for the year ended 30 June 2015

ANALYSIS OF FINANCIAL RESULTS

FIRSTRAND

CONTENTS

FIRSTRAND

1966/010753/06

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

This analysis is available on the group's website:
www.firstrand.co.za

Email questions to
investor.relations@firstrand.co.za

INTRODUCTION

This report covers the audited summarised financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the year to June 2015. The primary results and accompanying commentary are presented on a normalised basis as the group believes this most accurately reflects its economic performance. The normalised results have been derived from the IFRS financial results.

Normalised results include a summarised consolidated income statement, statement of comprehensive income, statement of financial position and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 5 to 7. Detailed reconciliations of normalised to IFRS results are provided on pages 36 to 41. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand's annual integrated report will be published on the group's website, www.firstrand.co.za, on or about 6 October 2015.

FINANCIAL HIGHLIGHTS

	Year ended 30 June		
	2015	**2014**	**% change**
Normalised earnings (R million)	**21 286**	18 663	14
Diluted normalised earnings per share (cents)	**378.5**	331.0	14
Normalised net asset value per share (cents)	**1 618.3**	1 447.2	12
Dividend per ordinary share (cents)	**210.0**	174.0	21
Normalised ROE (%)	**24.7**	24.2	

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

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

for the year ended 30 June

R million	2015	2014	% change
Earnings attributable to ordinary equityholders	**21 623**	18 440	17
Headline earnings	**21 141**	18 671	13
Normalised earnings	**21 286**	18 663	14
Normalised net asset value	**90 778**	81 590	11
Normalised net asset value per share (cents)	**1 618.3**	1 447.2	12
Average normalised net asset value	**86 184**	77 143	12
Normalised earnings per share (cents)			
– Basic	**378.5**	331.0	14
– Diluted	**378.5**	331.0	14
Normalised ROE (%)	**24.7**	24.2	
Ordinary dividend (cents per share)	**210.0**	174.0	21
Dividend cover (times)	**1.8**	1.9	
Non-cumulative non-redeemable (NCNR) B preference dividend* – paid (cents per share)	**689.6**	640.6	8
Capital adequacy**			
Capital adequacy ratio (%)	**16.7**	16.7	
Tier 1 ratio (%)	**14.8**	14.8	
Common Equity Tier 1 (CET1) ratio (%)	**14.0**	13.9	
Market performance			
Market capitalisation	**299 098**	229 746	30
Price earnings ratio (times)	**14.1**	12.3	
Price-to-book ratio (times)	**3.3**	2.8	
Share price (closing – rand)	**53.32**	40.75	31

* *75.56% of FNB prime lending rate.*

** *Includes unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Profit for the year (refer page 21)	**23 124**	19 786	17
Non-controlling interests	**(1 191)**	(1 058)	13
NCNR preference shareholders	**(310)**	(288)	8
Earnings attributable to ordinary equityholders	**21 623**	18 440	17
Adjusted for:	**(482)**	231	(>100)
Loss on disposal of investment securities and other investments of a capital nature	**1**	27	
Gain on disposal of available-for-sale assets	**(293)**	(69)	
Transfer to foreign currency translation reserve	**10**	–	
Gain on disposal of investments in associates	**–**	(61)	
Gain on disposal of investments in subsidiaries	**(220)**	(18)	
Loss on the disposal of property and equipment	**5**	32	
Fair value movement on investment properties	**(33)**	–	
Impairment of goodwill	**–**	128	
Impairment of assets in terms of IAS 36	**–**	151	
Tax effects of adjustments	**18**	26	
Non-controlling interests adjustments	**30**	15	
Headline earnings	**21 141**	18 671	13

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

for the year ended 30 June

R million	2015	2014	% change
Headline earnings	**21 141**	18 671	13
Adjusted for:	**145**	(8)	(>100)
Total return swap and IFRS 2 liability remeasurement	**(34)**	(198)	(83)
IFRS 2 share-based payment expense	**75**	182	(59)
Treasury shares*	**25**	97	(74)
IAS 19 adjustment	**(107)**	(104)	3
Private equity subsidiary realisations	**186**	15	>100
Normalised earnings	**21 286**	18 663	14

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

PRESENTATION

BASIS OF PRESENTATION

The summarised consolidated financial statements are summarised from a complete set of the group consolidated annual financial statements.

FirstRand prepares its summarised consolidated financial results in accordance with:

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

The consolidated financial statements, from which the summarised consolidated 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 accounting policies applied in the preparation of the consolidated financial statements from which the summarised financial statements were derived, are in terms of IFRS. A number of revised IFRS requirements became applicable to the group for the first time this year. No changes to the group's accounting policies were required in order to comply with the revised requirements and the accounting policies are, therefore, consistent with those applied in the preparation of the prior year's consolidated annual financial statements.

The group believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies which, in terms of the JSE Listings Requirements, constitutes *pro forma* financial information. This *pro forma* financial information, which is the responsibility of the group'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 group's financial position, changes in equity, and results of operations or cash flows. An unmodified report on the *pro forma* financial information included within this booklet has been prepared and issued by the group's auditors in terms of the JSE Listings Requirements. Details of the nature of these adjustments and reasons thereof can be found on pages 5 to 7.

The entire *Analysis of financial results* booklet itself is not audited but the summarised consolidated annual financial statements, which have been denoted as audited within this booklet, were extracted from audited information and the auditors have issued a separate opinion thereon in terms of ISA 810. The summarised consolidated financial statements for the year ended 30 June 2015 has been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. The independent auditors' report on the summarised consolidated financial statements does not necessarily encompass all the information contained in this booklet. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the independent auditors' report on the summarised consolidated financial statements together with the accompanying financial statements. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited. The forward looking information has not been commented or reported on by the group's external auditors. FirstRand's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

The auditors expressed an unmodified opinion dated 9 September 2015 on the consolidated financial statements from which these summarised consolidated financial statements were derived. A copy of the auditors' reports on the summarised consolidated financial statements, on the consolidated financial statements and the *pro forma* information is available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the respective auditors' reports.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The IFRS results are adjusted to take into account non-operational items and accounting anomalies.

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

ECONOMIC INTEREST RATE HEDGES

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

FAIR VALUE ANNUITY INCOME – LENDING

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

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

CREDIT-BASED INVESTMENTS INCLUDED IN ADVANCES

Certain corporate bonds and debt securities qualifying as high quality liquid assets (HQLA) 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 were, therefore, reclassified from investment securities into advances.

US DOLLAR LIQUIDITY FUNDING

The group raised additional dollar funding and liquidity during the current and previous two financial years. 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 dollar 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.

REALISATION ON THE SALE OF PRIVATE EQUITY SUBSIDIARIES

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

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

In accordance with *IFRS 2 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 group defers the recognition of the fair value gain or loss on the hedging instrument to the specific reporting period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group.

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

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

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

In 2005 the group concluded a BEE transaction. As part of this transaction, rights were granted to the group's black South African employees and black non-executive directors. These rights are accounted for as expenses in accordance with IFRS 2. The group hedged itself against the price risk of the FirstRand share price inherent in these schemes by buying, in the open market, the FirstRand shares required to settle these schemes. These shares are held in various share trusts. In addition to the 2005 grants, the staff share trusts received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI. These schemes all vested on 31 December 2014 and the staff received the FirstRand and MMI shares due to them.

IFRS 10 Consolidated Financial Statements required certain of these share trusts to be consolidated by the group. The FirstRand shares held by the staff share trusts were, therefore, treated as treasury shares. MMI shares held by the staff share trusts were treated as available-for-sale equity investments. On vesting all the assets and liabilities in the trusts were used in the vesting of the shares and the wind-up of the trusts.

From an IFRS perspective the following expenses are recognised for the period from 1 July 2014 until the vesting date:

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

When calculating normalised results, the following adjustments are made in respect of the staff share trusts to reflect the economic cost of the scheme:

- historically FirstRand shares held by staff share schemes were treated as issued to parties external to the group and loans to share trusts were recognised as external loans. As these trusts have now been unwound and the loans settled this adjustment is no longer required;
- IFRS 2 expense is reversed; and
- IAS 19 expense relating to the fair value movement in the MMI shares is reversed.

HEADLINE EARNINGS ADJUSTMENTS

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

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

REGULATORY CHANGES

The group has been actively managing its balance sheet since the implementation of the liquidity coverage ratio (LCR) requirements. Under the Basel III liquidity regime, securities that meet the criteria set out in the standard are designated as high quality liquid assets (HQLA). There are operational requirements to be fulfilled with respect to HQLA requiring that the assets need to be under management control of the division charged with the management of liquidity.

For normalised reporting in the current year, certain investment securities have been reclassified into advances; the investment securities reclassified include debt securities qualifying as HQLA and securitisation notes. In the current and prior year, other corporate bonds that do not qualify as HQLA were reclassified to advances.

The segment report is, therefore, also impacted as HQLA and securitisation notes are managed by the Group Treasurer and are included in the FCC (including Group Treasury) segment. Corporate bonds that do not qualify as HQLA remain within the RMB investment banking segment.

The table below shows these adjustments.

CREDIT-BASED INVESTMENTS ADJUSTMENTS

R million	2015	2014
Normalised advances excluding credit-related assets	**765 951**	699 671
Credit-related assets		
– Corporate bonds	**11 218**	9 408
– HQLA (corporate advances)	**9 494**	–
– Securitisation notes	**7 301**	–
Restated normalised advances	**793 964**	709 079
NPLs as a % of advances		
– Excluding credit-related assets	**2.28**	2.32
– Including credit-related assets	**2.21**	2.30
Impairment charge as a % of average advances		
– Excluding credit-related assets	**0.78**	0.83
– Including credit-related assets	**0.77**	0.83

OVERVIEW OF RESULTS

INTRODUCTION

The South African economy continued to face a number of external and internal headwinds to growth:

- Global commodity prices remained under pressure as growth in China continued to decelerate.
- The gradual economic recovery in the United States, and the prospect of rising interest rates, has weighed on emerging markets in general and has specifically impacted markets with current account deficits, such as South Africa, resulting in slowing capital flows and currency weakness.
- The euro zone's economic recovery continues to be lacklustre, providing limited support to South African exports.
- Domestic headwinds, including ongoing electricity shortages, weak foreign demand and low prices, resulted in subdued business confidence.
- Household consumption was impacted by higher debt service costs, rising unemployment levels and moderating levels of income growth, although the temporary, oil-led drop in inflation did provide some short-term relief.
- Reduced growth in government spending to stabilise public sector debt and safeguard the country's sovereign credit rating.

The central bank has so far implemented a gradual and moderate hiking cycle, but the economy remains vulnerable to a more aggressive cycle should capital inflows slow down or reverse.

Many economies in sub-Saharan Africa have also experienced weaker exchange rates, increasing inflation, higher policy rates and lower growth. With commodity prices expected to remain well below levels that prevailed in the previous decade, economic performance will likely be driven by structural reform.

OVERVIEW OF RESULTS

Despite the deteriorating economic backdrop, FirstRand continued to grow earnings and produce excellent returns for shareholders in the year to 30 June 2015. Normalised earnings increased 14% to R21.3 billion, and normalised ROE increased slightly to 24.7%.

The group's operating franchises performed well, again demonstrating their leading market positions. FNB produced ongoing topline growth and profitability on the back of sustained momentum in NIR and NII with good growth generated from both advances and deposits.

WesBank's domestic franchise produced a resilient performance on the back of continuing new business volumes despite the subdued local retail credit cycle. WesBank's MotoNovo business in the UK again showed excellent profitability in both rand and GBP terms.

