(31)	**2**
Transport and communication	**19 320**	16 806	15	**2**
Other services	**91 571**	72 566	26	**12**
Total advances	**778 906**	718 771	8	**100**
Geographic analysis				
South Africa	**708 002**	647 514	9	**91**
Other Africa	**25 740**	29 801	(14)	**3**
UK	**32 255**	29 553	9	**4**
Other Europe	**6 155**	5 153	19	**1**
North America	**798**	308	>100	**–**
South America	**952**	718	33	**–**
Australasia	**409**	2	>100	**–**
Asia	**4 595**	5 722	(20)	**1**
Total advances	**778 906**	718 771	8	**100**

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL VIEW OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			2016	As at 30 June	
R million	**2016**	2015	% change	**% composition**	**2016**	2015
Retail	**13 379**	11 318	18	**70**	**3.53**	3.21
Retail – secured	**9 611**	8 823	9	**50**	**3.05**	2.97
Residential mortgages	**4 628**	4 585	1	**24**	**2.46**	2.54
VAF	**4 983**	4 238	18	**26**	**3.92**	3.63
– SA	**4 857**	4 163	17	**25**	**4.94**	4.35
– MotoNovo (UK)	**126**	75	68	**1**	**0.44**	0.36
Retail – unsecured	**3 768**	2 495	51	**20**	**5.86**	4.44
Card	**759**	407	86#	**4**	**3.46**	2.09
Personal loans	**2 223**	1 583	40	**12**	**7.95**	6.51
– FNB	**1 095**	680	61#	**6**	**6.81**	4.91
– WesBank	**1 128**	903	25	**6**	**9.50**	8.62
Retail other	**786**	505	56#	**4**	**5.48**	4.10
Corporate and commercial	**5 432**	4 205	29	**29**	**1.44**	1.20
FNB commercial	**1 922**	1 466	31	**10**	**2.49**	2.18
WesBank corporate	**321**	462	(31)	**2**	**1.07**	1.50
RMB investment banking	**3 073**	1 925	60	**16**	**1.42**	0.92
RMB corporate banking	**116**	352	(67)	**1**	**0.34**	1.06
HQLA corporate advances*	**–**	–	–	**–**	**–**	–
FNB Africa**	**142**	80	78	**1**	**18.66**	18.06
FCC (including Group Treasury)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total NPLs	**18 953**	15 603	21	**100**	**2.43**	2.17
Of which:						
Accrual book	**16 321**	13 726	19	**86**	**3.06**	2.80
Fair value book	**2 632**	1 877	40	**14**	**1.07**	0.82

* *Managed by the Group Treasurer.*

** *Includes activities in FNB India.*

\# *Including the impact of debt review reclassification. Refer to page 28 for additional information.*

SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			2016	As at 30 June	
R million	**2016**	2015	% change	**% composition**	**2016**	2015
Sector analysis						
Agriculture	**394**	220	79	**2**	**1.41**	0.87
Banks	**41**	–	>100	**–**	**0.38**	–
Financial institutions	**91**	97	(6)	**–**	**0.09**	0.12
Building and property development	**1 237**	1 391	(11)	**7**	**3.15**	4.21
Government, Land Bank and public authorities	**12**	9	33	**–**	**0.06**	0.05
Individuals	**13 027**	10 992	19	**69**	**3.55**	3.21
Manufacturing and commerce	**765**	1 021	(25)	**4**	**0.89**	1.17
Mining	**2 013**	811	>100	**11**	**12.25**	3.42
Transport and communication	**195**	125	56	**1**	**1.01**	0.74
Other services	**1 178**	937	26	**6**	**1.29**	1.29
Total NPLs	**18 953**	15 603	21	**100**	**2.43**	2.17
Geographic analysis						
South Africa	**16 675**	14 726	13	**88**	**2.36**	2.27
Other Africa	**1 569**	674	>100	**8**	**6.10**	2.26
UK	**126**	75	68	**1**	**0.39**	0.25
Other Europe	**62**	48	29	**–**	**1.01**	0.93
North America	**379**	–	>100	**2**	**47.49**	–
South America	**–**	–	–	**–**	**0.00**	–
Australasia	**–**	–	–	**–**	**0.00**	–
Asia	**142**	80	78	**1**	**3.09**	1.40
Total NPLs	**18 953**	15 603	21	**100**	**2.43**	2.17

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	2016			2015		
R million	**NPLs**	**Security held and expected recoveries**	**Specific impairment#**	NPLs	Security held and expected recoveries	Specific impairment#
Retail	**13 379**	**8 564**	**4 815**	11 318	7 349	3 969
Retail – secured	**9 611**	**7 085**	**2 526**	8 823	6 523	2 300
Residential mortgages	**4 628**	**3 614**	**1 014**	4 585	3 662	923
VAF	**4 983**	**3 471**	**1 512**	4 238	2 861	1 377
– SA	**4 857**	**3 422**	**1 435**	4 163	2 833	1 330
– MotoNovo (UK)	**126**	**49**	**77**	75	28	47
Retail – unsecured	**3 768**	**1 479**	**2 289**	2 495	826	1 669
Card	**759**	**248**	**511**	407	111	296
Personal loans	**2 223**	**999**	**1 224**	1 583	601	982
– FNB	**1 095**	**336**	**759**	680	175	505
– WesBank	**1 128**	**663**	**465**	903	426	477
Retail other	**786**	**232**	**554**	505	114	391
Corporate and commercial	**5 432**	**3 035**	**2 397**	4 205	1 831	2 374
FNB commercial	**1 922**	**988**	**934**	1 466	623	843
WesBank corporate	**321**	**134**	**187**	462	180	282
RMB investment banking	**3 073**	**1 842**	**1 231**	1 925	759	1 166
RMB corporate banking	**116**	**71**	**45**	352	269	83
HQLA corporate advances*	**–**	**–**	**–**	–	–	–
FNB Africa**	**142**	**46**	**96**	80	18	62
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total	**18 953**	**11 645**	**7 308**	15 603	9 198	6 405

* *Managed by the Group Treasurer.*

** *Includes activities in FNB India.*

\# *Specific impairment includes cumulative credit fair value adjustments on NPLs.*

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge			As a % of average advances	
	As at 30 June			As at 30 June	
R million	**2016**	2015	% change	**2016**	2015
Retail	**5 464**	3 969	38	**1.49**	1.17
Retail – secured	**2 091**	1 491	40	**0.68**	0.52
Residential mortgages	**387**	111	>100	**0.21**	0.06
VAF	**1 704**	1 380	23	**1.40**	1.22
– SA	**1 366**	1 217	12	**1.41**	1.27
– MotoNovo (UK)	**338**	163	>100	**1.36**	0.96
Retail – unsecured	**3 373**	2 478	36	**5.60**	4.81
Card	**565**	191	>100	**2.73**	1.08
Personal loans	**2 053**	1 544	33	**7.85**	6.71
– FNB	**1 078**	715	51	**7.20**	5.42
– WesBank	**975**	829	18	**8.73**	8.45
Retail other	**755**	743	2	**5.66**	6.82
Corporate and commercial	**1 088**	1 287	(15)	**0.30**	0.39
FNB commercial	**397**	365	9	**0.55**	0.58
WesBank corporate	**15**	149	(90)	**0.05**	0.49
RMB investment banking	**514**	596	(14)	**0.24**	0.29
RMB corporate banking	**162**	177	(8)	**0.48**	0.56
HQLA corporate advances*	**–**	–	–	**–**	–
FNB Africa**	**(2)**	3	(>100)	**(0.33)**	0.88
FCC (including Group Treasury)#	**(295)**	(266)	11	**(0.04)**	(0.04)
Securitisation notes	**–**	–	n/a	**–**	–
Other	**(295)**	(266)	11	**(0.04)**	(0.04)
Total impairment charge	**6 255**	4 993	25	**0.84**	0.73
Of which:					
Portfolio impairment charge	**564**	318	77	**0.08**	0.05
Specific impairment charge	**5 691**	4 675	22	**0.76**	0.68

* *Managed by the Group Treasurer.*

** *Includes activities in FNB 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 coverage ratios.

IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS

	Balance sheet impairments			Coverage ratios (% of NPLs)	
	As at 30 June			As at 30 June	
R million	**2016**	2015	% change	**2016**	2015
Specific impairments*					
Retail	**4 815**	3 969	21	**36.0**	35.1
Retail – secured	**2 526**	2 300	10	**26.3**	26.1
Residential mortgages	**1 014**	923	10	**21.9**	20.1
VAF**	**1 512**	1 377	10	**30.3**	32.5
– SA	**1 435**	1 330	8	**29.5**	31.9
– MotoNovo (UK)	**77**	47	64	**61.1**	62.7
Retail – unsecured	**2 289**	1 669	37	**60.7**	66.9
Card**	**511**	296	73	**67.3**	72.7
Personal loans**	**1 224**	982	25	**55.1**	62.0
– FNB	**759**	505	50	**69.3**	74.3
– WesBank	**465**	477	(3)	**41.2**	52.8
Retail other**	**554**	391	42	**70.4**	77.4
Corporate and commercial	**2 397**	2 374	1	**44.1**	56.5
FNB commercial	**934**	843	11	**48.6**	57.5
WesBank corporate	**187**	282	(34)	**50.4**	61.0
RMB investment banking	**1 231**	1 166	6	**40.1**	60.6
RMB corporate banking	**45**	83	(46)	**38.8**	23.6
HQLA corporate advances#					
FNB Africa†	**96**	62	55	**67.6**	77.5
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total specific impairments/implied loss given default^	**7 308**	6 405	14	**38.6**	41.0
Portfolio impairments‡	**7 510**	7 109	6	**39.6**	45.6
Total impairments/total impairment coverage ratio~	**14 818**	13 514	10	**78.2**	86.6

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

** *The coverage ratio has reduced due to restructured debt review accounts. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms, subject to monitoring under the group framework.*

Managed by the Group Treasurer.

† *Includes FNB's activities in India.*

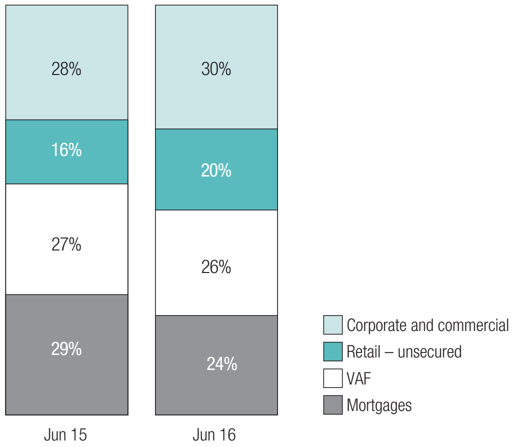
‡ *Amortised cost portfolio impairments and credit fair value adjustments relating to the performing book as a percentage of NPLs.*

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

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

The graph below provides the NPL distribution across all portfolios, showing decreases in the proportion of residential mortgages and an increase in unsecured lending since June 2015.