RMB's investment banking and corporate banking franchises underpinned a solid performance in a year characterised by subdued corporate activity and liquidity pressures. RMB also continued to strengthen its balance sheet and remains conservative in its credit provisioning.

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

SOURCES OF NORMALISED EARNINGS

R million	2015	% composition	2014	% composition	% change
FNB	**11 300**	**52**	9 701	52	16
RMB	**5 888**	**28**	5 507	30	7
WesBank	**3 309**	**16**	3 013	16	10
FCC (including Group Treasury) and other*,**	**1 099**	**5**	730	4	51
NCNR preference dividend	**(310)**	**(1)**	(288)	(2)	8
Normalised earnings	**21 286**	**100**	18 663	100	14

* *Includes FirstRand Limited (company).*

** *Positively impacted by endowment and credit overlay releases in current year.*

The group's NII increased 16% driven by ongoing growth in advances (+12%) and deposits (+13%). The benefits of asset repricing in certain portfolios were, in the main, offset by lower margins in the vehicle asset finance, WesBank corporate and investment banking books. Across the franchises, margins in many of the asset generating businesses continued to come under pressure from higher term funding and liquidity costs.

Total NIR, including income from associates and joint ventures, increased 8% year-on-year, with another strong contribution from FNB, which grew NIR 9% and continued to benefit from its strategies to grow fee and commission income (+9%), drive customers onto electronic platforms and generate good momentum in cross-sell.

The group's NIR also benefited from RMB's investing activities, with good growth from equity-accounted income generated by private equity-related activities, boosted by realisations in excess of R1 billion. WesBank's NIR increased 9%, driven by strong inflows from insurance income.

Overall operating cost growth was 10% for the period, reflecting higher staff costs and continuing investment in infrastructure, operating footprint and regulatory requirements.

NPLs continued to reflect a mixed picture with residential mortgages and FNB personal loans showing significant decreases of 18% and 7% respectively, on the back of workout strategies and disciplined origination. Strong book growth in the current and previous years combined with a deteriorating credit cycle resulted in an increase in NPLs in FNB's card and business subsegments, the rest of Africa portfolio, VAF and WesBank loans. The negative commodity cycle resulted in an increase in RMB's NPLs.

The group continues to exercise prudence on the back of deteriorating macroeconomic indicators. In the first six months of the year, the group created certain provisions with reference to expected stress in the oil and gas counters. This stress has started to manifest, resulting in the utilisation of some of these provisions, however, the majority remain intact.

In the prior year, on the back of the deteriorating credit cycle, the group created an extra R450 million of central portfolio overlays. The anticipated elevated risk has now manifested in the form of higher arrears levels and NPLs and related specific impairments during the year being raised in the operating franchises, therefore resulting in the release of R325 million. Despite this release, central overlays now total R925 million. Whilst the group's total portfolio coverage ratio has declined marginally on the back of these changes, it remains above the current annual charge.

GROUP STRATEGIC OBJECTIVES

FirstRand's vision is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. The group seeks to achieve this through specific growth strategies in both its domestic market and the rest of Africa, supported by the effective allocation of capital, funding and risk appetite:

- In its domestic market, the group will continue to protect and grow its lending and transactional franchises through innovation, disruption and specific cross-sell initiatives across group customer bases. In addition, FirstRand believes it can capture a larger share of profits from the broader financial services markets, through leveraging its platforms, skills and proven culture of innovation to deliver highly differentiated channels, products and solutions which enable customers to transact, borrow, save, invest and insure.
- In the rest of Africa, FirstRand is actively seeking to establish meaningful banking franchises in those countries that the group has prioritised as markets expected to show above average economic growth, and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

Further detail on progress on these strategies is outlined on page 15.

FRANCHISE PERFORMANCE REVIEW

The group's strategy is executed through its portfolio of operating franchises. Below is a brief overview of the financial and operational performance of each franchise.

FNB

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

FNB FINANCIAL HIGHLIGHTS

R million	2015	2014	% change
	Year ended 30 June		
Normalised earnings	**11 300**	9 701	16
Normalised profit before tax	**16 488**	14 240	16
Total assets	**350 635**	323 114	9
Total liabilities	**335 597**	309 212	9
NPLs (%)	**2.63**	3.14	
Credit loss ratio (%)	**0.79**	0.85	
ROE (%)	**38.3**	37.3	
ROA (%)	**3.32**	3.13	
Cost-to-income ratio (%)	**54.7**	55.1	
Advances margin (%)	**3.58**	3.39	

SEGMENT RESULTS

R million	2015	2014	% change
	Year ended 30 June		
Normalised PBT			
Retail	**9 841**	8 557	15
FNB Africa	**1 640**	1 410	16
Commercial	**5 007**	4 273	17
Total FNB	**16 488**	14 240	16

FNB produced another good performance for the year, increasing pre-tax profits 16%, driven by a strong operational performance from the South African franchise which posted growth in both NII and NIR. FNB produced an improved ROE of 38.3%, which remains well above hurdle rates, despite ongoing investment in platforms and new territories; this reflects the strength and quality of its transactional franchise, the optimisation of credit risk capital and a growing deposit franchise.

This performance also reflects the success of FNB's primary strategy to grow and retain core transactional accounts, drive cross-sell into the customer base, apply disciplined origination strategies and provide innovative savings products to attract deposits.

FNB's overall NII increased 16% driven by growth in both advances (+10%) and deposits (+12%). The performance of the lending businesses presented a mixed picture:

- the business and commercial segments benefited from good advances growth and low levels of impairments;
- residential mortgage advances showed modest growth of 5%, with NPLs still declining significantly;
- personal loans performed strongly with controlled growth of advances and a significant reduction in impairments. Strong collections, lower NPLs and an improved book risk profile resulted in impairments decreasing 27%; and
- credit card continued to benefit from post-write off recoveries, however there is some pressure in overdrafts and revolving loans in the consumer and premium segments.

Segment analysis of deposits and advances are below.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Year ended 30 June 2015			
	Deposit growth		**Advances growth**	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**13**	**18.6**	**8**	**16.9**
FNB Africa	**12**	**5.2**	**13**	**5.3**
Commercial	**11**	**14.7**	**17**	**8.3**

FNB's bad debt charge dropped to 0.79% of advances, with NPLs trending down to 2.63%. Following strong book growth in previous periods, credit appetite continues to be adjusted and provisions bolstered. Overall provisioning levels for FNB have remained conservative with overlays maintained.

FNB continues to see significant traction in the migration of its customer base onto electronic channels. NIR increased 9% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic transactional volumes up 14%. ADT (automated deposit terminal) deposits increased 12%, whilst branch-based deposits decreased 20%. The ongoing success of FNB's electronic migration strategy is also reflected in strong growth in transactions online (+15%), banking app (+69%) and mobile (+25%). FNB's strategy to drive credit card as a transactional product also resulted in 13% growth in volumes, underpinned by good growth in new active accounts of 6%.

NIR growth is under pressure in the consumer segment due to adjustments to certain fees. In addition, since mid-March reduced interchange impacted NIR and this will continue to be the case for the next twelve months. FNB however, believes volume growth emanating from its cash-to-card migration strategy will offset the impact of interchange to some degree.

FNB's cross-sell strategy achieved particularly good traction in the premier segment where the ratio improved 23% year-on-year. This was driven by the introduction of new products.

FNB's overall operating expenditure increased 12%, reflecting ongoing investment in its operating footprint, particularly in the rest of Africa (costs up 18%). The business however continues to deliver positive operating jaws and the cost-to-income ratio decreased to 54.7%.

FNB's subsidiaries in the rest of Africa performed well, growing normalised pre-tax profits 16%. Namibia in particular generated significantly higher profits on the back of balance sheet growth, improved margins and increased transactional volumes. Botswana and Mozambique experienced some cyclical and funding headwinds; Zambia and Tanzania continued to invest in footprint and product rollout.

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business continues to benefit from its strategy to generate more income from client-driven activities, anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns. This strategy, coupled with steady investment returns and a growing focus on originating asset management products, is delivering a high quality and sustainable earnings and return profile.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings	**5 888**	5 507	7
Normalised profit before tax	**8 307**	7 688	8
Total assets	**413 700**	390 209	6
Total liabilities	**403 375**	380 107	6
ROE (%)	**25.0**	25.7	
ROA (%)	**1.41**	1.45	
Credit loss ratio (%)	**0.42**	0.20	
Cost-to-income ratio (%)	**42.5**	45.0	

RMB produced solid results for the year with pre-tax profits increasing 8% to R8.3 billion and the business delivering a satisfactory ROE of 25%. This performance was achieved against a challenging economic environment and results from a high quality portfolio of businesses, particularly resilient investment banking and growing corporate banking franchises. RMB's balance sheet remains robust, the quality of earnings continues to improve and enhanced operational leverage has contributed to a decline in cost-to-income ratio to 42.5%.

Since 2012, RMB has been managing its business on a core activity view and, whilst its organisational structure remains based on the four separate divisions reported on previously, namely Investment Banking (IBD), Global Markets, Private Equity and Corporate Banking, the intention is to report on the activity view going forward.

For comparison purposes, the table below shows the year under review's financial performance on both a divisional and activity view, with three-year comparatives on page 73 of the segment report. The operational review is on the basis of RMB's activities.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

Normalised PBT R million	Year ended 30 June 2015 IB&A	C&TB	M&S	INV	IM	Other	Total	2014 Total	% change
Global Markets	–	348	1 794	116	37	–	2 295	1 986	16
IBD	3 076	–	68	451	73	–	3 668	4 083	(10)
Private Equity	–	–	–	1 869	–	–	1 869	1 212	54
Other RMB	–	–	–	–	–	(247)	(247)	(151)	(64)
Investment banking	**3 076**	**348**	**1 862**	**2 436**	**110**	**(247)**	**7 585**	7 130	6
Corporate banking	**–**	**680**	**42**	**–**	**–**	**–**	**722**	558	29
Total RMB – 2015	**3 076**	**1 028**	**1 904**	**2 436**	**110**	**(247)**	**8 307**	7 688	8
Total RMB – 2014	**2 928**	**861**	**1 581**	**2 266**	**203**	**(151)**	**7 688**		
% change	**5**	**19**	**20**	**8**	**(46)**	**(64)**	**8**		

Note:

IB&A – investment banking and advisory
C&TB – corporate and transactional banking
M&S – markets and structuring
INV – investing
IM – investment management
* *Refer to additional activity disclosure on page 73.*

The investment banking and advisory activities grew off a high base in a challenging environment, whilst facing increasing funding and liquidity costs. In addition, impairments raised against mining and metals, and oil and gas exposures in the core lending book impacted results further. This is considered prudent action given the ongoing deterioration in the outlook for those sectors. The quality of RMB's investment banking and advisory activities resulted in a number of significant M&A mandates being secured, both domestic and international, which positively impacted profitability.

Corporate and transactional banking activities performed well benefiting from focused client coverage initiatives, increased demand for trade and working capital products and higher deposit balances. This was, however, offset by increasing credit provision requirements against specific NPL exposures.

Markets and structuring activities delivered a solid performance, despite challenging market conditions and increased competitive pressures. Bespoke structuring transactions produced significant earnings growth as did the operations in the rest of Africa. There were some additional benefits from increased local and international price volatility within fixed income, currency and commodity markets.