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	As at 30 June					
	Amortised cost book		Fair value book		Total book	
R million	**2016**	2015	**2016**	2015	**2016**	2015
Non-performing book	**6 243**	5 239	**1 065**	1 166	**7 308**	6 405
Performing book	**5 156**	4 851	**2 354**	2 258	**7 510**	7 109
Total impairments	**11 399**	10 090	**3 419**	3 424	**14 818**	13 514

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

BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST

	As at 30 June		
R million	**2016**	2015	% change
Opening balance	**5 239**	4 995	5
Reclassifications and transfers	**86**	50	78
(Disposals)/acquisitions	**(23)**	12	(>100)
Exchange rate difference	**7**	7	–
Unwinding and discounted present value on NPLs	**(77)**	(80)	(4)
Bad debts written off	**(6 451)**	(5 586)	15
Net new impairments created	**7 462**	5 841	28
Closing balance	**6 243**	5 239	19

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

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

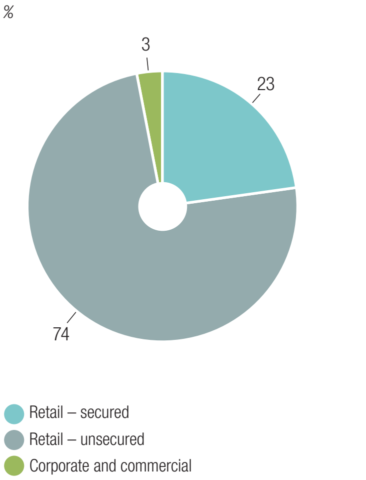
INCOME STATEMENT IMPAIRMENTS

	As at 30 June		
R million	**2016**	2015	% change
Specific impairment charge (amortised cost)	**7 462**	5 841	28
Recoveries of bad debts written off (amortised cost)	**(1 856)**	(1 825)	2
Net specific impairment charge (amortised cost)	**5 606**	4 016	40
Portfolio impairment charge (amortised cost)	**392**	340	15
Credit fair value adjustments	**257**	637	(60)
– Non-performing book	**85**	659	(87)
– Performing book	**172**	(22)	(>100)
Total impairments	**6 255**	4 993	25

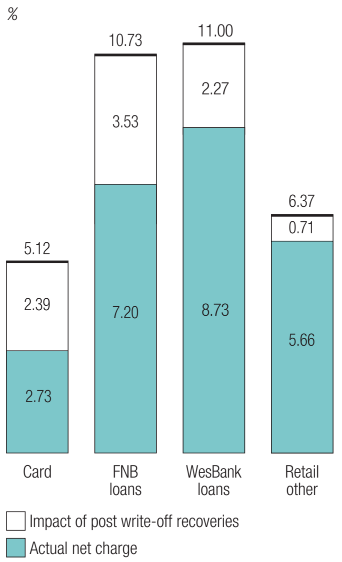
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R1 856 million (2015: R1 825 million), primarily emanating from the unsecured retail lending portfolio.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES

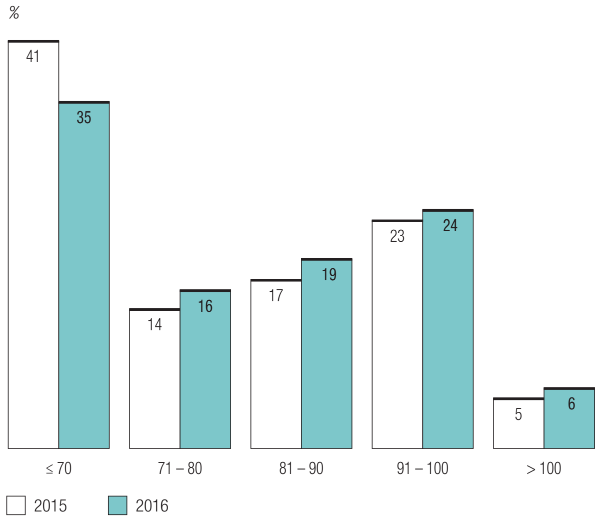


RISK ANALYSES

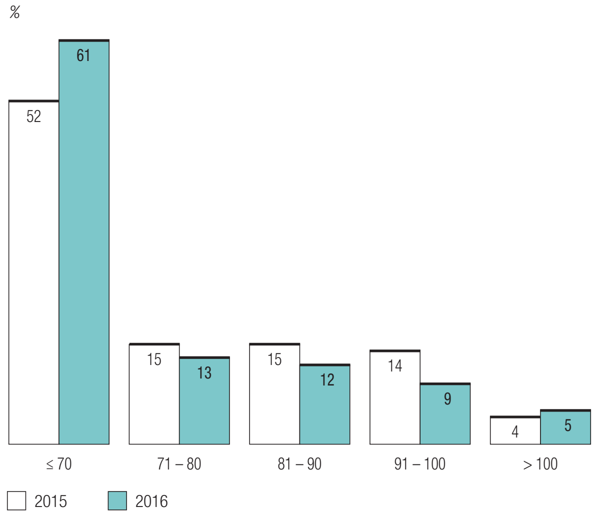
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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 as apposed to relying only on the underlying security.

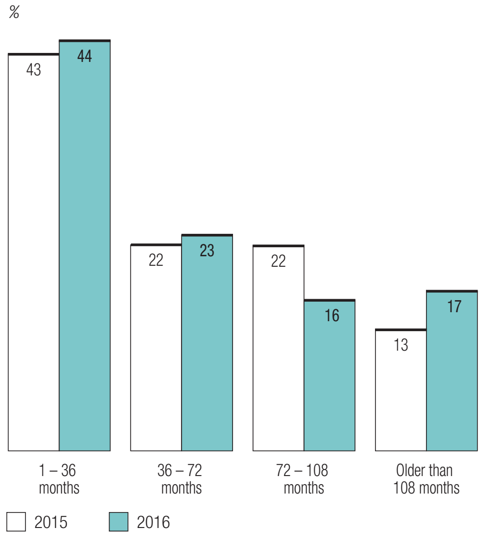
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

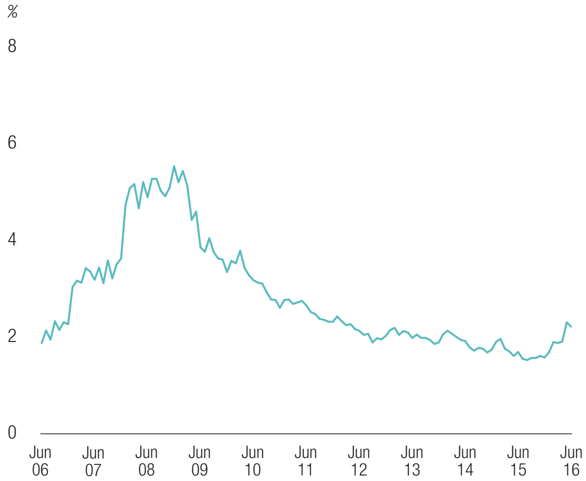


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



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. The increase in the last quarter reflects the reclassification of distressed debt as explained on page 28.

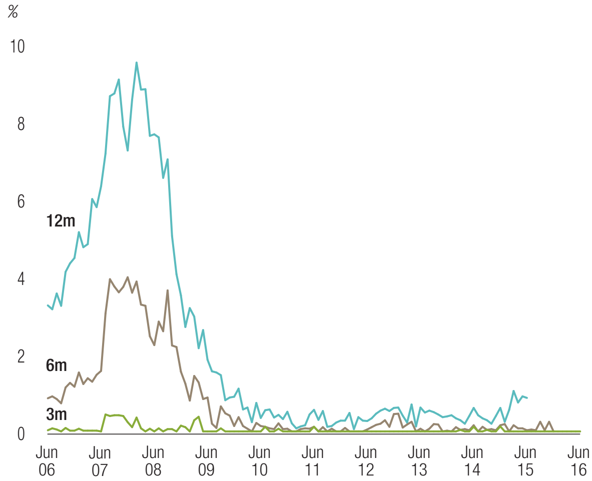
FNB HOMELOANS ARREARS



The following graphs provide the vintage analyses for FNB HomeLoans, WesBank retail VAF, FNB card, FNB loans and WesBank loans. 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. It does not take into account the impact of cures or subsequent recoveries. As such, vintage graphs are not indicative of the actual credit impairment charge of a product.

Vintages in home loans have increased marginally from previous record low levels. The increase is attributed to the rate hiking cycle with consumers under pressure as a result of the most recent series of 125 bps interest rate increases over the 12-month performance period. Coupled with job losses and other challenges in the macroeconomic environment, this has caused a slight increase in the vintages

FNB HOMELOANS VINTAGE ANALYSIS

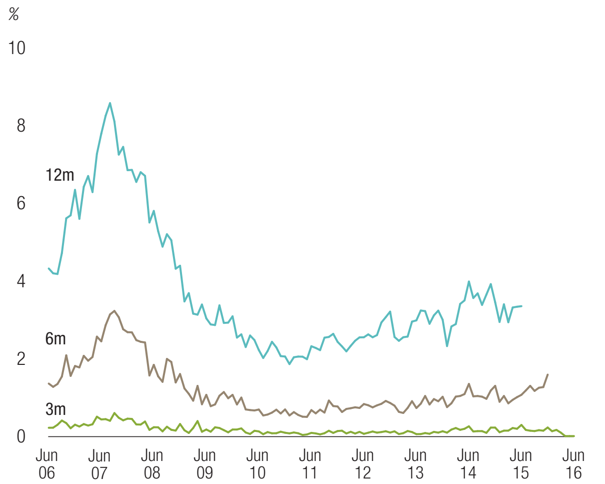


The WesBank retail VAF cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

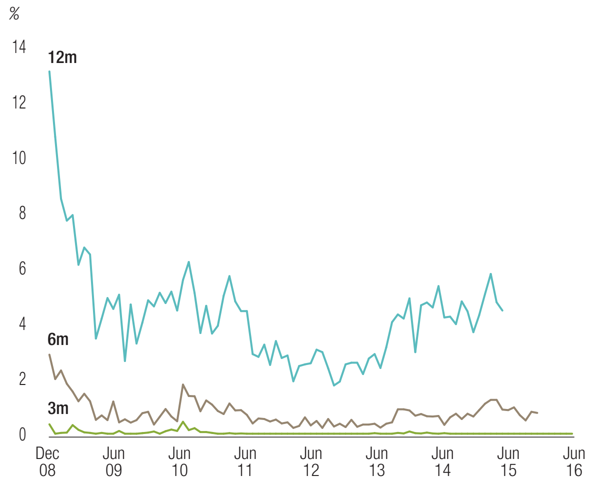
Since then, vintages are reflecting increases, this is expected given the challenging macroeconomic environment. Risk appetite has been adjusted, with a continued focus on originating a portfolio weighted towards quality low risk business. Vintage deterioration is closely monitored and credit parameters adjusted to ensure that performance remains in line with expectations when considering the credit cycle.

FNB card default rates remain at 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 subsequently reviewed and adjusted downwards again. In the group's view, default rates have bottomed and moderate increases are expected from this level.

WESBANK RETAIL VAF VINTAGE ANALYSIS



FNB CARD VINTAGE ANALYSIS



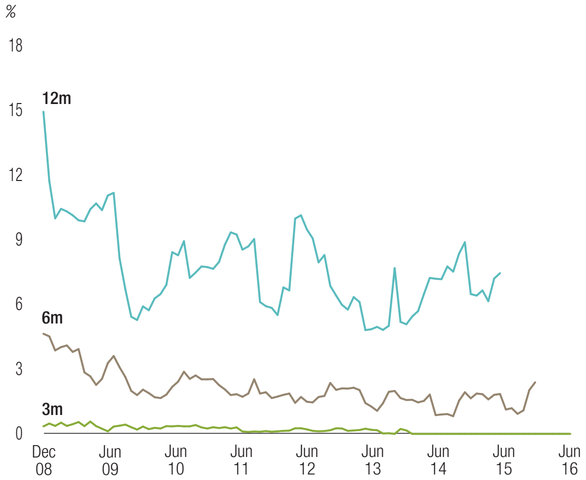
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite. There is continued action to ensure these portfolios remain within risk appetite.

Defaults in FNB personal loans have trended upwards of late, from historical low levels, as a result of the macroeconomic conditions.