RMB's investing activities showed good growth, also off a high base. Private Equity produced excellent results and continues to benefit from the quality and diversity of its portfolio, reporting strong equity-accounted earnings and solid income from investment subsidiaries. Earnings were positively impacted by significant realisations and despite this, the unrealised value of the portfolio increased to R4.9 billion (2014: R3.9 billion).

Franchise-wide head office costs, endowment on capital invested, legacy portfolios and RMB Resources are reflected in other activities. The legacy portfolio realised a marginal profit of R11 million, curtailing the loss of R183 million in the prior year. Unfortunately, the RMB Resources business reported a loss of R409 million for the period with both the equity and debt portfolios under pressure as a result of sharply declining commodity prices and the inability of counterparties to raise further funds to advance their projects. RMB has taken the decision to exit these activities over the next 24 months and will undertake an orderly unwind of the portfolio with no new investments. Given the project risk inherent in junior mining, the trade-off between limited upside, but significant downside, no longer aligns with RMB's appetite for earnings volatility.

WesBank

WesBank represents the group's activities in asset-based finance in the retail, commercial and corporate segments of South Africa and asset-based motor finance 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 the motor market is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups, and strong point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings	**3 309**	3 013	10
Normalised profit before tax	**4 693**	4 315	9
Total assets	**186 273**	170 194	9
Total liabilities	**180 293**	166 137	9
NPLs (%)	**3.20**	2.86	
Credit loss ratio (%)	**1.45**	1.35	
ROE (%)	**23.2**	26.6	
ROA (%)	**1.82**	1.88	
Cost-to-income ratio (%)	**41.2**	43.3	
Net interest margin (%)	**4.72**	5.05	

WesBank continues to deliver a resilient performance despite its sensitivity to the local retail credit cycle. Solid growth in new business volumes underpinned a 9% increase in pre-tax profits to R4.7 billion, an ROE of 23.2% and an ROA of 1.82%. These results reflect the strength of WesBank's franchise, adherence to disciplined credit origination and effective sales channels.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Year ended 30 June		
Normalised PBT	**2015**	**2014**	**% change**
VAF			
– Retail SA	**2 087**	1 980	5
– Retail UK	**937**	651	44
– Corporate and commercial	**398**	515	(23)
Personal loans	**1 271**	1 169	9
Total WesBank	**4 693**	4 315	9

* *Refer to additional segment disclosure on page 72.*

New business volumes increased across all of WesBank's retail portfolios, but remain within appropriate risk parameters with systematic tightening continuing in credit appetite for higher risk segments. Overall profit before tax was up 9% year-on-year with personal loans and MotoNovo contributing 9% and 35% (in GBP terms), respectively. Local retail VAF's performance continues to be impacted by the pressures facing consumers, with advances up 1.7% year-on-year. WesBank's rest of Africa business grew advances 10% year-on-year (these figures are reported under FNB Africa). Interest margins are trending down mainly due to higher funding and liquidity costs and the ongoing shift in mix from fixed- to floating-rate business.

Corporate profits came under pressure as a result of specific counterparty defaults. Profitability in the fleet business came under pressure.

As anticipated, bad debts in the local VAF portfolio remained fairly flat and within WesBank's through-the-cycle thresholds and provisioning continues to be conservatively applied. NPLs are up 22% year-on-year, but remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement.

This conservative treatment is in line with group practice with 34% of NPLs currently under debt review (compared to 29% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when these went into debt review.

NIR, including income from associates, increased 12% mainly as a result of stronger inflows from insurance income in the VAF and personal loans portfolios as well as robust fee income on the back of advances growth.

Growth in core operating costs remained below inflation, increasing 3%, and WesBank's cost-to-income ratio decreased year-on-year reflecting excellent cost containment.

The relative contribution to the group'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

	Year ended 30 June				
R million	**2015**	**% contribution**	**2014**	**% contribution**	**% change**
Retail	**10 688**	**50**	9 295	50	15
FNB	**7 695**		6 624		
WesBank	**2 993**		2 671		
Commercial	**3 921**	**18**	3 419	18	15
FNB	**3 605**		3 077		
WesBank	**316**		342		
Corporate and investment banking	**5 888**	**28**	5 507	30	7
RMB	**5 888**		5 507		
Other	**789**	**4**	442	2	79
FirstRand and dividends paid on NCNR preference shares	**(310)**		(288)		
FCC (including Group Treasury) and consolidation adjustments	**1 099**		730		
Normalised earnings	**21 286**	**100**	18 663	100	14

STRATEGIES TO ENSURE SUSTAINABILITY OF GROWTH AND RETURNS

As previously stated, the group seeks to create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength.

FirstRand believes it has the necessary strategies and operating platforms to continue to generate growth and earnings above its hurdle rates, although the level of outperformance that can be achieved becomes more difficult given the high earnings base created in the past and the challenging operating environment going forward.

The group's portfolio of businesses already represents a diversified earnings stream, although mainly concentrated in traditional banking activities, namely retail and wholesale lending, transactional and related endowment. The high quality of the lending and transactional franchises that reside in FNB, RMB and WesBank are a direct result of the group's strategy over the past five years to achieve significant market share of profits in those activities.

This market positioning will stand the domestic franchises in good stead moving into what is expected to be a more difficult operating environment. FirstRand, however, recognises the imperative to continue to protect and grow these franchises. The group believes this can be achieved through executing on disruptive and innovative strategies to deliver differentiated offerings to customers. In addition, the appropriate level of cross-sell available through collaboration across all of the franchises is still not fully realised.

For example, there are still meaningful opportunities within the WesBank customer base for FNB to introduce its market leading transactional offering, particularly given that 60% of WesBank motor customers remain unbanked by FNB. The recent acquisition of the non-controlling interests in Direct Axis, which has a customer base that is also significantly under-penetrated by FNB, provides new high quality customers to introduce transactional products. The group believes transactional offerings are the appropriate mechanisms to drive growth in new customers, particularly given the negative credit cycle. It is in line with FNB's stated objective to increase volumes on its electronic platforms and grow fee and commission income, with the concomitant positive impact this will have on NIR, ROA and ROE. Credit extension should increase on the back of these new transactional relationships, particularly where FNB gains comfort from transactional data on the account.

The group believes growth of its domestic franchise also lies in its ability to capture a larger share of profits from the broader financial services markets including savings, insurance and investment products, currently the domain of asset managers and insurance companies. These activities currently represent only 11% of gross revenue and many of them have become more attractive following changes in regulations. The group can offer significantly differentiated, but more cost-effective offerings to both existing and new customers currently saving and investing with competitors. It can, in particular, leverage off its strong actuarial skills base, flexible electronic distribution platforms and track record of innovation.

FirstRand is currently investing in a number of initiatives in the insurance space and, in March 2015, acquired its own life insurance license. FNB is driving the long-term insurance strategy on behalf of the group and is building an appropriate platform to launch risk products. It is envisaged that the current activities of FNB Life will move onto this platform.

Post year end, FirstRand's WesBank franchise formalised its long-standing relationship with Hollard Insurance Company through the formation of a new holding company. This entity will consolidate the existing insurance products provided through WesBank and Hollard and includes the acquisition of two other entities, Motorite and SMART. WesBank will own 81% and Hollard will hold the remaining 19% of the new entity.

The objective of this initiative will be to offer the best value-added motor products in the market. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover and offers paint-and-dent protection products. By combining resources it is envisaged that going forward WesBank will be in a strong position to provide innovative and competitively priced solutions for vehicle buyers. This initiative is conditional upon receiving approval from the applicable regulatory bodies.

Investment management is another market where FirstRand believes it can build a differentiated offering, capture a large share of the profit pools available and over time, generate a new and potentially significant revenue stream for the group. The creation of Ashburton Investments in 2013 bought together the group's asset origination, asset management, liability gathering and distribution platforms under one operating pillar. The objective is to build an investment management franchise that offers both traditional and alternative investment products, with greater emphasis on the alternative space which is currently unique in the domestic market and plays to the group's track record in originating high-quality asset classes such as private equity, infrastructure and corporate credit.

Prior to the consolidation of these activities within the investment management pillar, Ashburton as a standalone asset manager previously part of FNB, had over many years established an excellent track record in the traditional space. Utilising these proven investment skills, augmented by specialist skills in alternative products, the broader Ashburton Investments business is now achieving traction in its expanded growth strategy.

RMB's origination franchise, combined with FNB's customer base and distribution channels, both relationship driven and digital, are key to the successful execution of this strategy. From a product origination perspective, Ashburton Investments provides third parties with the opportunity to invest in high-quality asset classes originated by RMB. In the alternative products that Ashburton Investments has already bought to market, specifically corporate credit and private equity, there has been significant customer take-up and many of these funds are already closed.

From a distribution perspective, FNB's relationship management model combined with Ashburton Investments' product generation is already bearing fruit with 80% of retail investment inflows represented by FNB customers. This momentum has been supported by the activation of Ashburton Investment's LISP platform during the course of 2014. The group expects further growth in this customer migration once the asset management platforms are integrated with FNB's digital channels, which is still work in progress. Ultimately the FNB customer base will be presented with a large selection of bespoke investment and savings products, available through all of FNB's channels.

As the group's primary objective is to produce superior returns for its shareholders and its key performance measurement is net income after capital charge (NIACC), the majority of the growth initiatives outlined above are "capital light" and seek to drive growth in NIR and enhance ROE.

The group's revenues and earnings are also geographically highly concentrated, with less than 12% of gross revenue generated from outside of its domestic market. Therefore, in parallel with its domestic growth strategy, the group is also actively seeking to establish meaningful banking franchises in those countries in the rest of Africa prioritised as markets expected to show above average economic growth and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

FirstRand is not targeting a preferred level of earnings from outside of South Africa, as it believes the ultimate outcome of its strategy must be predicated on a disciplined approach to capital allocation and result in appropriate returns on the cost of that capital for shareholders. The group does, however, believe that certain territories in the rest of Africa offer attractive opportunities with execution currently taking the form of the following three pillars:

1. Utilise the capabilities of the South African franchise, particularly the domestic balance sheet, intellectual capital,

international platforms and the existing operating footprint in the rest of Africa.

2. Start an in-country franchise and grow organically.
3. Acquire small- to medium-sized in-country franchises where it makes commercial sense.

It is anticipated that the deployment of capital going forward will be concentrated on pillars 2 and 3.

MANAGEMENT OF FINANCIAL RESOURCES

The management of financial resources, defined as capital, funding and liquidity and risk appetite, is critical to the achievement of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite. As such, the group sets financial and prudential targets through different business cycles and scenarios. The group is expected, at a defined confidence level, to deliver on its commitments to the providers of capital.

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.

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.5	8.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**14.0**	**14.8**	**16.7**

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

** *Includes unappropriated profits.*

The group 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 group considers external issues that could impact capital levels, which include regulatory and accounting changes, macroeconomic conditions and future outlook.

Liquidity position

Taking into account 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. 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 group exceeds the 60% minimum liquidity coverage ratio as set out by the Basel Committee with an LCR for the group of 76% as at 30 June 2015 (for FRB the ratio is 84%), holding available liquidity of R137 billion with an additional R12 billion of management liquidity available.