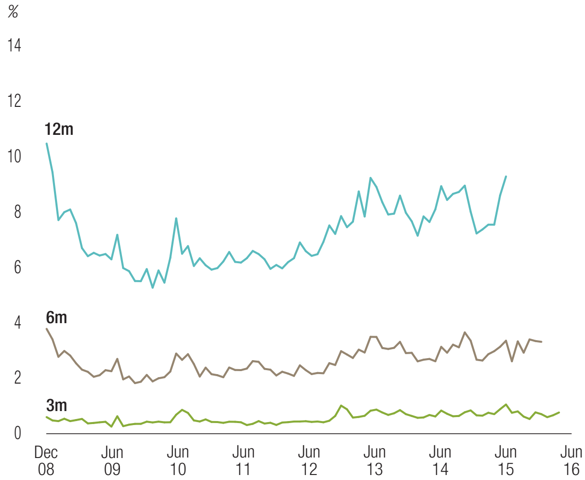
As expected, WesBank personal loans vintages show a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications.

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 have assisted in countering macroeconomic conditions.

FNB PERSONAL LOANS VINTAGE ANALYSIS

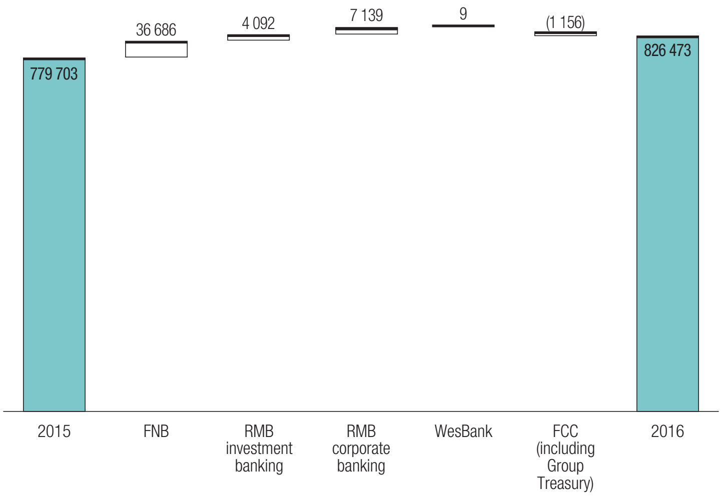


WESBANK PERSONAL LOANS VINTAGE ANALYSIS



DEPOSITS – UP 6%

GROSS DEPOSIT GROWTH BY FRANCHISE
R million



Client deposits grew 9% with institutional funding, including term and structured issuances, increasing 2%.

KEY DRIVERS

- FNB's deposits increased 12%.
  - Retail deposit growth of 14% was supported by ongoing product innovation, with particularly strong growth of 18% from the Premium segment.
  - Commercial deposit growth of 9% was driven by new client acquisition and cross-sell.

GROWTH IN DEPOSIT BALANCES

Product	%
Current accounts	**9**
Savings and transmission accounts	**8**
Fixed deposits	**20**
Notice deposits	**11**

- RMB corporate banking grew deposits 7%, although average daily operational deposits increased 16%, driven by client acquisition and growth in existing client base, which led to an increase in both transactional and operational deposit balances, as well as new product innovation, which resulted in strong gains in certain products.
- Group Treasury deposits remained flat, impacted by foreign currency funding and structured issuances in the domestic market. Absolute growth was affected by rand depreciation during the year.

FUNDING AND LIQUIDITY

INTRODUCTION AND OBJECTIVES

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

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

Compliance with the Basel III LCR influences the bank's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. 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. This continues to improve the funding and liquidity profile of the bank.

Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity in line with risk appetite for the year. The bank utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase the available liquidity holdings.

At 30 June 2016, the bank exceeded the 70% (2015: 60%) minimum LCR requirement with a LCR measurement of 102% (2015: 84%).

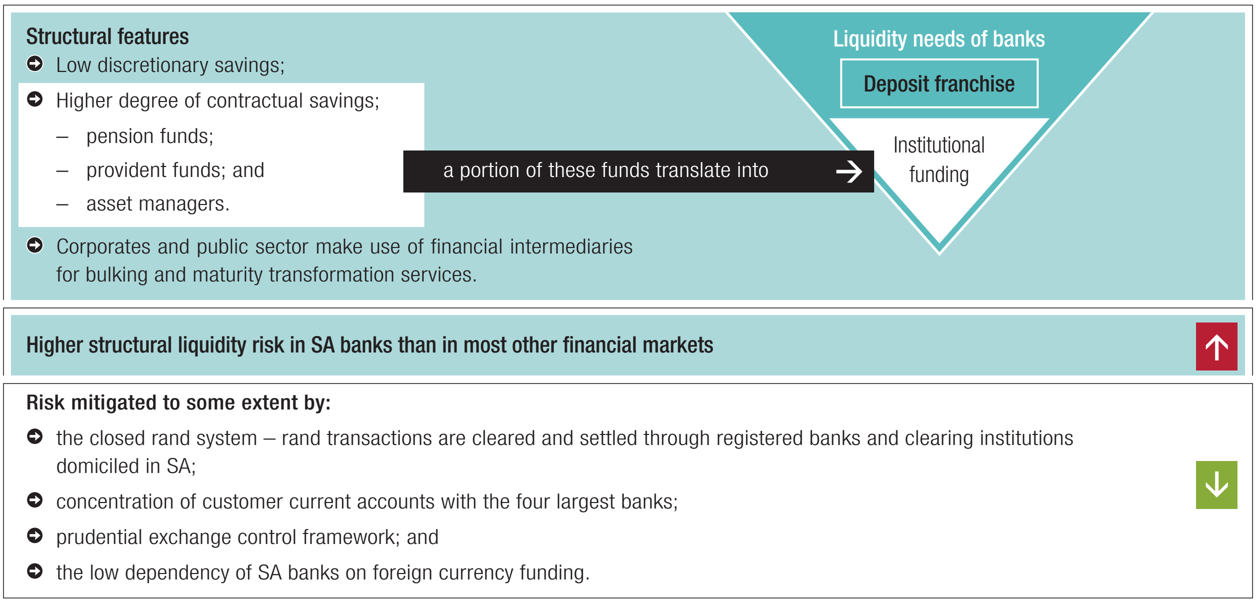
The BCBS *liquidity coverage ratio disclosure standards* propose consistent and transparent disclosure of banks' liquidity positions as measured by the Basel III regulations. *Directives 6/2014 and 11/2014* require the group to provide its LCR disclosure in a standardised template. The standard disclosure template will be included in the Basel Pillar III disclosure going forward.

Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx for further detail.

At 30 June 2016, the bank's available HQLA sources of liquidity per the LCR was R141 billion, with an additional R11 billion of management liquidity available.

FUNDING MANAGEMENT

The following diagram illustrates the structural features of the banking sector in South Africa and its impact on liquidity risk.



During the year, liquidity demanded by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations without a commensurate increase in savings flows resulted in continued increased liquidity costs. In light of the structural features discussed above, focus remains on achieving a better risk-adjusted diversified funding profile which also supports the Basel III requirements.

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 whilst ensuring a good understanding of market liquidity.

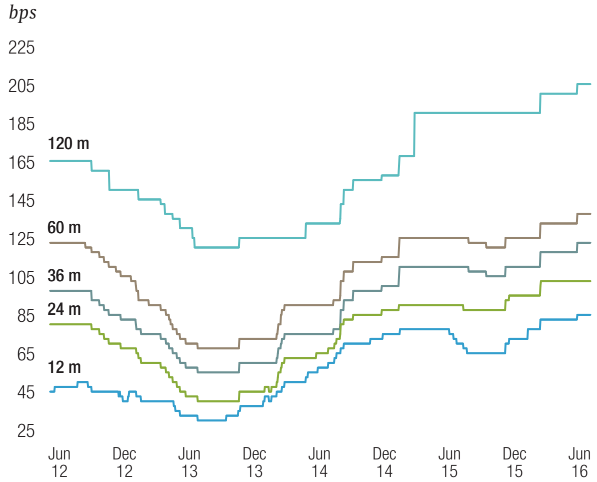
The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively traded money market instrument by banks, namely 12-month NCDs.

12-MONTH FLOATING RATE NOTE MID-MARKET SPREAD

Source: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads remain elevated from a historical perspective and still appear to be reflecting a high liquidity premium. Liquidity spreads for instruments with maturities of less than 12 months in particular are extremely high, at levels last seen during the 2008 financial crises.

LONG-TERM FUNDING SPREADS



Source: Bloomberg (RMBP screen) and Reuters.

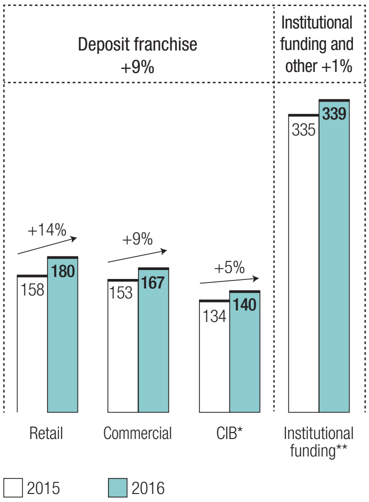
Funding measurement and activity

FirstRand Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described earlier.

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 represented 63% of total FirstRand Bank SA funding liabilities at 30 June 2016 (2015: 64%). The bank continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing by source and behaviour. To fund operations, the bank accesses the domestic money markets daily and capital markets from time to time. The bank has frequently issued various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis. Given elevated domestic funding spreads, the bank has not actively sought to issue senior securities in benchmark size.

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

BANK FUNDING BY SEGMENT
R billion



* *Includes an adjustment for operational deposits from institutional clients in line with treatment for LCR purposes.*
** *Excludes operational deposits from financial institutions, but includes London branch and Turbo securitisations.*

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 table provides an analysis of the bank's funding sources.

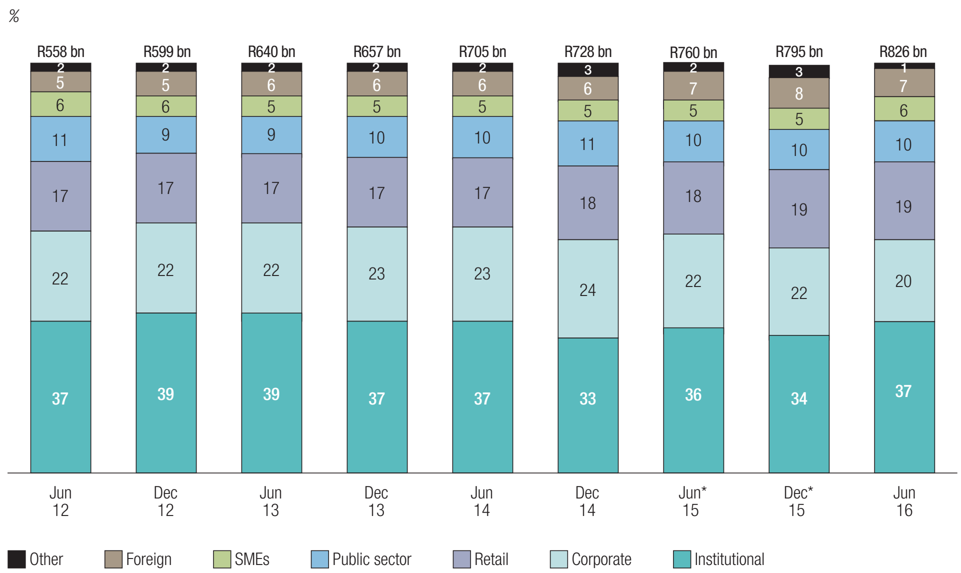
FUNDING SOURCES OF FIRSTRAND BANK (EXCLUDING FOREIGN BRANCHES)

	As at 30 June 2016				As at 30 June 2015*
% of funding liabilities	Total	Short term	Medium term	Long term	Total
Institutional funding	**37.0**	**13.6**	**3.6**	**19.8**	35.9
Deposit franchise	**63.0**	**47.3**	**8.3**	**7.4**	64.1
Corporate	**20.1**	**17.4**	**2.1**	**0.6**	22.4
Retail	**19.2**	**14.5**	**3.2**	**1.5**	17.6
SMEs	**5.5**	**4.6**	**0.6**	**0.3**	5.4
Governments and parastatals	**10.2**	**7.6**	**1.7**	**0.9**	10.3
Foreign	**6.9**	**3.1**	**0.7**	**3.1**	6.8
Other	**1.1**	**0.1**	**–**	**1.0**	1.6
Total	**100.0**	**60.9**	**11.9**	**27.2**	100

Source: BA900 for FirstRand Bank South Africa.
* *Restated to account for adjustments made to BA900 reporting in the current year.*

The following graph provides an analysis of the bank's funding analysis by source.

FUNDING ANALYSIS BY SOURCE OF THE BANK EXCLUDING FOREIGN BRANCHES



Source: SARB BA900 returns.

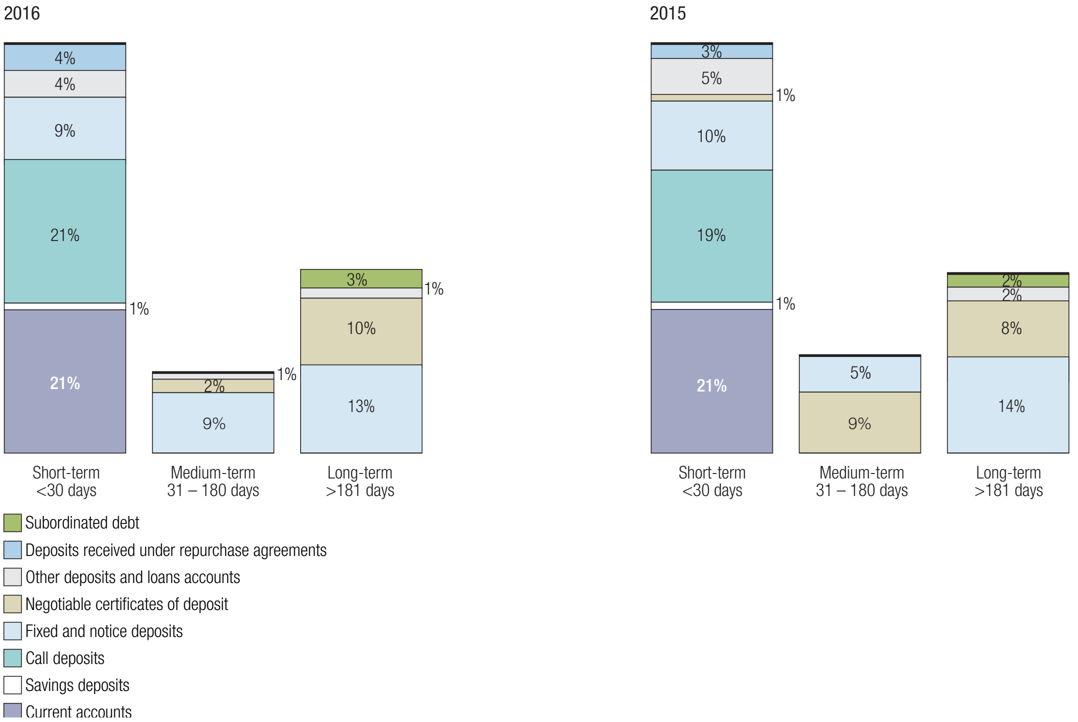
* *Restated to account for adjustments made to BA900 reporting in current year.*

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

FIRSTRAND BANK'S FUNDING ANALYSIS BY INSTRUMENT TYPE

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

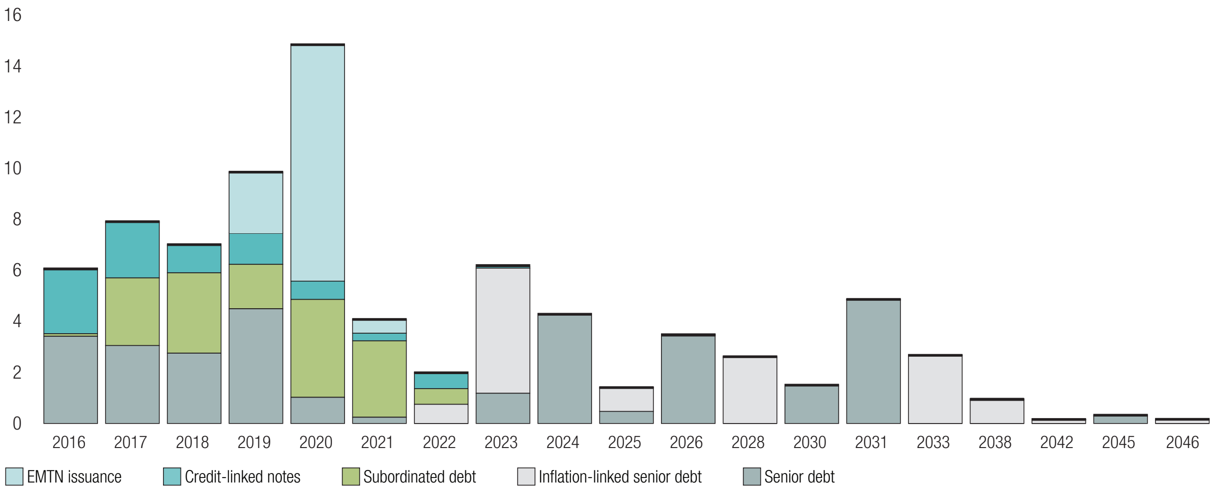
FIRSTRAND BANK'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF THE BANK EXCLUDING FOREIGN BRANCHES

R billion



Funds transfer pricing

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

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

FOREIGN CURRENCY BALANCE SHEET

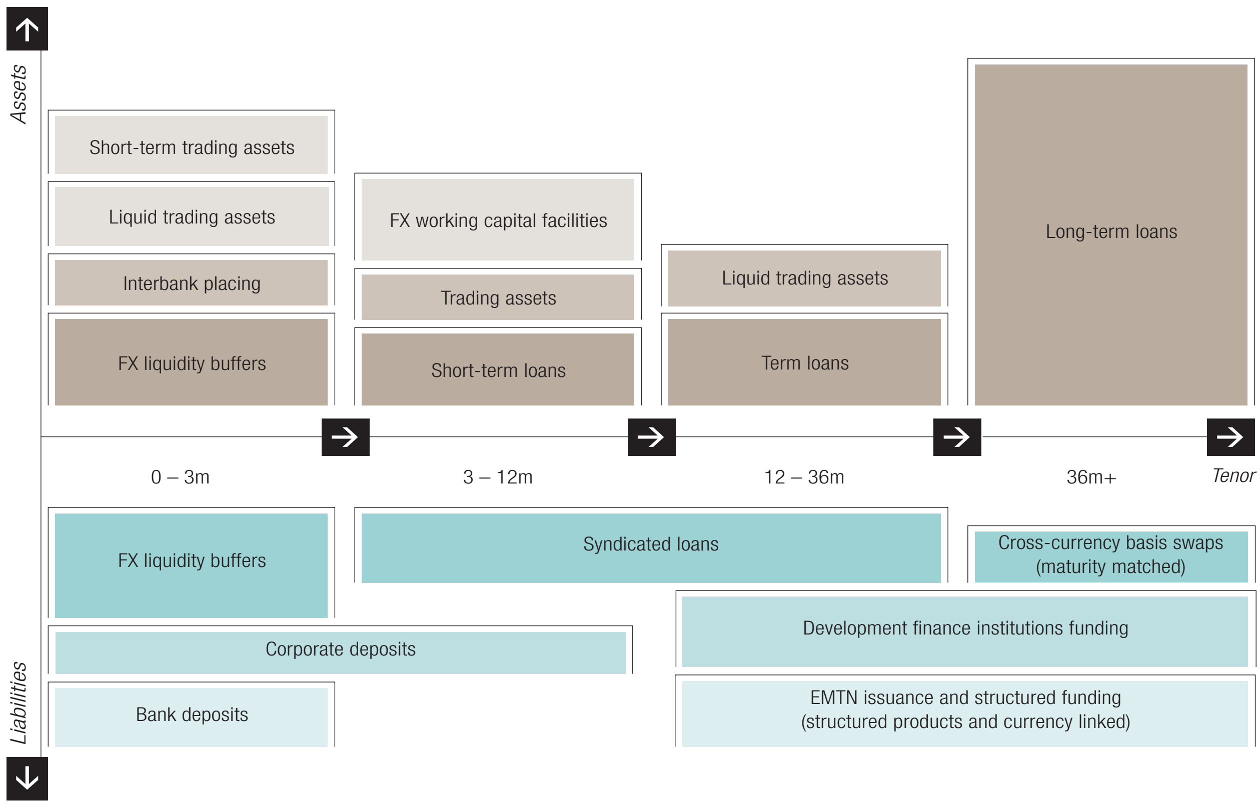
Given that the group continues to grow its businesses in the rest of Africa and India, and the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity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

FirstRand's foreign currency activities, specifically lending and trade finance, have steadily increased over the past five years. 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 the 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 and the macroeconomic vulnerabilities of South Africa. 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 all these entities utilise the South African system's capacity, namely, confidence and export receipts. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous then required in terms of regulations.

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

BASEL III

The BCBS framework for sound liquidity risk management seeks to address two aspects:

- LCR – addresses short-term liquidity risk; and
- NSFR – addresses the structural liquidity risk of the balance sheet within the SA market.

LIQUIDITY COVERAGE RATIO

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility (CLF). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 70%, with 10% incremental step-ups each calendar year to 100% on 1 January 2019.

The SARB issued *Guidance Note 6/2016* significantly increasing the cost for contracting a CLF. There is a continued focus on building a diversified pool of available HQLA. This is, however, limited given availability within the SA market.

NET STABLE FUNDING RATIO

The NSFR is considered a structural balance sheet ratio with the focus being to promote a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding.

The provisional directive on the NSFR in November 2015 has subsequently been issued as *Directive 4/2016* in August 2016. Banks will be required to submit a monthly monitoring template to enable the SARB to assess the readiness of banks to comply with the 100% NSFR requirements from 1 January 2018.

The SARB has applied its discretion on the treatment of deposits with maturities of up to six months received from financial institutions. The NSFR framework assigns a 0% ASF factor to these funds whereas the SARB elected to apply a 35% factor.

It is anticipated that this change will significantly assist the South African banking sector in meeting NSFR requirements. On a *pro forma* basis FirstRand expects that it would exceed the minimum requirements.

DISCLOSURE REQUIREMENTS

The BCBS published the liquidity coverage ratio disclosure standards in March 2014, with the objective to reduce market uncertainty around liquidity positions. Key points are:

- effective from 1 January 2015;
- will follow the capital quarterly disclosures; and
- standardised template currently completed semi-annually.

These disclosures reveal industry reporting inconsistencies which are now being addressed via the Banking Association of South Africa, together with SARB and SAICA.

RESOLUTION FRAMEWORK

In September 2015, the SARB and FSB published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. The paper sets out the motivation, principles and policy proposals for such a strengthened framework and is intended to solicit public comment and serve as a basis for further industry discussions in preparation for the drafting of a special resolution bill.