Regulatory changes

During the year, the Basel Committee on Banking Supervision (BCBS) issued a number of consultative documents that may impact the capital levels going forward:

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

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

In addition, the Financial Stability Board issued for consultation a set of principles on the adequacy of loss absorbing and recapitalisation capacity of global systemically important banks (G-SIBs) at the end of 2014. These were developed in consultation with the BCBS and will, once finalised, form a new minimum standard for the total loss-absorbing capacity and composition of a bank's capital structure. Recently National Treasury, the South African Reserve Bank and the Financial Services Board 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 G-SIBs and have been identified as:

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

Comments are expected from all relevant stakeholders and the public by the end of September 2015. The final outcome from the consultation phase is not clear. It is, therefore, anticipated that further enhancements and changes may be incorporated in the current discussion document.

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

DIVIDEND STRATEGY

The group continues to seek to protect shareholders from any unnecessary volatility in dividend and annually assesses the appropriate level of payout taking into account the following inputs:

- actual performance;
- forward-looking macros;
- demand for capital; and
- potential regulatory and accounting changes.

The outlook on the macroeconomic environment remains challenging and uncertainty around potential regulatory and accounting changes persists. These pressures lead FirstRand to believe that the level of dividend payout should continue to be considered within the range of 1.8 x to 2.2 x cover. However, given the group's strong capital position, the excellent performance by the franchises in the year under review, and the projected demand for capital, the group believes that a dividend cover of 1.8 x is appropriate for the year ended 30 June 2015.

With respect to the current excess capital, the group's fundamental philosophy has not changed in that it will always return excess capital to shareholders should it not find opportunities to deploy that capital to generate acceptable returns. At this time, however, the group believes that a sufficient number of identified opportunities currently exist in both the domestic market as well as the rest of Africa, which warrant further assessment of deployment of part of the current excess. It will, therefore, continue to set aside a capital buffer in support of its expansion strategy.

Given the strong capital generation from the business in the year under review and the cautious approach to the deployment of this capital, the buffer has further increased. Currently, the group has set aside a R12 billion capital buffer to deploy to:

- protect and grow the domestic and lending franchises;
- provide other franchises with the opportunity to capture profits from the broader financial markets domestically; and
- support the disciplined deployment of capital for organic growth, and allow for small- and medium-sized acquisitions in a number of targeted countries in the rest of Africa.

PROSPECTS

The year to June 2016 is expected to display more negative characteristics than the year under review. GDP will remain below trend due to both demand weakness and supply side constraints, particularly with regards to power. If the US recovery emerges as expected, the SARB may have to increase rates which will place further pressure on the South African consumer. Unemployment is trending upwards with retrenchments already announced in the mining and construction sectors.

Economic headwinds continue to increase and growth in the system is expected to be subdued. High levels of indebtedness remain in certain consumer segments, which means advances growth will stay at current levels or decline and corporate activity is unlikely to pick up significantly. Regulatory changes will negatively impact the profitability of certain retail lending and transactional business lines.

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

MATURITY OF FIRSTRAND'S BEE TRANSACTION

On 31 December 2014, the staff and director components of FirstRand's 2005 Black Economic Empowerment (BEE) transaction matured. This resulted in participants receiving a net benefit valued at R5.4 billion from the vesting of 107.5 million FirstRand ordinary shares and R560 million from the vesting of 17.8 million MMI Holdings Limited (MMI) shares. The shares were held by the FirstRand Black Employee Trust, the FirstRand Black Non-executive Directors Trust and the Staff Assistance Trust (the trusts) after purchasing the FirstRand shares in the market in 2005 and receiving the MMI shares pursuant to the unbundling of MMI in 2010.

To facilitate the wind-up of the trusts on maturity of the transaction, the group bought back 63 million FirstRand shares from the trusts. The group also obtained 11 million MMI shares held by the trusts (collectively, the share buy-back). The share buy-back enabled the trusts to return capital contributions and the vesting of the net proceeds with the residual beneficiary.

To reinstate the normalised NAV, which was reduced by the share buy-back, the group reissued 35 million ordinary shares on 20 January 2015.

On the same day, the group offered 67 million FirstRand and 24 million MMI ordinary shares on behalf of the beneficiaries to settle tax obligations and to deliver cash value to the beneficiaries who elected to sell their shares. While the group facilitated the sale, the election was made by the beneficiaries and the full proceeds on the sale of these shares were for the account of the beneficiaries.

The offers were made by way of an accelerated bookbuild process to qualifying institutional investors only and were successfully placed. The ordinary shares were delivered and the new shares listed on the JSE on 28 January 2015.

From an economic perspective, the reissue of the 35 million shares formed an integral part of the BEE unwind transaction and, as such, has been included in the group's normalised share capital, and NAV and related ratios from 31 December 2014 and for IFRS from 28 January 2015.

The financial effect of the unwind was a decrease in normalised EPS of 2c per share, largely due to the IAS 19 expense of R158 million relating to the MMI shares held by the staff trusts (included in the R174 million adjustment – refer page 131), and an increase in normalised NAV of R227 million or 11.9c per share. Refer to pages 130 and 131 for more detailed financial information.

EVENTS AFTER THE REPORTING PERIOD

The directors are aware of the following material events that have occurred between the date of the statement of financial position and the date of this report:

- WesBank, together with Hollard Insurance Company, formed a new holding company, whereby FirstRand will be the majority shareholder with 81.1% shareholding. The new holding company will acquire two entities, namely Motorite and SMART, conditional upon receiving approval from the applicable regulatory bodies.
- It is anticipated that during the 2016 financial year, Discovery Limited (Discovery) will subscribe for preference shares in FirstRand Bank Limited in the amount of R1.35 billion and increase its participation in DiscoveryCard to 74.99% with FirstRand retaining 25.01%.
- WesBank, has acquired the non-controlling interests in Direct Axis SA Proprietary Limited on 1 July 2015 for a total consideration of R1.335 billion. The transaction resulted in Direct Axis moving from a partly-owned to a wholly-owned subsidiary.

BOARD CHANGES

Sizwe Errol Nxasana will resign as chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Johan Petrus Burger will be appointed as chief executive officer of FirstRand and FirstRand Bank in place of Sizwe Errol Nxasana with effect from 1 October 2015.

Alan Patrick Pullinger will be appointed deputy chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

In addition to the above:

Paballo Joel Makosholo will be appointed as a non-executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

Kgotso Buni Schoeman will resign as a non-executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Jurie Johannes Human Bester retired at the conclusion of the 2014 annual general meeting and did not offer himself for re-election.

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 210 cents per ordinary share out of income reserves for the year ended 30 June 2015.

ORDINARY DIVIDENDS

	Year ended 30 June	
Cents per share	**2015**	**2014**
Interim (declared 6 March 2015)	**93.0**	77.0
Final (declared 9 September 2015)	**117.0**	97.0
Total	**210.0**	174.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Friday 2 October 2015
Shares commence trading ex-dividend	Monday 5 October 2015
Record date	Friday 9 October 2015
Payment date	Monday 12 October 2015

Share certificates may not be dematerialised or rematerialised between Monday 5 October 2015 and Friday 9 October 2015, both days inclusive.

For shareholders who are subject to DWT, tax will be calculated at 15% (or such lower rate if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net final dividend after deducting 15% tax will be 99.45000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

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

B preference shares

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

DIVIDENDS DECLARED AND PAID

Cents per share	**Preference dividends**
Period:	
27 August 2013 – 24 February 2014	**320.3**
25 February 2014 – 25 August 2014	**341.1**
26 August 2014 – 23 February 2015	**348.5**
24 February 2015 – 31 August 2015	**363.9**

LL Dippenaar
Chairman

SE Nxasana
CEO

C Low
Company secretary

9 September 2015

SUMMARISED CONSOLIDATED INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Net interest income before impairment of advances	**35 621**	29 878	19
Impairment of advances	**(5 150)**	(5 252)	(2)
Net interest income after impairment of advances	**30 471**	24 626	24
Non-interest revenue	**37 421**	36 150	4
Income from operations	**67 892**	60 776	12
Operating expenses	**(38 692)**	(35 448)	9
Net income from operations	**29 200**	25 328	15
Share of profit of associates after tax	**1 085**	670	62
Share of profit of joint ventures after tax	**454**	257	77
Income before tax	**30 739**	26 255	17
Indirect tax	**(884)**	(878)	1
Profit before tax	**29 855**	25 377	18
Income tax expense	**(6 731)**	(5 591)	20
Profit for the year	**23 124**	19 786	17
Attributable to			
Ordinary equityholders	**21 623**	18 440	17
NCNR preference shareholders	**310**	288	8
Equityholders of the group	**21 933**	18 728	17
Non-controlling interests	**1 191**	1 058	13
Profit for the year	**23 124**	19 786	17
Earnings per share (cents)			
– Basic	**390.1**	336.2	16
– Diluted	**390.1**	332.7	17
Headline earnings per share (cents)			
– Basic	**381.4**	340.4	12
– Diluted	**381.4**	336.8	13

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Profit for the year	**23 124**	19 786	17
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(271)**	363	(>100)
Losses arising during the year	**(569)**	(109)	>100
Reclassification adjustments for amounts included in profit or loss	**193**	613	(69)
Deferred income tax	**105**	(141)	(>100)
Available-for-sale financial assets	**(377)**	(82)	>100
Losses arising during the year	**(102)**	(82)	24
Reclassification adjustments for amounts included in profit or loss	**(293)**	(69)	>100
Deferred income tax	**18**	69	(74)
Exchange differences on translating foreign operations	**406**	346	17
Gains arising during the year	**406**	346	17
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(262)**	131	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**(140)**	(82)	71
Losses arising during the year	**(141)**	(157)	(10)
Deferred income tax	**1**	75	(99)
Other comprehensive income for the year	**(644)**	676	(>100)
Total comprehensive income for the year	**22 480**	20 462	10
Attributable to			
Ordinary equityholders	**21 062**	19 086	10
NCNR preference shareholders	**310**	288	8
Equityholders of the group	**21 372**	19 374	10
Non-controlling interests	**1 108**	1 088	2
Total comprehensive income for the year	**22 480**	20 462	10

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June

R million	2015	2014
ASSETS		
Cash and cash equivalents	**65 567**	60 756
Derivative financial instruments	**34 500**	39 038
Commodities	**7 354**	7 904
Accounts receivable	**8 009**	8 159
Current tax asset	**115**	131
Advances	**751 366**	685 926
Investment securities and other investments	**165 171**	119 107
Investments in associates	**5 781**	5 847
Investments in joint ventures	**1 282**	1 205
Property and equipment	**16 288**	14 495
Intangible assets	**1 068**	1 047
Reinsurance assets	**388**	408
Post-employment benefit asset	**4**	5
Investment properties	**460**	419
Deferred income tax asset	**1 540**	862
Non-current assets and disposal groups held for sale	**373**	226
Total assets	**1 059 266**	945 535
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 685**	5 442
Derivative financial instruments	**40 917**	41 659
Creditors and accruals	**17 001**	13 437
Current tax liability	**353**	369
Deposits	**865 521**	768 234
Provisions	**623**	797
Employee liabilities	**9 734**	7 441
Other liabilities	**6 876**	6 586
Policyholder liabilities	**542**	540
Deferred income tax liability	**913**	796
Tier 2 liabilities	**12 497**	11 983
Liabilities directly associated with disposal groups held for sale	**–**	34
Total liabilities	**960 662**	857 318
Equity		
Ordinary shares	**56**	55
Share premium	**7 997**	5 531
Reserves	**82 725**	74 928
Capital and reserves attributable to ordinary equityholders	**90 778**	80 514
NCNR preference shares	**4 519**	4 519
Capital and reserves attributable to equityholders of the group	**95 297**	85 033
Non-controlling interests	**3 307**	3 184
Total equity	**98 604**	88 217
Total equity and liabilities	**1 059 266**	945 535