The paper introduces the concept of total loss-absorbing capacity (TLAC) to explicitly subordinate specified instruments in order to make these loss absorbing at resolution phase. TLAC, in the context of the paper, does not necessarily have the same characteristics as the proposed TLAC requirements applicable to global systemically important banks (G-SIB) and have been identified as:

- ordinary shares;
- preference shares; and
- pre-identified loss-bearing instruments.

LIQUIDITY RISK POSITION

The following table provides details on the available sources of liquidity by Basel LCR definition and managements' assessment of the required buffer.

BANK LIQUID ASSETS COMPOSITION

	Marketable assets	HQLA Basel III view after haircut				Management view after haircuts	
R billion	**Total 2016**	Level 1	Level 2	**Total 2016**	Total 2015*	**Total 2016**	Total 2015*
Cash and deposits with central banks	**26**	26	–	**26**	26	**26**	26
Government bonds and bills	**74**	74	–	**74**	82	**74**	82
Other liquid assets	**62**	–	41	**41**	12	**52**	24
Total	**162**	100	41	**141**	120	**152**	132

* *June 2015 restated to align to full HQLA for LCR purposes.*

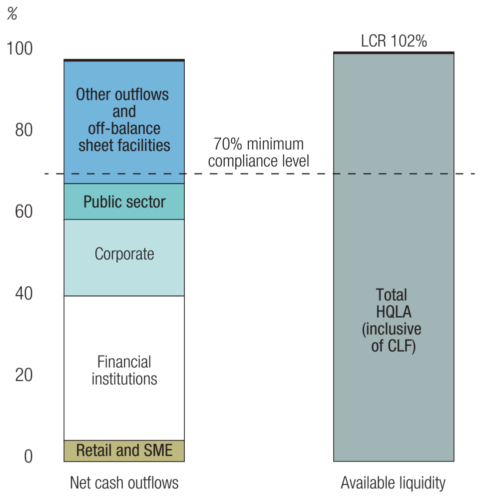
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity 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 a significant contributor to the group's net cash outflows as measured under the LCR at nearly 30% of the South African market structure. Other significant contributors to the cash outflows are corporate funding and off-balance sheet facilities granted to clients, specifically those related to corporate clients. The group has strategies in place to increase funding sourced through its deposit franchise and to reduce reliance on the more inefficient institutional funding sources, as well as to offer facilities more efficiently.

The bank's LCR increased due to an increase in HQLA holdings of R21 billion and a reduction in net cash outflows of R5 billion. This is as a result of targeted strategies to raise more stable funding sources and to increase liquid asset holdings. In addition, certain components of the LCR have now been clarified by the SARB and industry working groups, which has allowed the bank to align its methodology with other sector players, resulting in a structural uplift in its LCR.

The graph below gives an indication of the bank's LCR position of 102% (2015: 84%) and demonstrates the bank's compliance with the 70% minimum requirement.

FIRSTRAND BANK LCR



Directive 6/2014 and 11/2014 require the group to provide its LCR disclosure in a standardised template.
Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx

Scan with your smart device's QR code reader to access the common disclosure templates on the group's website. Ratios reflect a quarterly average.

CAPITAL

The bank 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 leverage levels;
- future business plans;
- stress testing scenarios;
- economic and regulatory capital requirements;
- issuance of additional capital instruments;
- regulatory and accounting changes; and
- the board's risk appetite.

YEAR UNDER REVIEW

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which includes ongoing regulatory developments, expansion initiatives and corporate transactions. The bank aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

The Basel III leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring this ratio.

The bank comfortably operated above its capital and leverage targets during the year. The table below summarises the bank's capital and leverage ratios as at 30 June 2016.

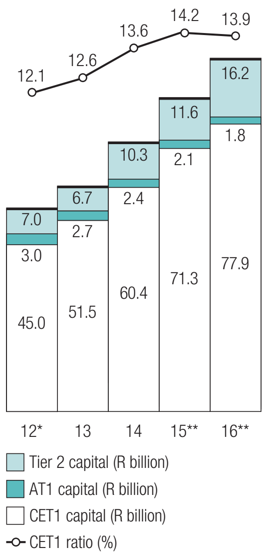
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.9	8.1	10.4	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB including foreign branches				
Including unappropriated profits	**13.9**	**14.2**	**17.1**	**7.2**
Excluding unappropriated profits	12.2	12.5	15.4	6.4
FRB excluding foreign branches				
Including unappropriated profits	**14.0**	**14.4**	**16.9**	**7.0**
Excluding unappropriated profits	12.3	12.7	15.3	6.2

* *Excluding the bank-specific individual capital requirement and add-on for domestic systemically important banks.*

The graphs below show the historical overview of capital adequacy, RWA and leverage for the bank (including foreign branches).

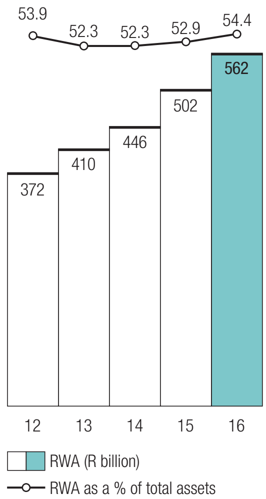
CAPITAL ADEQUACY



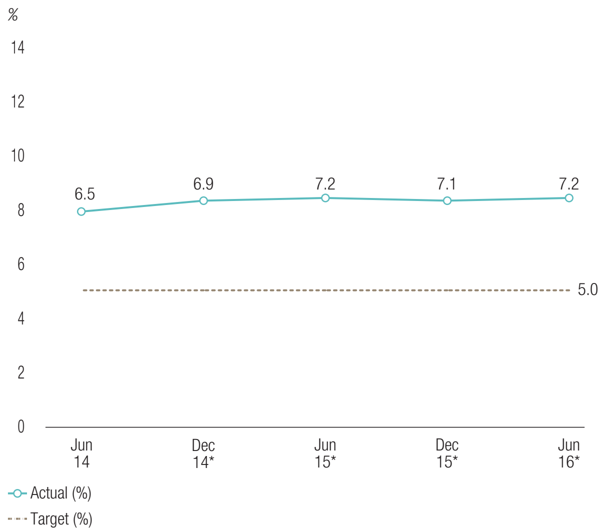
* 2012 is on a Basel II basis, 2013 onwards is on a Basel III basis.

** Includes unappropriated profits.

RWA HISTORY



LEVERAGE



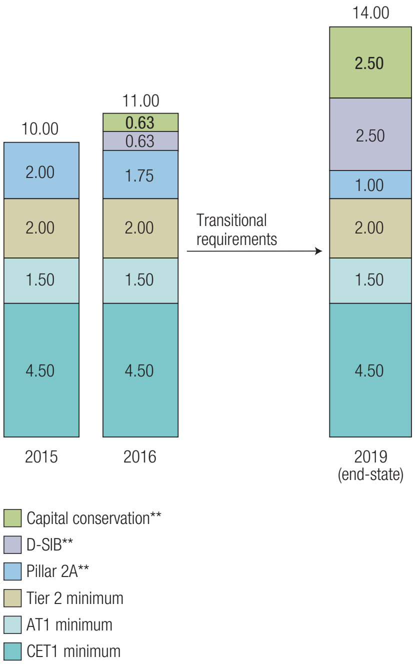
* Includes unappropriated profits.

REGULATORY UPDATE

Effective 1 January 2016, the SARB minimum capital requirement was adjusted for the capital conservation buffer, add-on for domestic systemically important banks (D-SIB) and the countercyclical buffer. Currently the SARB has not implemented any countercyclical buffer requirement for South African exposures. The capital conservation buffer and D-SIB add-on will be phased in over the next four years, as illustrated below.

*TRANSITIONAL MINIMUM REQUIREMENTS**

%



* *Assuming a maximum add-on for D-SIB.*

** *Pillar 2A and D-SIB met with CET1, Tier 1 and total capital. Capital conservation buffer met solely with CET1 capital.*

The bank's internal targets have been aligned to the end-state minimum requirements and are subject to ongoing review and consideration of various stakeholder requirements. No changes have been made to the current targets during the year.

The BCBS issued various consultative documents, including revisions to the RWA framework, capital floors and leverage framework. These papers are at different stages of testing, finalisation and implementation, and the actual impact on banks remains unclear. The group continues to participate in the BCBS quantitative impact studies to assess and incorporate, where relevant, the effect of these standards.

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise the bank's (including foreign branches) qualifying capital components and related year-on-year movements.

COMPOSITION OF CAPITAL ANALYSIS

	Year ended 30 June	
R million	**2016**	2015
Including unappropriated profits		
CET1	**77 906**	71 289
Tier 1	**79 706**	73 389
Total qualifying capital	**95 933**	85 007
Excluding unappropriated profits		
CET1	**68 536**	65 876
Tier 1	**70 336**	67 976
Total qualifying capital	**86 563**	79 594

Movement		
CET1	**AT1**	**Tier 2**
↑	↓	↑
• Internal capital generation through earnings.	• Additional 10% haircut on NCNR preference shares that are not compliant with Basel III.	• Issuance of Basel III compliant subordinated debt instruments totalling R4.9 billion: – FRB16 and FRB17 in July 2015: R2.3 billion; and – FRB18, FRB19 and FRB20 in April 2016: R2.6 billion. • Redemption of FRB08 (R100 million) in June 2016. • Additional haircut on instruments that are not compliant with Basel III.

DEMAND FOR CAPITAL

The table below shows the breakdown of the bank's (including foreign branches) RWA per risk type as per current regulations.

RWA ANALYSIS

	Year ended 30 June		
R million	**2016**	2015	KEY DRIVERS
Credit risk	**406 950**	370 561	↑ organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**20 155**	15 591	↑ volumes and mark-to-market movements.
Operational risk	**85 710**	77 302	↑ higher risk scenario values for certain portfolios subject to the advanced measurement approach (AMA); and increase in gross income for entities on basic approaches.
Market risk	**16 639**	11 523	↑ volumes and mark-to-market movements
Equity investment risk*	**8 979**	6 179	↑ investment in African Bank Holdings Limited.
Other assets*	**23 142**	21 222	↑ increase in deferred tax assets relating to temporary differences; and increase in property and equipment.
Total RWA	**561 575**	502 378	

* *Equity investment risk comparatives have been restated to include investment in financial, banking and insurance entities risk weighted at 250%.*

CAPITAL ADEQUACY POSITION FOR THE BANK AND ITS FOREIGN BRANCHES

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

The RWA and capital adequacy positions of the bank and its foreign branches are set out below.

RWA AND CAPITAL ADEQUACY POSITIONS OF THE BANK AND ITS FOREIGN BRANCHES

	Year ended 30 June			
	2016			2015
	RWA R million	**Tier 1 %**	**Total capital adequacy %**	Total capital adequacy %
Basel III				
FirstRand Bank*,**	**561 575**	**14.2**	**17.1**	16.9
FirstRand Bank South Africa**	**522 211**	**14.4**	**16.9**	16.7
FirstRand Bank London	**36 776**	**10.3**	**17.4**	16.1
FirstRand Bank India	**2 971**	**23.9**	**24.3**	39.5
FirstRand Bank Guernsey#	**58**	**43.9**	**43.9**	–

* *FRB including foreign branches.*

** *Includes unappropriated profits.*

Trading as FNB Channel Islands.

Directive 3/2015 (capital) and *directive 4/2014* (leverage) requires the following additional common disclosure in line with Regulation 43 of the Regulations relating to Banks:

- composition of capital;
- reconciliation of IFRS financial statements to regulatory capital and reserves;
- main features of capital instruments; and
- leverage common disclosure templates.

Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx.

Scan with your smart device's QR code reader to access the common disclosure templates on the group's website.

CREDIT RATINGS

FIRSTRAND BANK LIMITED

The credit ratings reflect FirstRand Bank'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 AS AT 8 SEPTEMBER 2016

	South African sovereign rating		FirstRand Bank	
	Moody's	**S&P**	**Moody's**	**S&P**
Outlook	Negative	Negative	Negative	Negative
Foreign currency rating				
Long term	Baa2	BBB-	Baa2	BBB-
Short term	(P)P-2	A-3	P-2	A-3
Local currency rating				
Long term	Baa2	BBB+	Baa2	BBB-
Short term	(P)P-2	A-2	P-2	A-3
National scale rating				
Long term		zaAAA	Aaa.za	zaAA-
Short term		zaA-1	P-1.za	zaA-1
Standalone credit ratings*			baa2	bbb

* *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. The two major rating agencies use different terminology for this concept: Moody's baseline credit assessment and S&P's standalone credit profile.*

South Africa sovereign rating

During the current financial year, Moody's Investor Services (Moody's) and S&P Global Ratings (S&P) changed the outlook on the South African sovereign to negative from stable. These rating actions were primarily driven by South Africa's weakening credit profile, and challenging economic and operating environment. Both rating agencies affirmed the sovereign rating in the last quarter of the 2016 financial year. The impact of these rating actions on FirstRand Bank are outlined below.

Moody's

On 17 December 2015, Moody's changed the outlook on FirstRand Bank's ratings to negative from stable. In May 2016 the long- and short-term foreign and local currency deposit ratings were confirmed, and the national scale ratings were repositioned to Aaa.za from A1.za following the recalibration of the South African national scale rating.

S&P

On 9 December 2015, S&P revised its outlook for FirstRand Bank to negative from stable. At the same time, FirstRand Bank's long-term national scale ratings were lowered to zaAA- from zaAA and the short-term national scale rating was affirmed at zaA-1. The ratings were affirmed in April 2016.

IFRS information

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PRESENTATION

BASIS OF PRESENTATION

The summarised financial statements contained in this *Analysis of financial results* booklet are derived from a complete set of the bank's audited financial statements.

FRB prepares its summarised financial results in accordance with:

- the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS), including interpretations issued by the IFRS Interpretations Committee;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- as a minimum, the information required by *IAS 34 Interim Financial Reporting*; and
- requirements of the Companies Act, no 71 of 2008, applicable to summary financial statements.

The directors take full responsibility and confirm that this information has been correctly extracted from the financial statements from which the summarised financial statements were derived.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements from which the summarised financial statements were derived, are in terms of IFRS.

The financial statements, from which these summarised financial statements are extracted 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 bank has elected to early adopt the amendment to *IAS 1 Presentation of Financial Statements*, which clarified that materiality applies to the complete set of financial statements, including disclosures. In terms of the amendment, the inclusion of immaterial information in the financial statements can negatively affect the usefulness of disclosures. In order to early adopt the amendment the bank reviewed the financial statements to identify areas where disclosures were ineffective, related to immaterial items or considered unnecessary.

As a result of the review, provisions have now been included with creditors and accruals on the face of the statement of financial position.

The revised standard did not have any effect on the bank's reported earnings, financial position, or reserves and had no material impact on the accounting policies.

Other than the change in presentation described above the accounting policies are consistent with those applied for the year ended 30 June 2015. No other new or amended IFRS standards became effective for the year ended 30 June 2016.

NORMALISED RESULTS

The bank believes normalised earnings more accurately reflect its economic performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the bank's financial position, changes in equity and results of operations or cash flows. Details of the nature of these adjustments and reasons therefore can be found on pages below and page 73. The *pro forma* information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountant's report, which is available for inspection at the registered office.

AUDITORS' REPORT

The summarised financial statements for the year ended 30 June 2016 contained in this booklet have been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. Refer to page 74.

The auditors also expressed an unmodified opinion on the financial statements from which the summarised financial statements were derived. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited.

A copy of the auditors' report on the audited financial statements are available for inspection at FirstRand Bank's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the audited financial statements identified in the respective auditors' report.

The auditors' report does not necessarily report on all of the information contained in these summarised financial statements. Shareholders are therefore, advised that in order to obtain a full understanding of the nature of the auditors' engagement they should review the auditors' report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the bank's external auditors. FirstRand Bank's board of directors take full responsibility for the preparation of this booklet.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The bank believes normalised earnings more accurately reflect its economic performance. Headline earnings 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.

MARGIN 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 a 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 the last 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 third party and any further gains or losses on the DPP, other than the profit recognised at initial recognition, are not recognised.

FAIR VALUE ANNUITY INCOME – LENDING

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

When calculating normalised results, the 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.

CREDIT-BASED INVESTMENTS INCLUDED IN ADVANCES

Certain corporate bond debt securities qualifying as high quality liquid assets and notes held in securitisation vehicles are classified as investment securities for IFRS purposes. The underlying nature and risk exposure of these assets is credit related and these assets are, therefore, reclassified from investment securities to advances.

USD LIQUIDITY FUNDING

The bank raised additional USD funding and liquidity during the current and previous two financial periods. Following IFRS, certain currency translations and costs associated with these funding actions are reflected against NIR. From an economic perspective, these impacts form part of the inherent cost of the USD funding pool and, as such, have been reflected against NII on a normalised basis.

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

The bank entered into a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive 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 Share-based Payments,* 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 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 2/2015 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 80.

INDEPENDENT AUDITORS' REPORT ON SUMMARISED FINANCIAL STATEMENTS

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

The summarised financial statements of FirstRand Bank Limited, indicated as such and contained in the accompanying summarised report, which comprise the summarised statement of financial position as at 30 June 2016, the summarised income statement, the summarised statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of FirstRand Bank Limited for the year ended 30 June 2016. We expressed an unmodified audit opinion on those financial statements in our report dated 7 September 2016. Our auditors' report on the audited financial statements contained an other matter paragraph, "other reports required by the Companies Act" (refer below).

The summarised financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summarised financial statements, therefore, is not a substitute for reading the audited financial statements of FirstRand Bank Limited.

Directors' responsibility for the summarised financial statements

The directors are responsible for the preparation of the summary of the financial statements, as set out in the basis of presentation to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements, and for such internal control as the directors determine is necessary to enable the preparation of the summarised financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on the summarised financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, *Engagements to Report on Summary Financial Statements*.

Opinion

In our opinion, the summarised financial statements derived from the audited financial statements of FirstRand Bank Limited for the year ended 30 June 2016 are consistent, in all material respects, with those financial statements, as set out in the basis of presentation to the summarised financial statements, and the requirements of the Companies Act of South Africa as applicable to summarised financial statements.

Other reports required by the Companies Act

The "other reports required by the Companies Act" paragraph in our audit report dated 7 September 2016 states that as part of our audit of the financial statements for the year ended 30 June 2016, we have read the directors' report, the audit committee report and the bank secretary's certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summarised financial statements or our opinion thereon.

Deloitte & Touche
Registered Auditors
Per Partner: Darren Shipp
Johannesburg

7 September 2016

PricewaterhouseCoopers Inc.
Registered Auditors
Director: Francois Prinsloo
Johannesburg

7 September 2016

SUMMARISED INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June

R million	2016	2015	% change
Net interest income before impairment of advances	**35 543**	30 229	18
Impairment of advances	**(5 998)**	(4 356)	38
Net interest income after impairment of advances	**29 545**	25 873	14
Non-interest revenue	**28 863**	29 216	(1)
Income from operations	**58 408**	55 089	6
Operating expenses	**(35 035)**	(33 498)	5
Income before tax	**23 373**	21 591	8
Indirect tax	**(763)**	(751)	2
Profit before tax	**22 610**	20 840	8
Income tax expense	**(5 460)**	(5 239)	4
Profit for the year	**17 150**	15 601	10
Attributable to			
Ordinary equityholders	**16 931**	15 394	10
NCNR preference shareholders	**219**	207	6
Profit for the year	**17 150**	15 601	10

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME – IFRS (AUDITED)

for the year ended 30 June

R million	2016	2015	% change
Profit for the year	**17 150**	15 601	10
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**118**	(271)	(>100)
Gains/(losses) arising during the year	**144**	(569)	(>100)
Reclassification adjustments for amounts included in profit or loss	**20**	193	(90)
Deferred income tax	**(46)**	105	(>100)
Available-for-sale financial assets	**(495)**	(35)	>100
Losses arising during the year	**(679)**	(40)	>100
Reclassification adjustments for amounts included in profit or loss	**7**	(20)	(>100)
Deferred income tax	**177**	25	>100
Exchange differences on translating foreign operations	**482**	290	66
Gains arising during the year	**482**	290	66
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**(133)**	1	(>100)
(Losses)/gains arising during the year	**(185)**	2	(>100)
Deferred income tax	**52**	(1)	(>100)
Other comprehensive loss for the year	**(28)**	(15)	87
Total comprehensive income for the year	**17 122**	15 586	10
Attributable to			
Ordinary equityholders	**16 903**	15 379	10
NCNR preference shareholders	**219**	207	6
Total comprehensive income for the year	**17 122**	15 586	10

SUMMARISED STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June

R million	2016	2015
ASSETS		
Cash and cash equivalents	**50 997**	53 725
Derivative financial instruments	**39 923**	34 112
Commodities	**12 514**	7 354
Investment securities	**155 825**	133 543
Advances	**719 693**	675 387
Accounts receivable	**4 561**	4 301
Non-current assets and disposal groups held for sale	**–**	125
Current tax asset	**166**	–
Amounts due by holding company and fellow subsidiaries	**32 793**	27 318
Property and equipment	**13 632**	12 821
Intangible assets	**106**	71
Deferred income tax asset	**1 369**	1 202
Total assets	**1 031 579**	949 959
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**14 221**	5 270
Derivative financial instruments	**50 624**	40 811
Creditors, accruals and provisions*	**12 644**	12 465
Current tax liability	**75**	69
Deposits	**826 473**	779 703
Employee liabilities	**8 772**	8 848
Other liabilities	**5 386**	3 977
Amounts due to holding company and fellow subsidiaries	**13 997**	11 836
Tier 2 liabilities	**17 468**	11 983
Total liabilities	**949 660**	874 962
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	16 804
Reserves	**62 111**	55 189
Capital and reserves attributable to ordinary equityholders	**78 919**	71 997
NCNR preference shares	**3 000**	3 000
Total equity	**81 919**	74 997
Total equity and liabilities	**1 031 579**	949 959

* *In the prior year, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

SUMMARISED STATEMENT OF CASH FLOWS – IFRS (AUDITED)

for the year ended 30 June

R million	2016	2015
Cash flows from operating activities		
Interest and fee and commission receipts	**82 481**	70 597
Trading and other income	**4 297**	3 978
Interest payments	**(26 515)**	(20 776)
Other operating expenses	**(28 614)**	(25 422)
Dividends received	**3 034**	2 128
Dividends paid	**(10 200)**	(6 654)
Cash generated from operating activities	**24 483**	23 851
Movement in operating assets and liabilities	**(31 303)**	(20 295)
Liquid assets and trading securities	**(21 731)**	(41 225)
Advances	**(44 027)**	(55 407)
Deposits	**40 947**	84 756
Creditors (net of debtors)	**166**	1 395
Employee liabilities	**(4 809)**	(4 528)
Other liabilities	**4 364**	1 377
Taxation paid	**(6 213)**	(6 663)
Net cash (outflow)/inflow generated from operating activities	**(6 820)**	3 556
Cash flows from investing activities		
Acquisition of property and equipment	**(3 243)**	(3 600)
Proceeds on disposal of property and equipment	**448**	424
Acquisition of intangible assets	**(104)**	(36)
Proceeds on disposal of non-current assets held for sale	**125**	–
Net cash outflow from investing activities	**(2 774)**	(3 212)
Cash flows from financing activities		
Proceeds from the issue/(repayment of) other liabilities	**1 290**	(460)
Proceeds from the issue of Tier 2 liabilities	**5 485**	499
Proceeds from issue of ordinary shares	**–**	1 500
Net cash inflow from financing activities	**6 775**	1 539
Net (decrease)/increase in cash and cash equivalents	**(2 819)**	1 883
Cash and cash equivalents at the beginning of the year	**53 725**	51 788
Effect of exchange rate changes on cash and cash equivalents	**91**	54
Cash and cash equivalents at the end of the year	**50 997**	53 725
Mandatory reserve balances included above*	**19 267**	18 223