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014
Cash generated from operating activities		
Cash receipts from customers	**85 324**	76 678
Cash paid to customers, suppliers and employees	**(52 049)**	(46 403)
Dividends received	**4 323**	3 734
Dividends paid	**(11 034)**	(8 957)
Dividends paid to non-controlling interests	**(764)**	(630)
Cash generated from operating activities	**25 800**	24 422
Increase in income-earning assets	**(110 584)**	(74 630)
Increase in deposits and other liabilities	**97 250**	68 797
Taxation paid	**(8 065)**	(6 711)
Net cash generated from operating activities	**4 401**	11 878
Net cash outflow from investing activities	**(2 554)**	(3 958)
Net cash inflow from financing activities	**2 729**	4 111
Net increase in cash and cash equivalents	**4 576**	12 031
Cash and cash equivalents at the beginning of the year	**60 756**	48 565
Cash and cash equivalents disposed of through the disposal of subsidiaries	**67**	(11)
Effect of exchange rate changes on cash and cash equivalents	**168**	179
Transfer to non-current assets held for sale	**–**	(8)
Cash and cash equivalents at the end of the year	**65 567**	60 756
Mandatory reserve balances included above*	**21 489**	17 322

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

FLOW OF FUNDS ANALYSIS

R million	June 2015 vs June 2014 12-month movement	June 2014 vs June 2013 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**9 311**	9 182
Working capital movement	**5 353**	3 590
Derivatives positions	**4 039**	4 341
Investments	**505**	(4 475)
Deposits and long-term liabilities	**97 801**	75 066
Advances	**(83 992)**	(83 321)
Total	**33 017**	4 383
Application of funds		
Cash and cash equivalents	**(4 811)**	(12 191)
Investment securities and other investments	**(28 206)**	7 808
Total	**(33 017)**	(4 383)

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

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2013	55	5 609	**5 664**	(569)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	(78)	**(78)**	–	–
Total comprehensive income for the year	–	–	**–**	(82)	361
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2014	55	5 531	**5 586**	(651)	461
Issue of share capital	–	1 611	**1 611**	–	–
Proceeds from the issue of shares	–	1 629	**1 629**	–	–
Share issue expenses	–	(18)	**(18)**	–	–
Share movements relating to the unwind of the staff share trust*	1	873	**874**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	(18)	**(18)**	–	–
Total comprehensive income for the year	–	–	**–**	(140)	(271)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2015	56	7 997	**8 053**	(791)	190

* *Shares previously treated as treasury shares.*

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	**Available-for-sale reserve**	**Foreign currency translation reserve**	**Other reserves**	**Retained earnings**	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Non-controlling interests**	**Total equity**
3 173	518	1 999	126	60 607	**65 954**	**4 519**	**2 896**	**79 033**
(387)	–	–	14	(24)	**(397)**	**–**	**(86)**	**(483)**
–	–	–	–	(8 669)	**(8 669)**	**–**	**(630)**	**(9 299)**
–	–	–	–	–	**–**	**(288)**	**–**	**(288)**
–	–	–	34	(34)	**–**	**–**	**–**	**–**
–	–	–	–	(180)	**(180)**	**–**	**(84)**	**(264)**
–	–	–	–	14	**14**	**–**	**–**	**(64)**
–	(82)	353	96	18 440	**19 086**	**288**	**1 088**	**20 462**
(3)	–	–	–	(877)	**(880)**	**–**	**–**	**(880)**
2 783	436	2 352	270	69 277	**74 928**	**4 519**	**3 184**	**88 217**
–	–	–	–	–	**–**	**–**	**–**	**1 611**
–	–	–	–	–	**–**	**–**	**–**	**1 629**
–	–	–	–	–	**–**	**–**	**–**	**(18)**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**(48)**	**(48)**
(532)	–	–	10	(983)	**(1 505)**	**–**	**(24)**	**(1 529)**
–	–	–	–	(10 724)	**(10 724)**	**–**	**(764)**	**(11 488)**
–	–	–	–	–	**–**	**(310)**	**–**	**(310)**
–	–	–	10	(10)	**–**	**–**	**–**	**–**
–	–	–	–	(28)	**(28)**	**–**	**(149)**	**(177)**
–	–	–	154	(156)	**(2)**	**–**	**–**	**(20)**
–	(372)	405	(183)	21 623	**21 062**	**310**	**1 108**	**22 480**
(2 230)	–	–	–	1 224	**(1 006)**	**–**	**–**	**(1 006)**
21	64	2 757	261	80 223	**82 725**	**4 519**	**3 307**	**98 604**

p30-62

DETAILED FINANCIAL ANALYSIS – NORMALISED

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 36 to 41.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Earnings performance			
Normalised earnings contribution by franchise	**21 286**	18 663	14
FNB	**11 300**	9 701	16
RMB	**5 888**	5 507	7
WesBank	**3 309**	3 013	10
FCC (including Group Treasury) and other	**1 099**	730	51
NCNR preference dividend	**(310)**	(288)	8
Attributable earnings – IFRS (refer page 21)	**21 623**	18 440	17
Headline earnings	**21 141**	18 671	13
Normalised earnings	**21 286**	18 663	14
Normalised net asset value	**90 778**	81 590	11
Normalised net asset value per share (cents)	**1 618.3**	1 447.2	12
Tangible normalised net asset value	**89 710**	80 543	11
Tangible normalised net asset value per share (cents)	**1 599.3**	1 428.6	12
Average normalised net asset value	**86 184**	77 143	12
Market capitalisation	**299 098**	229 746	30
Normalised earnings per share (cents)			
– Basic	**378.5**	331.0	14
– Diluted	**378.5**	331.0	14
Earnings per share (cents)			
– Basic	**390.1**	336.2	16
– Diluted	**390.1**	332.7	17
Headline earnings per share (cents)			
– Basic	**381.4**	340.4	12
– Diluted	**381.4**	336.8	13
Ordinary dividend per share (cents)	**210.0**	174.0	21
NCNR B preference dividend* paid (cents per share)	**689.6**	640.6	8
Balance sheet			
Normalised total assets	**1 059 262**	946 609	12
Loans and advances (net of credit impairment)	**779 171**	695 179	12
Ratios and key statistics			
ROE (%)	**24.7**	24.2	
ROA (%)	**2.12**	2.06	
Price earnings ratio (times)	**14.1**	12.3	
Price-to-book ratio (times)	**3.3**	2.8	
Dividend cover (times)	**1.8**	1.9	
Average gross loan-to-deposit ratio (%)	**92.0**	90.8	
Diversity ratio (%)	**47.0**	48.7	
Credit impairment charge	**5 787**	5 519	5
NPLs as % of advances	**2.21**	2.30	
Credit loss ratio (%)	**0.77**	0.83	
Specific coverage ratio (%)	**40.1**	40.8	
Total impairment coverage ratio (%)	**84.3**	85.4	
Performing book coverage ratio (%)	**1.00**	1.05	
Cost-to-income ratio (%)	**50.5**	51.1	
Effective tax rate (%)	**22.5**	21.4	
Number of employees	**42 263**	38 542	10

* *75.56% of FNB prime lending rate.*

SUMMARISED CONSOLIDATED INCOME STATEMENT – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Net interest income before impairment of advances	**38 610**	33 415	16
Impairment of advances	**(5 787)**	(5 519)	5
Net interest income after impairment of advances	**32 823**	27 896	18
Total non-interest revenue*	**34 208**	31 704	8
Operational non-interest revenue	**32 709**	30 639	7
Share of income from associates and joint venture	**1 499**	1 065	41
Income from operations	**67 031**	59 600	12
Operating expenses	**(36 740)**	(33 276)	10
Income before tax	**30 291**	26 324	15
Indirect tax	**(884)**	(878)	1
Profit before tax	**29 407**	25 446	16
Income tax expense	**(6 626)**	(5 448)	22
Profit for the year	**22 781**	19 998	14
Non-controlling interests	**(1 185)**	(1 047)	13
NCNR preference shareholders	**(310)**	(288)	8
Normalised earnings attributable to ordinary equityholders of the group	**21 286**	18 663	14

* *NIR and NII have been restated for the USD funding normalisation.*

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Profit for the year	**22 781**	19 998	14
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(271)**	363	(>100)
Losses arising during the year	**(569)**	(109)	>100
Reclassification adjustments for amounts included in profit or loss	**193**	613	(69)
Deferred income tax	**105**	(141)	(>100)
Available-for-sale financial assets	**(118)**	(186)	(37)
Losses arising during the year	**(207)**	(186)	11
Reclassification adjustments for amounts included in profit or loss	**71**	(69)	(>100)
Deferred income tax	**18**	69	(74)
Exchange differences on translating foreign operations	**406**	346	17
Gains arising during the year	**406**	346	17
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(262)**	131	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**(33)**	22	(>100)
Gains/(losses) arising during the year	**8**	(12)	(>100)
Deferred income tax	**(41)**	34	(>100)
Other comprehensive income for the year	**(278)**	676	(>100)
Total comprehensive income for the year	**22 503**	20 674	9
Attributable to			
Ordinary equityholders	**21 091**	19 309	9
NCNR preference shareholders	**310**	288	8
Equityholders of the group	**21 401**	19 597	9
Non-controlling interests	**1 102**	1 077	2
Total comprehensive income for the year	**22 503**	20 674	9

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

as at 30 June

R million	2015	2014
ASSETS		
Cash and cash equivalents	**65 567**	60 756
Derivative financial instruments	**34 500**	39 038
Commodities	**7 354**	7 904
Accounts receivable	**7 977**	8 141
Current tax asset	**109**	83
Advances*	**779 171**	695 179
Investment securities and other investments*	**137 448**	109 242
Loans to share trusts	**–**	1 759
Investments in associates	**5 781**	5 847
Investments in joint ventures	**1 234**	1 198
Property and equipment	**16 288**	14 495
Intangible assets	**1 068**	1 047
Reinsurance assets	**388**	408
Post-employment benefit asset	**4**	5
Investment properties	**460**	419
Deferred income tax asset	**1 540**	862
Non-current assets and disposal groups held for sale	**373**	226
Total assets	**1 059 262**	946 609
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 685**	5 442
Derivative financial instruments	**40 917**	41 659
Creditors and accruals	**16 999**	13 437
Current tax liability	**351**	367
Deposits	**865 521**	768 234
Provisions	**623**	797
Employee liabilities	**9 734**	7 441
Other liabilities	**6 876**	6 586
Policyholder liabilities	**542**	540
Deferred income tax liability	**913**	796
Tier 2 liabilities	**12 497**	11 983
Liabilities directly associated with disposal groups held for sale	**–**	34
Total liabilities	**960 658**	857 316
Equity		
Ordinary shares	**56**	56
Share premium	**8 056**	7 083
Reserves	**82 666**	74 451
Capital and reserves attributable to ordinary equityholders	**90 778**	81 590
NCNR preference shares	**4 519**	4 519
Capital and reserves attributable to equityholders of the group	**95 297**	86 109
Non-controlling interests	**3 307**	3 184
Total equity	**98 604**	89 293
Total equity and liabilities	**1 059 262**	946 609

* *Advances include R9 494 million of HQLA which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R18 519 million. These were reclassified from investment securities. Prior year numbers have been restated.*

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – NORMALISED

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 2013	56	7 083	**7 139**	(459)	100
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) reserves	–	–	**–**	–	–
Changes in ownership interest in subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	22	361
Vesting of share-based payment reserve	–	–	**–**	–	–
Balance as at 30 June 2014	56	7 083	**7 139**	(437)	461
Movements relating to the unwind of the share trusts	–	973	**973**	–	–
Net share movement relating to the unwind of the share trusts and vesting of shares**	–	(638)	**(638)**	–	–
Shares issued to participants and bought back from unconsolidated trusts[#]	1	873	**874**	–	–
Share owned by consolidated trusts[†]	(1)	(1 511)	**(1 512)**	–	–
Other reserve movements relating to the unwind of the share trusts	–	–	**–**	–	–
Reallocation of share-based payment reserve relating to the share trust unwind	–	–	**–**	–	–
Re-issue 35 million shares	–	1 629	**1 629**	–	–
Issue expenses relating to the re-issue of 35 million shares	–	(18)	**(18)**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(33)	(271)
Vesting of share-based payment reserve	–	–	**–**	–	–
Balance as at 30 June 2015	56	8 056	**8 112**	(470)	190

* *Headline and normalised earnings adjustments are reflected in the movement in other reserves.*

** *The unwind of the share trusts resulted in a net reduction in issued shares of 63 million shares. The 63 million shares are the number of shares bought back from all of the trusts and represents the difference between the 151 million shares owned by the consolidated trusts, the 92 million shares vested with the participants and the 4 million shares bought from the unconsolidated trusts.*

Relates to 92 million shares which vested with participants of the consolidated trusts less the 4 million shares bought back from the unconsolidated trust based on the original cost of R9.98 per share.