* *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.*

SUMMARISED STATEMENT OF CHANGES IN EQUITY – IFRS (AUDITED)

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds					
R million	Share capital	Share premium	Share capital and share premium	Defined benefit post-employment reserve	Cash flow hedge reserve	
Balance as at 1 July 2014	4	15 304	**15 308**	(766)	461	
Net proceeds of the issue of share capital	–	1 500	**1 500**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Vesting of share-based payments	–	–	**–**	–	–	
Equity transactions with fellow subsidiaries	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Total comprehensive income for the year	–	–	**–**	1	(271)	
Balance as at 30 June 2015	4	16 804	**16 808**	(765)	190	
Net proceeds of issue of share capital	–	–	**–**	–	–	
Movement in other reserves	–	–	**–**	–	–	
Vesting of share-based payments	–	–	**–**	–	–	
Equity transactions with fellow subsidiaries	–	–	**–**	–	–	
Ordinary dividends	–	–	**–**	–	–	
Preference dividends	–	–	**–**	–	–	
Total comprehensive income for the year	–	–	**–**	(133)	118	
Balance as at 30 June 2016	4	16 804	**16 808**	(898)	308	

	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
	465	430	186	1 345	43 635	**45 756**	**3 000**	**64 064**
	–	–	–	–	–	**–**	**–**	**1 500**
	74	–	–	–	–	**74**	**–**	**74**
	(539)	–	–	–	539	**–**	**–**	**–**
	–	–	–	–	427	**427**	**–**	**427**
	–	–	–	–	(6 447)	**(6 447)**	**–**	**(6 447)**
	–	–	–	–	–	**–**	**(207)**	**(207)**
	–	(35)	290	–	15 394	**15 379**	**207**	**15 586**
	–	395	476	1 345	53 548	**55 189**	**3 000**	**74 997**
	–	–	–	–	–	**–**	**–**	**–**
	–	–	–	–	–	**–**	**–**	**–**
	–	–	–	–	–	**–**	**–**	**–**
	–	–	–	–	–	**–**	**–**	**–**
	–	–	–	–	(9 981)	**(9 981)**	**–**	**(9 981)**
	–	–	–	–	–	**–**	**(219)**	**(219)**
	–	(495)	482	–	16 931	**16 903**	**219**	**17 122**
	–	(100)	958	1 345	60 498	**62 111**	**3 000**	**81 919**

STATEMENT OF HEADLINE EARNINGS – IFRS

for the year ended 30 June

R million	2016	2015	% change
Profit for the year (refer page 75)	**17 150**	15 601	10
NCNR preference shareholders	**(219)**	(207)	6
Earnings attributable to ordinary equityholders	**16 931**	15 394	10
Adjusted for:	**28**	(7)	(>100)
Loss/(gain) on disposal of available-for-sale assets	**8**	(20)	
(Gain)/loss on disposal of property and equipment	**(1)**	14	
Impairment of assets in terms of IAS 36	**23**	–	
Other	**–**	(3)	
Tax effects of adjustments	**(2)**	2	
Headline earnings	**16 959**	15 387	10

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

for the year ended 30 June

R million	2016	2015	% change
Headline earnings	**16 959**	15 387	10
Adjusted for:	**392**	(141)	(>100)
TRS and IFRS 2 liability remeasurement*	**494**	(34)	(>100)
IAS 19 adjustment	**(102)**	(107)	(5)
Normalised earnings	**17 351**	15 246	14

* *The bank uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes.*

The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.

In the current year, FirstRand's share price declined R8.48 and during the prior year increased R12.57. This resulted in a significant mark-to-market fair value loss in the current period (compared to profit in the prior year) being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility from the TRS, as described in more detail on page 73.

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED INCOME STATEMENT

for the year ended 30 June 2016

R million	June 2016 Normalised	IAS 19 adjustment	Margin on securitised assets	Economic hedges	Fair value annuity income (lending)
Net interest income before impairment of advances	**38 333**	–	(1 234)	354	(2 442)
Impairment of advances	**(6 255)**	–	–	–	257
Net interest income after impairment of advances	**32 078**	–	(1 234)	354	(2 185)
Non-interest revenue	**27 261**	–	1 234	(354)	2 185
Income from operations	**59 339**	–	–	–	–
Operating expenses	**(35 392)**	142	–	–	–
Income before tax	**23 947**	142	–	–	–
Indirect tax	**(763)**	–	–	–	–
Profit before tax	**23 184**	142	–	–	–
Income tax expense	**(5 614)**	(40)	–	–	–
Profit for the year	**17 570**	102	–	–	–
Attributable to					
NCNR preference shareholders	**(219)**	–	–	–	–
Ordinary equityholder	**17 351**	102	–	–	–
Headline and normalised earnings adjustments	**–**	(102)	–	–	–
Normalised earnings	**17 351**	–	–	–	–

USD liquidity funding	TRS adjustment	Headline earnings	IFRS
532	–	–	**35 543**
–	–	–	**(5 998)**
532	–	–	**29 545**
(532)	(924)	(7)	**28 863**
–	(924)	(7)	**58 408**
–	238	(23)	**(35 035)**
–	(686)	(30)	**23 373**
–	–	–	**(763)**
–	(686)	(30)	**22 610**
–	192	2	**(5 460)**
–	(494)	(28)	**17 150**
–	–	–	**(219)**
–	(494)	(28)	**16 931**
–	494	28	**420**
–	–	–	**17 351**

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED INCOME STATEMENT

for the year ended 30 June 2015

R million	June 2015 Normalised	IAS 19 adjustment	Margin on securitised assets	Economic hedges	Fair value annuity income (lending)
Net interest income before impairment of advances	33 913	–	(807)	(265)	(2 816)
Impairment of advances	(4 993)	–	–	–	637
Net interest income after impairment of advances	28 920	–	(807)	(265)	(2 179)
Non-interest revenue	25 057	–	807	265	2 179
Income from operations	53 977	–	–	–	–
Operating expenses	(32 591)	149	–	–	–
Income before tax	21 386	149	–	–	–
Indirect tax	(751)	–	–	–	–
Profit before tax	20 635	149	–	–	–
Income tax expense	(5 182)	(42)	–	–	–
Profit for the year	15 453	107	–	–	–
Attributable to					
NCNR preference shareholders	(207)	–	–	–	–
Ordinary equityholders	15 246	107	–	–	–
Headline and normalised earnings adjustments	–	(107)	–	–	–
Normalised earnings	15 246	–	–	–	–

USD liquidity funding	TRS adjustment	Headline earnings	IFRS
204	–	–	30 229
–	–	–	(4 356)
204	–	–	25 873
(204)	1 106	6	29 216
–	1 106	6	55 089
–	(1 059)	3	(33 498)
–	47	9	21 591
–	–	–	(751)
–	47	9	20 840
–	(13)	(2)	(5 239)
–	34	7	15 601
–	–	–	(207)
–	34	7	15 394
–	(34)	(7)	(148)
–	–	–	15 246

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

R million	Normalised	Reallocation of credit investments	IFRS
ASSETS			
Cash and cash equivalents	**50 997**	–	**50 997**
Derivative financial instruments	**39 923**	–	**39 923**
Commodities	**12 514**	–	**12 514**
Investment securities	**111 430**	44 395	**155 825**
Advances	**764 088**	(44 395)	**719 693**
Accounts receivable	**4 561**	–	**4 561**
Non-current assets and disposal groups held for sale	**–**	–	**–**
Current tax asset	**166**	–	**166**
Amounts due by holding company and fellow subsidiaries	**32 793**	–	**32 793**
Property and equipment	**13 632**	–	**13 632**
Intangible assets	**106**	–	**106**
Deferred income tax asset	**1 369**	–	**1 369**
Total assets	**1 031 579**	–	**1 031 579**
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**14 221**	–	**14 221**
Derivative financial instruments	**50 624**	–	**50 624**
Creditors, accruals and provisions*	**12 644**	–	**12 644**
Current tax liability	**75**	–	**75**
Deposits	**826 473**	–	**826 473**
Employee liabilities	**8 772**	–	**8 772**
Other liabilities	**5 386**	–	**5 386**
Amounts due to holding company and fellow subsidiaries	**13 997**	–	**13 997**
Tier 2 liabilities	**17 468**	–	**17 468**
Total liabilities	**949 660**	–	**949 660**
Equity			
Ordinary shares	**4**	–	**4**
Share premium	**16 804**	–	**16 804**
Reserves	**62 111**	–	**62 111**
Capital and reserves attributable to ordinary equityholders	**78 919**		**78 919**
NCNR preference shares	**3 000**	–	**3 000**
Total equity	**81 919**	–	**81 919**
Total equity and liabilities	**1 031 579**	–	**1 031 579**

* *In the prior year provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

R million	Normalised	Reallocation of credit investments	IFRS
ASSETS			
Cash and cash equivalents	53 725	–	53 725
Derivative financial instruments	34 112	–	34 112
Commodities	7 354	–	7 354
Investment securities	103 673	29 870	133 543
Advances	705 257	(29 870)	675 387
Accounts receivable	4 301	–	4 301
Non-current assets and disposal groups held for sale	125	–	125
Current tax asset	–	–	–
Amounts due by holding company and fellow subsidiaries	27 318	–	27 318
Property and equipment	12 821	–	12 821
Intangible assets	71	–	71
Deferred income tax asset	1 202	–	1 202
Total assets	949 959	–	949 959
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 270	–	5 270
Derivative financial instruments	40 811	–	40 811
Creditors, accruals and provisions*	12 465	–	12 465
Current tax liability	69	–	69
Deposits	779 703	–	779 703
Employee liabilities	8 848	–	8 848
Other liabilities	3 977	–	3 977
Amounts due to holding company and fellow subsidiaries	11 836	–	11 836
Tier 2 liabilities	11 983	–	11 983
Total liabilities	874 962	–	874 962
Equity			
Ordinary shares	4	–	4
Share premium	16 804	–	16 804
Reserves	55 189	–	55 189
Capital and reserves attributable to ordinary equityholders	71 997		71 997
NCNR preference shares	3 000	–	3 000
Total equity	74 997	–	74 997
Total equity and liabilities	949 959	–	949 959

* *In the prior year provisions were presented in a separate line on the statement of financial position. This amount has been restated.*

FAIR VALUE MEASUREMENTS (AUDITED)

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 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 and relevant risk committees 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.

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

Recurring fair value measurements

Recurring fair value measurements includes financial assets, financial liabilities and non-financial assets, including commodities, that the bank measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instruments has a bid or ask price (e.g. 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, the quoted price for the transfer of an identical or similar liability 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 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.

Non-financial assets

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

Non-recurring fair value measurements

Non-recurring fair value measurements are those triggered by particular circumstances and include:

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under *IFRS 5 Non-current Assets Held for Sale and Discontinued Operations* where the recoverable amount is based on the fair value less costs to sell;
- *IFRS 3 Business Combinations* where assets and liabilities are measured at fair value at acquisition date; and
- *IAS 36 Impairment of Assets* where the recoverable amount is based on the fair value less costs to sell.

These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 97, 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. 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;
- 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. The bank considers factors such as counterparty and own credit when making appropriate valuation adjustments.

Measurement of assets and liabilities at level 2

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	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 and credit spreads
Swaps	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.	Market interest rates and curves
Option	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
Forwards	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
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share 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, curves, volatilities, dividends and share prices
Loans and advances to customers			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. 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.	Market interest rates, curves and credit spreads

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, 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, a valuation technique is used to determine the fair value. The valuation technique 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 market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves
Unlisted equities	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 in which case level 2 classifications are used.	Market transactions
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market-quoted instruments, where available.	Market interest rates and curves
Treasury bills	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these investments are listed, these third party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
Deposits			
Call and non-term deposits	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
Other deposits	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
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates and performance of underlying
Tier 2 liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates.	Market interest rates and curves

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and curves

Measurement of assets and liabilities at level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Derivative financial instruments			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share 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.	Volatilities and share prices
Loans and advances to customers			
Investment banking book	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 could have 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 market-related interest rates. 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. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the bank has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, 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, a valuation technique is used to determine the fair value. The valuation technique 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 market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	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 rate 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.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these investments are unlisted, the bank has classified these in level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments
Deposits			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins are used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	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.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes of the annual financial statements, when applicable. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior years.

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

	2016			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	241	39 682	–	39 923
Investment securities	75 709	21 629	46 390	143 728
Advances	–	43 831	154 731	198 562
Commodities	12 514	–	–	12 514
Amounts due by holding company and fellow subsidiaries	–	383	–	383
Total assets measured at fair value	88 464	105 525	201 121	395 110
Liabilities				
Recurring fair value measurements				
Short trading positions	14 221	–	–	14 221
Derivative financial instruments	121	50 375	128	50 624
Deposits	2 482	98 310	528	101 320
Other liabilities	–	3 370	1 457	4 827
Amounts due to holding company and fellow subsidiaries	–	319	–	319
Total liabilities measured at fair value	16 824	152 374	2 113	171 311

	2015			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	96	34 011	5	34 112
Investment securities	65 313	39 361	28 677	133 351
Advances	–	40 679	153 777	194 456
Commodities	7 354	–	–	7 354
Amounts due by holding company and fellow subsidiaries	–	295	–	295
Total assets measured at fair value	72 763	114 346	182 459	369 568
Liabilities				
Recurring fair value measurements				
Short trading positions	5 270	–	–	5 270
Derivative financial instruments	51	40 755	5	40 811
Deposits	2 207	93 591	1 182	96 980
Other liabilities	–	3 348	–	3 348
Amounts due to holding company and fellow subsidiaries	–	135	–	135
Total liabilities measured at fair value	7 528	137 829	1 187	146 544

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Transfers between fair value hierarchy levels

The following represents the significant transfers into levels 1, 2 and 3 and the reasons for these transfers. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	2016		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	**–**	**(2 821)**	There were no transfers into level 1.
Level 2	**–**	**(107)**	There were no transfers into level 2.
Level 3	**2 928**	**–**	The market for certain bonds listed in South Africa has become inactive in the current period because of stresses in the macro environment. The market price is therefore not representative of fair value and a valuation technique is applied. Because of credit valuation being unobservable the bonds have been classified into level 3 of the hierarchy. An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options has resulted in a transfer out of level 2 of the fair value hierarchy and into level 3.
Total transfers	**2 928**	**(2 928)**	

	2015		
R million	Transfers in	Transfers out	Reasons for transfers in
Level 1	–	–	There were no transfers in or out of level 1.
Level 2	6	(4 709)	The transfers into level 2 relates to advances for which the significant inputs into the fair value calculation became observable in the current year.
Level 3	4 709	(6)	Corporate bonds to the value of R4 709 million were transferred into level 3. The market for these bonds is not active and the fair value is determined using a valuation technique that makes use of unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	4 715	(4 715)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

The following table show a reconciliation of the opening and closing balances for assets and liabilities measured at fair value on a recurring basis classified as level 3 in terms of the fair value hierarchy.

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2014	1	146 064	5 518	5	952	–
Gains/losses recognised in profit or loss	4	6 801	1 083	4	14	–
Gains/losses recognised in other comprehensive income	–	–	97	–	–	–
Purchases, sales, issues and settlements	–	(367)	17 248	(4)	216	–
Transfers into/(out) of level 3	–	(6)	4 709	–	–	–
Exchange rate differences	–	1 285	22	–	–	–
Balance as at 30 June 2015	5	153 777	28 677	5	1 182	–
Gains/losses recognised in profit or loss	**(6)**	**8 008**	**5 764**	**13**	**15**	**35**
Gains/losses recognised in other comprehensive income	**–**	**–**	**29**	**–**	**–**	**–**
Purchases, sales, issues and settlements	**–**	**(8 953)**	**9 025**	**3**	**(669)**	**1 422**
Transfers into/(out) of level 3	**–**	**–**	**2 821**	**107**	**–**	**–**
Exchange rate differences	**1**	**1 899**	**74**	**–**	**–**	**–**
Balance as at 30 June 2016	**–**	**154 731**	**46 390**	**128**	**528**	**1 457**

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

The valuation model for level 3 assets or liabilities typically relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains and losses presented below include changes in the fair value related to both observable and unobservable inputs.

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

	2016		2015	
R million	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Derivative financial instruments	**–**	**–**	4	–
Advances*	**7 415**	**–**	5 132	–
Investment securities	**5 476**	**29**	937	97
Total	**12 891**	**29**	6 073	97
Liabilities				
Derivative financial instruments	**19**	**–**	4	–
Deposits	**(14)**	**–**	(14)	–
Other liabilities	**–**	**–**	–	–
Total	**5**	**–**	(10)	–

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonable possible alternative inputs:

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Credit migration matrix	The credit migration matrix is used as part of the bank's credit risk management process for the 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.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Unobservable inputs	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	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.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased by 10% and decreased by 1%.

	2016			2015		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
R million	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**–**	**–**	**–**	5	6	5
Advances	**154 731**	**155 346**	**153 870**	153 777	154 411	151 871
Investment securities	**46 390**	**46 912**	**45 884**	28 677	29 004	28 360
Total financial assets measured at fair value in level 3	**201 121**	**202 258**	**199 754**	182 459	183 421	180 236
Liabilities						
Derivative financial instruments	**128**	**124**	**129**	5	4	5
Deposits	**528**	**478**	**618**	1 182	1 064	1 301
Other liabilities	**1 457**	**1 443**	**1 602**	–	–	–
Total financial liabilities measured at fair value in level 3	**2 113**	**2 045**	**2 349**	1 187	1 068	1 306

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	2016				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	**521 131**	**525 651**	**–**	**86 363**	**439 288**
Investment securities	**12 097**	**12 083**	**–**	**12 083**	**–**
Total assets at amortised cost	**533 228**	**537 734**	**–**	**98 446**	**439 288**
Liabilities					
Deposits	**725 153**	**724 819**	**7 897**	**716 692**	**230**
Other liabilities	**532**	**531**	**–**	**531**	**–**
Tier 2 liabilities	**17 468**	**17 682**	**–**	**17 682**	**–**
Total liabilities at amortised cost	**743 153**	**743 032**	**7 897**	**734 905**	**230**

	2015				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	480 931	483 816	–	86 999	396 817
Investment securities	192	192	–	192	–
Total assets at amortised cost	481 123	484 008	–	87 191	396 817
Liabilities					
Deposits	682 723	682 482	5 159	674 881	2 442
Other liabilities	629	625	–	625	–
Tier 2 liabilities	11 983	12 188	–	12 188	–
Total liabilities at amortised cost	695 335	695 295	5 159	687 694	2 442

DAY 1 PROFIT OR LOSS

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

R million	2016	2015
Opening balance	**6**	11
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**37**	–
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(5)
Closing balance	**38**	6

SUMMARISED SEGMENT INFORMATION – IFRS (AUDITED)

	2016							
			RMB					
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC	Eliminations and IFRS adjustments	Total
Profit for the year before tax	**15 145**	**(357)**	**4 029**	**1 100**	**3 539**	**(39)**	**(807)**	**22 610**
Total assets	**332 172**	**1 148**	**339 258**	**36 269**	**169 050**	**173 972**	**(20 290)**	**1 031 579**
Total liabilities	**317 128**	**1 507**	**336 224**	**34 919**	**165 582**	**115 023**	**(20 723)**	**949 660**

	2015							
			RMB					
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC	Eliminations and IFRS adjustments	Total
Profit for the year before tax	13 422	(323)	4 194	1 024	2 602	665	(744)	20 840
Total assets	307 666	579	316 633	36 081	157 554	133 323	(1 877)	949 959
Total liabilities	294 237	903	313 381	34 764	154 915	78 774	(2 012)	874 962

* *FNB Africa results reported above relate to head office costs and FNB's activities in India.*

supplementary information

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CONTINGENCIES AND COMMITMENTS (AUDITED)

as at 30 June

R million	2016	2015	% change
Contingencies			
Guarantees	**32 659**	33 319	(2)
Letters of credit	**6 485**	5 494	18
Total contingencies	**39 144**	38 813	1
Capital commitments			
Contracted capital commitments	**1 693**	731	>100
Capital expenditure authorised not yet contracted	**2 009**	4 047	(50)
Total capital commitments	**3 702**	4 778	(23)
Other commitments			
Irrevocable commitments	**95 630**	80 044	19
Operating lease and other commitments	**2 698**	2 131	27
Total other commitments	**98 328**	82 175	20
Total contingencies and commitments	**141 174**	125 766	12

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY AND REGISTERED OFFICE

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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
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
Fax: +27 11 282 4184

AUDITORS

PricewaterhouseCoopers Incorporated
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	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	FRB15	ZAG000124199
	FirstRand Bank Limited	FRB16	ZAG000127622
	FirstRand Bank Limited	FRB17	ZAG000127630
	FirstRand Bank Limited	FRB18	ZAG000135229
	FirstRand Bank Limited	FRB19	ZAG000135310
	FirstRand Bank Limited	FRB20	ZAG000135385
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	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	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS117	ZAG000117706
	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	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541
	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRS139	ZAG000128646
	FirstRand Bank Limited	FRS140	ZAG000129842
	FirstRand Bank Limited	FRS141	ZAG000130048
	FirstRand Bank Limited	FRS142	ZAG000130782
	FirstRand Bank Limited	FRS143	ZAG000130790
	FirstRand Bank Limited	FRS144	ZAG000131483
	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	FRX30	ZAG000124264
	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
Credit-linked notes	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	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	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	FRC148	ZAG000099466
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	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	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRC232	ZAG000127994
	FirstRand Bank Limited	FRC233	ZAG000128752

LISTED DEBT INSTRUMENTS *continued*

JSE *continued*

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC234	ZAG000130816
	FirstRand Bank Limited	FRC235	ZAG000132390
	FirstRand Bank Limited	FRD003	ZAG000114067
	FirstRand Bank Limited	FRD013	ZAG000128695
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
	FirstRand Bank Limited	XS0595260141
	FirstRand Bank Limited	XS1225512026
	FirstRand Bank Limited	XS1178685084

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
EMTN	European medium term note programme
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
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 the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	Common Equity Tier 1 capital plus AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
TLAC	Total loss absorbing capacity.
TRS	Total return swap.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.

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