† *Relates to the 151 million shares that were owned by the consolidated trusts previously reported as externally issued, based on the original cost of R9.98 per share.*

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Non-controlling interests	Total equity
3 054	363	1 999	280	60 220	**65 557**	**4 519**	**2 896**	**80 111**
(569)	–	–	14	108*	**(447)**	**–**	**(75)**	**(522)**
–	–	–	–	(8 908)	**(8 908)**	**–**	**(630)**	**(9 538)**
–	–	–	–	–	**–**	**(288)**	**–**	**(288)**
–	–	–	34	(34)	**–**	**–**	**–**	**–**
–	–	–	–	(180)	**(180)**	**–**	**(84)**	**(264)**
–	–	–	–	–	**–**	**–**	**–**	**–**
–	(186)	353	96	18 663	**19 309**	**288**	**1 077**	**20 674**
(3)	–	–	–	(877)	**(880)**	**–**	**–**	**(880)**
2 482	177	2 352	424	68 992	**74 451**	**4 519**	**3 184**	**89 293**
375	–	–	–	68	**443**	**–**	**–**	**1 416**
–	–	–	–	–	**–**	**–**	**–**	**(638)**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**–**	**(1 512)**
–	–	–	–	443	**443**	**–**	**–**	**443**
375	–	–	–	(375)	**–**	**–**	**–**	**–**
–	–	–	–	–	**–**	**–**	**–**	**1 629**
–	–	–	–	–	**–**	**–**	**–**	**(18)**
–	–	–	–	–	**–**	**–**	**(48)**	**(48)**
(606)	–	–	10	(965)*	**(1 561)**	**–**	**(18)**	**(1 579)**
–	–	–	–	(10 724)	**(10 724)**	**–**	**(764)**	**(11 488)**
–	–	–	–	–	**–**	**(310)**	**–**	**(310)**
–	–	–	10	(10)	**–**	**–**	**–**	**–**
–	–	–	–	(28)	**(28)**	**–**	**(149)**	**(177)**
–	–	–	–	–	**–**	**–**	**–**	**–**
–	(113)	405	(183)	21 286	**21 091**	**310**	**1 102**	**22 503**
(2 230)	–	–	–	1 224	**(1 006)**	**–**	**–**	**(1 006)**
21	64	2 757	261	79 843	**82 666**	**4 519**	**3 307**	**98 604**

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2015

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	**38 610**	–	–	(61)	(158)
Impairment of advances	**(5 787)**	–	–	–	–
Net interest income after impairment of advances	**32 823**	–	–	(61)	(158)
Non-interest revenue	**32 709**	–	1 102	43	158
Income from operations	**65 532**	–	1 102	(18)	–
Operating expenses	**(36 740)**	(75)	(1 102)	(5)	–
Net income from operations	**28 792**	(75)	–	(23)	–
Share of profit of associates after tax	**1 085**	–	–	–	–
Share of profit of and joint ventures after tax	**414**	–	–	40	–
Income before tax	**30 291**	(75)	–	17	–
Indirect tax	**(884)**	–	–	–	–
Profit before tax	**29 407**	(75)	–	17	–
Income tax expense	**(6 626)**	–	–	(42)	–
Profit for the year	**22 781**	(75)	–	(25)	–
Attributable to					
Non-controlling interests	**(1 185)**	–	–	–	–
NCNR preference shareholders	**(310)**	–	–	–	–
Ordinary equityholders of the group	**21 286**	(75)	–	(25)	–
Headline and normalised earnings adjustment	**–**	75	–	25	–
Normalised earnings	**21 286**	–	–	–	–

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

Fair value annuity income (lending)	IAS 19 adjustment	USD liquidity funding	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(2 974)	–	204	–	–	–	**35 621**
637	–	–	–	–	–	**(5 150)**
(2 337)	–	204	–	–	–	**30 471**
2 337	–	(204)	(220)	530	966	**37 421**
–	–	–	(220)	530	966	**67 892**
–	149	–	–	–	(919)	**(38 692)**
–	149	–	(220)	530	47	**29 200**
	–	–	–	–	–	**1 085**
–	–	–	–	–	–	**454**
–	149	–	(220)	530	47	**30 739**
–	–	–	–	–	–	**(884)**
–	149	–	(220)	530	47	**29 855**
–	(42)	–	10	(18)	(13)	**(6 731)**
–	107	–	(210)	512	34	**23 124**
–	–	–	24	(30)	–	**(1 191)**
–	–	–	–	–	–	**(310)**
–	107	–	(186)	482	34	**21 623**
–	(107)	–	186	(482)	(34)	**(337)**
–	–	–	–	–	–	**21 286**

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2014

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	33 415	–	–	(127)	(247)
Impairment of advances	(5 519)	–	–	–	–
Net interest income after impairment of advances	27 896	–	–	(127)	(247)
Non-interest revenue	30 639	–	1 314	32	247
Income from operations	58 535	–	1 314	(95)	–
Operating expenses	(33 276)	(182)	(1 314)	(3)	–
Net income from operations	25 259	(182)	–	(98)	–
Share of profit of associates after tax	809	–	–	–	–
Share of profit of joint ventures after tax	256	–	–	1	–
Income before tax	26 324	(182)	–	(97)	–
Indirect tax	(878)	–	–	–	–
Profit before tax	25 446	(182)	–	(97)	–
Income tax expense	(5 448)	–	–	–	–
Profit for the year	19 998	(182)	–	(97)	–
Attributable to					
Non-controlling interests	(1 047)	–	–	–	–
NCNR preference shareholders	(288)	–	–	–	–
Ordinary equityholders of the group	18 663	(182)	–	(97)	–
Headline and normalised earnings adjustments	–	182	–	97	–
Normalised earnings	18 663	–	–	–	–

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

Fair value annuity income (lending)	IAS 19 adjustment	USD liquidity funding	Private equity subsidiary realisations	Net impairment of goodwill and other assets	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(3 110)	–	(53)	–	–	–	–	29 878
267	–	–	–	–	–	–	(5 252)
(2 843)	–	(53)	–	–	–	–	24 626
2 982	–	53	(20)	–	89	814	36 150
139	–	–	(20)	–	89	814	60 776
–	145	–	–	(279)	–	(539)	(35 448)
139	145	–	(20)	(279)	89	275	25 328
(139)	–	–	–	–	–	–	670
–	–	–	–	–	–	–	257
–	145	–	(20)	(279)	89	275	26 255
–	–	–	–	–	–	–	(878)
–	145	–	(20)	(279)	89	275	25 377
–	(41)	–	1	–	(26)	(77)	(5 591)
–	104	–	(19)	(279)	63	198	19 786
–	–	–	4	–	(15)	–	(1 058)
–	–	–	–	–	–	–	(288)
–	104	–	(15)	(279)	48	198	18 440
–	(104)	–	15	279	(48)	(198)	223
–	–	–	–	–	–	–	18 663

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

R million	Normalised	Treasury shares*	Reallocation of credit instruments	IFRS
ASSETS				
Cash and cash equivalents	**65 567**	–	–	**65 567**
Derivative financial instruments	**34 500**	–	–	**34 500**
Commodities	**7 354**	–	–	**7 354**
Accounts receivable	**7 977**	32	–	**8 009**
Current tax asset	**109**	6	–	**115**
Advances	**779 171**	–	(27 805)	**751 366**
Investment securities and other investments	**137 448**	(82)	27 805	**165 171**
Loans to share trusts	**–**	–	–	**–**
Investments in associates	**5 781**	–	–	**5 781**
Investments in joint ventures	**1 234**	48	–	**1 282**
Property and equipment	**16 288**	–	–	**16 288**
Intangible assets	**1 068**	–	–	**1 068**
Reinsurance assets	**388**	–	–	**388**
Post-employment benefit asset	**4**	–	–	**4**
Investment properties	**460**	–	–	**460**
Deferred income tax asset	**1 540**	–	–	**1 540**
Non-current assets and disposal groups held for sale	**373**	–	–	**373**
Total assets	**1 059 262**	4	–	**1 059 266**
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	**5 685**	–	–	**5 685**
Derivative financial instruments	**40 917**	–	–	**40 917**
Creditors and accruals	**16 999**	2	–	**17 001**
Current tax liability	**351**	2	–	**353**
Deposits	**865 521**	–	–	**865 521**
Provisions	**623**	–	–	**623**
Employee liabilities	**9 734**	–	–	**9 734**
Other liabilities	**6 876**	–	–	**6 876**
Policyholder liabilities	**542**	–	–	**542**
Deferred income tax liability	**913**	–	–	**913**
Tier 2 liabilities	**12 497**	–	–	**12 497**
Liabilities directly associated with disposal groups held for sale	**–**	–	–	**–**
Total liabilities	**960 658**	4	–	**960 662**
Equity				
Ordinary shares	**56**	–	–	**56**
Share premium	**8 056**	(59)	–	**7 997**
Reserves	**82 666**	59	–	**82 725**
Capital and reserves attributable to ordinary equityholders	**90 778**	–	–	**90 778**
NCNR preference shares	**4 519**	–	–	**4 519**
Capital and reserves attributable to equityholders of the group	**95 297**	–	–	**95 297**
Non-controlling interests	**3 307**	–	–	**3 307**
Total equity	**98 604**	–	–	**98 604**
Total equity and liabilities	**1 059 262**	4	–	**1 059 266**

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

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

R million	Normalised	Treasury shares*	Reallocation of credit instruments	IFRS
ASSETS				
Cash and cash equivalents	60 756	–	–	60 756
Derivative financial instruments	39 038	–	–	39 038
Commodities	7 904	–	–	7 904
Accounts receivable	8 141	18	–	8 159
Current tax asset	83	48	–	131
Advances	695 179	–	(9 253)	685 926
Investment securities and other investments	109 242	612	9 253	119 107
Loans to share trusts	1 759	(1 759)	–	–
Investments in associates	5 847	–	–	5 847
Investments in joint ventures	1 198	7	–	1 205
Property and equipment	14 495	–	–	14 495
Intangible assets	1 047	–	–	1 047
Reinsurance assets	408	–	–	408
Post-employment benefit asset	5	–	–	5
Investment properties	419	–	–	419
Deferred income tax asset	862	–	–	862
Non-current assets and disposal groups held for sale	226	–	–	226
Total assets	946 609	(1 074)	–	945 535
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	5 442	–	–	5 442
Derivative financial instruments	41 659	–	–	41 659
Creditors and accruals	13 437	–	–	13 437
Current tax liability	367	2	–	369
Deposits	768 234	–	–	768 234
Provisions	797	–	–	797
Employee liabilities	7 441	–	–	7 441
Other liabilities	6 586	–	–	6 586
Policyholder liabilities	540	–	–	540
Deferred income tax liability	796	–	–	796
Tier 2 liabilities	11 983	–	–	11 983
Liabilities directly associated with disposal groups held for sale	34	–	–	34
Total liabilities	857 316	2	–	857 318
Equity			–	
Ordinary shares	56	(1)	–	55
Share premium	7 083	(1 552)	–	5 531
Reserves	74 451	477	–	74 928
Capital and reserves attributable to ordinary equityholders	81 590	(1 076)	–	80 514
NCNR preference shares	4 519	–	–	4 519
Capital and reserves attributable to equityholders of the group	86 109	(1 076)	–	85 033
Non-controlling interests	3 184	–	–	3 184
Total equity	89 293	(1 076)	–	88 217
Total equity and liabilities	946 609	(1 074)	–	945 535

* *Includes FirstRand shares held for client trading activities and BEE share schemes.*

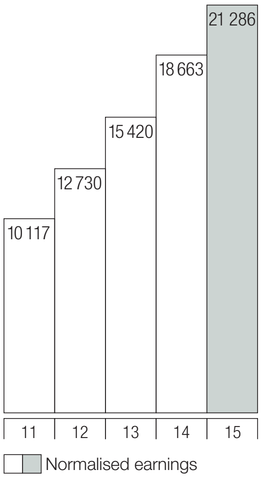
OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

NORMALISED EARNINGS

R million

CAGR 20%



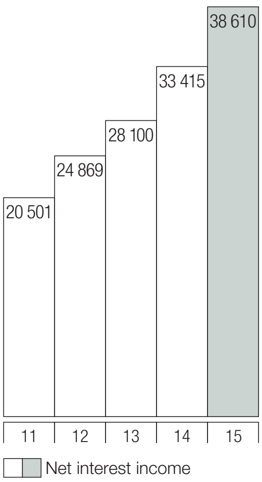
Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 16%

NET INTEREST INCOME

R million

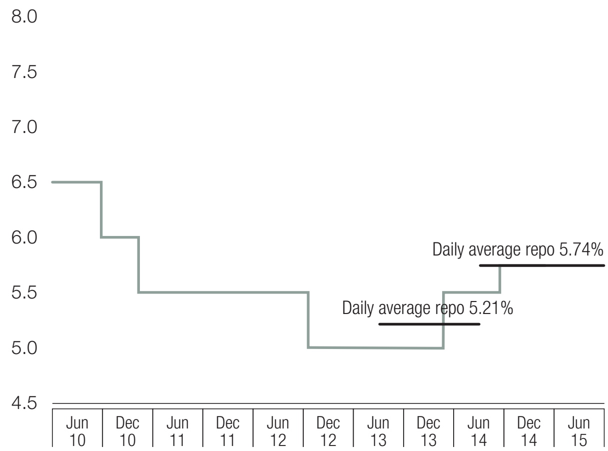
CAGR 17%



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

REPO RATE

%



Note: R137 billion = average endowment book for the year. Rates were higher by 53 bps on average in the current year, which translates into a positive endowment impact of approximately R726 million.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
June 2014 normalised margin*	**5.05**
Capital and deposit endowment	**0.12**
Advances	**(0.03)**
– Change in balance sheet mix	**(0.02)**
– Asset pricing	**(0.01)**
Liabilities	**(0.04)**
– Change in balance sheet mix (deposits)	**0.06**
– Term funding cost	**(0.08)**
– Deposit pricing	**(0.02)**
Group Treasury and other movements	**(0.03)**
– MTM vs accrual on term issuance in professional funding	**0.05**
– Increase in HQLA	**(0.13)**
– Other accounting mismatches and interest rate risk hedges primarily FTP over recovery	**0.05**
June 2015 normalised margin	**5.07**

* *The 2014 margin has been restated by 6 bps to include corporate bonds not qualifying as HQLA. The June 2015 margin includes the impact of non-qualifying HQLA corporate bonds and HQLA, as these have been reclassified from fair value investment securities into interest-earning assets. This is due to the group actively managing its balance sheet since the implementation of the LCR requirements.*

SEGMENTAL ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
FNB	**21 701**	18 782	16
Retail	**12 511**	10 997	14
– Residential mortgages	**3 548**	3 418	4
– Card	**1 856**	1 517	22
– Personal loans	**2 232**	2 216	1
– Retail other	**4 875**	3 846	27
Commercial	**6 122**	5 146	19
FNB Africa	**3 068**	2 639	16
RMB	**5 553**	5 382	3
Investment banking	**4 630**	4 565	1
Corporate banking	**923**	817	13
WesBank	**8 796**	8 213	7
FCC (including Group Treasury) and other*	**2 560**	1 038	>100
Net interest income	**38 610**	33 415	16

* *Other includes FirstRand company and consolidation adjustments.*

Key drivers

- Positive endowment effect from the 50 bps increase in the repo rate in January 2014 and a further 25 bps increase in July 2014 (an average increase of 53 bps in the repo rate for the year).
- Higher capital levels further underpinned NII growth.
- Strong advances and deposit growth of 12% and 13% respectively, boosted NII.
- An increase in certain asset margins in FNB. Repricing benefits in card, retail overdrafts and commercial term loans were to some extent offset by lower margins in commercial overdrafts and FNB loans.
- WesBank's margins reduced, negatively impacted by a change in the fixed vs floating retail new business mix, an increase in liquidity costs and competitive pricing pressures.
- Investment banking advances margins were negatively impacted by higher term funding and liquidity costs.
- A decrease of R77 million in the dollar funding carry costs relating to excess dollar liquidity, primarily affected by the increased funding of operational assets during the year.
- With LCR becoming a prudential regulatory requirement from 1 January 2015, higher holdings of HQLA resulted in lower interest margins in group.

AVERAGE BALANCE SHEET

R million	Notes	June 2015 Average balance*,**	June 2015 Interest income/ (expense)	June 2015 Average rate %	June 2014 Average balance	June 2014 Interest income/ (expense)	June 2014 Average rate %
INTEREST-EARNING ASSETS							
Average prime rate				**9.24**			8.71
Balances with central banks		**22 539**	**–**		17 723	–	
Cash and cash equivalents		**22 481**	**563**	**2.50**	19 344	567	2.93
Liquid assets portfolio		**74 154**	**5 532**	**7.46**	57 980	4 557	7.86
Loans and advances to customers	1	**641 859**	**63 349**	**9.87**	566 756	53 219	9.39
Interest-earning assets		**761 033**	**69 444**	**9.12**	661 803	58 343	8.82
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.05**			5.33
Deposits due to customers	2	**(443 587)**	**(16 486)**	**3.72**	(386 699)	(13 076)	3.38
Group Treasury funding		**(261 343)**	**(17 327)**	**6.63**	(221 748)	(13 194)	5.95
Interest-bearing liabilities		**(704 930)**	**(33 813)**	**4.80**	(608 447)	(26 270)	4.32
ENDOWMENT AND TRADING BOOK							
Other assets#		**163 361**	**2 979**	**1.82**	153 593	1 342	0.87
Other liabilities†		**(123 153)**	**–**	**–**	(124 416)	–	–
NCNR preference shareholders		**(4 519)**	**–**	**–**	(4 519)	–	–
Equity		**(91 792)**	**–**	**–**	(78 014)	–	–
Endowment and trading book		**(56 103)**	**2 979**	**(5.31)**	(53 356)	1 342	(2.52)
Total interest-bearing liabilities, endowment and trading book		**(761 033)**	**(30 834)**	**4.05**	(661 803)	(24 928)	3.77
Net interest margin on average interest-earning assets		**761 033**	**38 610**	**5.07**	661 803	33 415	5.05

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

* *Includes level 1 HQLA.*

** *Includes level 2 HQLA and corporate bonds not qualifying as HQLA. The 2014 numbers have been restated as appropriate. This is due to the group actively managing its balance sheet since the implementation of the LCR requirements.*

\# *Includes preference share advances, trading assets and securitisation notes.*

† *Includes trading liabilities.*

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2015		June 2014*	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.24**		8.71
Advances				
Retail – secured	**302 447**	**2.79**	278 467	2.90
Residential mortgages	**174 898**	**1.77**	166 808	1.76
VAF	**127 549**	**4.19**	111 659	4.59
Retail – unsecured	**52 005**	**12.45**	41 364	13.02
Card	**17 732**	**9.10**	14 611	8.84
Personal loans	**22 947**	**17.08**	21 091	17.49
– FNB loans	**13 233**	**15.24**	12 696	15.49
– WesBank loans	**9 714**	**19.60**	8 395	20.51
Overdrafts	**11 326**	**8.32**	5 662	7.17
Corporate and commercial	**244 228**	**2.36**	210 954	2.56
FNB commercial	**52 490**	**3.78**	44 865	3.76
– Mortgages	**14 467**	**2.64**	12 354	2.58
– Overdrafts	**21 803**	**4.87**	18 904	4.93
– Term loans	**16 220**	**3.32**	13 607	3.21
WesBank corporate	**38 032**	**2.69**	34 116	2.77
RMB investment banking**	**151 414**	**1.78**	129 321	2.09
RMB corporate banking	**2 292**	**2.57**	2 652	2.23
FNB Africa	**43 179**	**4.69**	35 971	5.21
Total advances	**641 859**	**3.54**	566 756	3.66

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.

* *2014 margins have been restated due to segmentation.*

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

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

The group operates a transfer pricing framework that incorporates liquidity cost 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

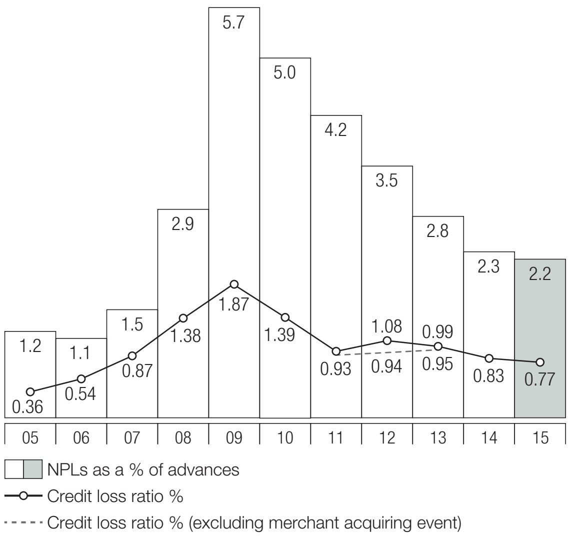
	June 2015		June 2014*	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**9.24**		8.71
Deposits				
Retail	**135 200**	**2.84**	119 278	2.61
Current and savings	**47 469**	**5.53**	40 904	4.98
Call	**3 112**	**2.98**	3 111	2.63
Money market	**29 164**	**1.65**	28 032	1.64
Term	**55 455**	**1.15**	47 231	1.12
Commercial	**141 837**	**2.57**	128 390	2.33
Current and savings	**53 758**	**4.94**	48 815	4.39
Call	**35 235**	**1.29**	31 097	1.26
Money market	**19 381**	**2.01**	18 129	1.84
Term	**33 463**	**0.46**	30 349	0.44
Corporate and investment banking	**116 916**	**0.69**	101 467	0.68
Current and savings	**48 947**	**1.30**	40 706	1.20
Call	**36 857**	**0.20**	30 772	0.30
Term	**31 112**	**0.29**	29 989	0.36
FNB Africa	**49 634**	**2.54**	37 564	2.60
Total deposits	**443 587**	**2.15**	386 699	2.01

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

* *2014 margins have been restated due to segmentation.*

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



R million	2015	2014	% change
	Year ended 30 June		
Total gross advances – including credit-related assets*	**793 964**	709 079	12
NPLs – including credit-related assets	**17 551**	16 281	8
NPLs as a % of advances – including credit-related assets	**2.21**	2.30	
Impairment charge – including credit-related assets	**5 787**	5 519	5
Impairment charge as a % of average advances – including credit-related assets	**0.77**	0.83	
Total impairments*	**14 793**	13 900	6
– Portfolio impairments	**7 760**	7 259	7
– Specific impairments	**7 033**	6 641	6
Implied loss given default (coverage)**	**40.1**	40.8	
Total impairments coverage ratio#	**84.3**	85.4	
Performing book coverage ratio†	**1.00**	1.05	

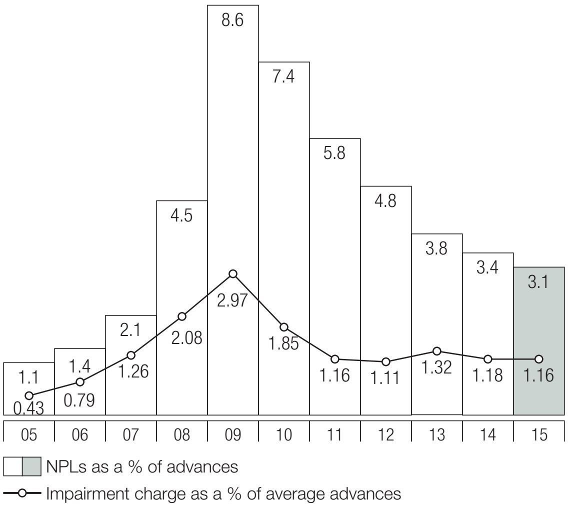
* *Includes cumulative credit fair value adjustments.*

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

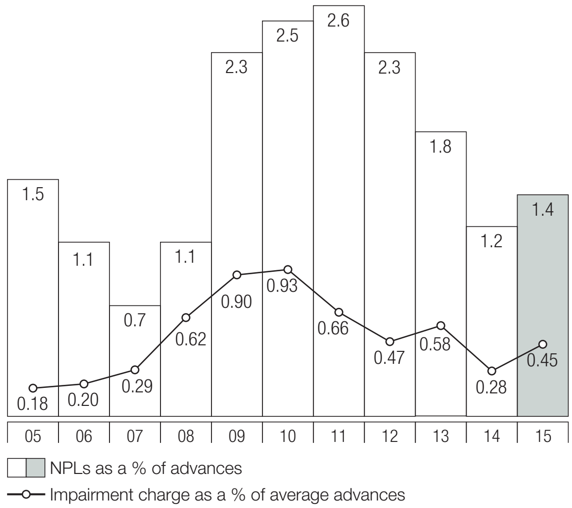
Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.

† *Portfolio impairments as a percentage of the performing book.*

RETAIL NPLs AND IMPAIRMENTS



CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS



Credit impairments increased 5%. The credit impairment ratio, however, reduced from 83 bps (restated) to 77 bps on the back of strong book growth.

Overall NPLs increased 8%, driven by strong book growth in card, other retail, FNB Africa and WesBank loans. The downturn in the commodity cycle negatively impacted NPL formation in the corporate portfolio, resulting in a 24% increase.

The total coverage ratio reduced to 84.3 bps (June 2014: 85.4 bps), reflecting a change in NPL mix, although both specific and portfolio impairments increased during the year. Increased portfolio impairments were driven by strong book growth in WesBank personal loans, VAF, card and FNB Africa, and, in RMB, by the adverse commodity cycle (oil and gas, and mining and metals sectors). The performing book coverage ratio of 100 bps reduced from the prior year (June 2014: 105 bps). This was largely as a result of the central overlay release given the previously identified risk manifesting with NPL formation increasing in some of the underlying franchises and products during the year resulting in higher specific impairments.

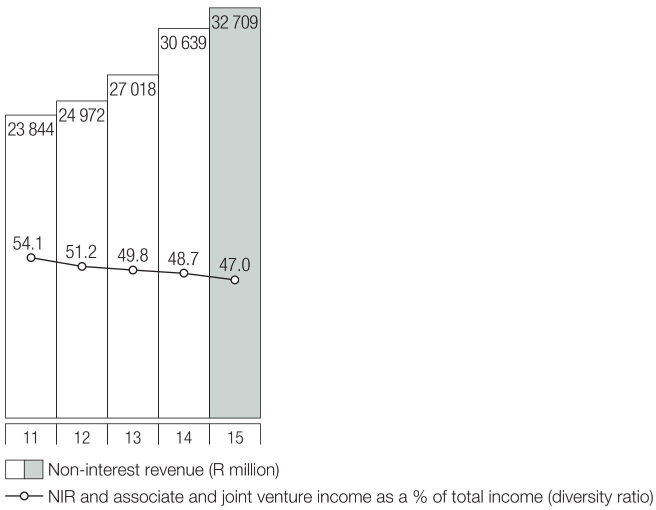
Key drivers

- Retail NPLs improved to 3.09% of advances (2014: 3.38%), impacted by:
  - 18% reduction in residential mortgage NPLs to 2.54% (2014: 3.29%), reflecting continued strong cure rates of defaulted accounts and constrained levels of new inflows, reflecting disciplined origination strategies and effective workout strategies.
  - Reduction of 7% in FNB personal loans NPLs, underpinned by a 22% reduction in NPLs in mass loans, reflecting more conservative origination strategies and tightening credit criteria.
  - Higher NPLs in card (+17%), retail VAF (+24%) and WesBank personal loans (+38% which includes an increase in debt revenue clients), impacted by strong book growth and the worsening credit cycle.
- NPLs in FNB Africa increased, driven by strong book growth and, in the case of certain subsidiaries, cyclical macro pressures.
- NPLs in RMB's Investment Banking division increased 40%, primarily driven by the impact of the adverse commodity cycle on certain counters in the mining and metals sector.
- Post write-off recoveries remained robust at R1.87 billion, driven by card, the unsecured retail lending portfolios (personal loans) and VAF.

NON-INTEREST REVENUE – UP 7%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 8%



Note: 2013 to 2015 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 2015	 2014	% change
Fee and commission income	1	**25 604**	23 663	8
Fair value income	2	**3 494**	3 846	(9)
Investment income	3	**1 481**	1 184	25
Other non-interest revenue		**2 130**	1 946	9
– Consolidated private equity income		**367**	289	27
– Other		**1 763**	1 657	6
Total non-interest revenue		**32 709**	30 639	7

NIR growth was satisfactory, although the growth trajectory moderated given the more constrained macro environment and the initial regulatory impact of the reduction in interchange.

NIR growth was underpinned by fee and commission income growth, benefiting from the specific ongoing strategies to grow electronic transaction volumes. Fee and commission income represents 78% of total NIR.

Overall NIR growth was further augmented by a robust performance from investing activities, assisted by a significant realisation in the private equity portfolio.

NOTE 1 – FEE AND COMMISSION INCOME – UP 8%

R million	Year ended 30 June 2015	2014	% change
Bank commissions and fee income	**23 014**	21 102	9
– Card commissions	**3 627**	3 407	6
– Cash deposit fees	**2 051**	1 969	4
– Commissions on bills, drafts and cheques	**1 903**	1 741	9
– Bank charges	**15 433**	13 985	10
Knowledge-based fees	**1 002**	1 183	(15)
Management and fiduciary fees	**1 599**	1 331	20
Insurance income	**2 843**	2 733	4
Other non-bank commissions*	**781**	694	13
Gross fee and commission income	**29 239**	27 043	8
Fee and commission expenditure	**(3 635)**	(3 380)	8
Total fee and commission income	**25 604**	23 663	8

* *Other non-banking fee and commission income which better relates to other fee and commission categories were reallocated from other non-banking fee and commission income to the relevant fee and commission categories for both current and prior years.*

Key drivers

- FNB grew fee and commission income 9%, benefiting from 12% growth in transaction volumes, increased product cross-sell and an increase in the active account base in targeted segments (rest of Africa 7%).
- Electronic volumes increased 14%, while manual volumes decreased marginally, in line with strategy.

	Increase in transaction volumes %
Mobile	**25**
Internet banking	**15**
Debit card	**18**
Cheque card	**13**
Banking app	**69**
ADT/ATM cash deposits	**12**

- Overall fee and commission income growth rates were impacted by adjustments to certain fees, the initial impact of interchange as well as lower credit life revenue.
- WesBank's NIR growth of 9% was driven by satisfactory new business volumes of 9%, given the constrained macro environment, a strong contribution from the full maintenance rental book and increasing insurance revenues.
- Knowledge-based fee income remained resilient, although down from the high base in 2014, impacted by:
  - higher levels of equity capital market fees, due to a number of significant transactions during the year;
  - disappointing debt capital market fees on the back of a significant reduction in issuance volumes after the failure of ABIL;
  - solid levels of M&A advisory income due to a substantial increase in both domestic and cross-border activity and some notable significant deals concluded during the year; and
  - resilient structuring and origination fees, benefiting from the finalisation of key mandates during the year as well as ongoing book growth.
- The group's management and fiduciary fee income growth of 20% was underpinned by growth of 39% in assets under management since inception (year-on-year 15%), excluding conduits.

NOTE 2 – FAIR VALUE INCOME – DOWN 9%

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Client	**2 277**	2 055	11
Markets	**914**	986	(7)
Other	**303**	805	(62)
Total	**3 494**	3 846	(9)

Key drivers

- Client revenues remained robust, benefiting from currency-related facilitation in the rest of Africa, with particularly strong performances from emerging subsidiaries in Nigeria, Mozambique and Zambia, as well as from the established subsidiaries in Namibia and Botswana. Trading conditions in SA remained muted on the back of increased competition and compressed margins.
- The structuring business had an excellent performance, benefiting from large bespoke transactions in the current year.
- The markets business was negatively impacted by an adverse soft commodity trading environment, especially in the latter half of the financial year, negatively impacted by the drought in certain parts of South Africa.
- Flow trading and residual risk activities remained resilient, benefiting from strong flows across asset classes, notably interest rates and currencies; flow facilitation in Nigeria boosted results.
- The group's net TRS fair value income decreased R372 million during the year, impacted by the lower number of shares hedged and the vesting of the majority of the equity-settled schemes during the year (resulting in increased volatility in the share-based payment expense), hence the decrease in other fair value income.

NOTE 3 – INVESTMENT INCOME – UP 25%

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Private equity realisations and dividends received	**857**	371	>100
Profit on realisation of private equity investments	**804**	347	>100
Dividends received	**28**	–	–
Other private equity income	**25**	24	4
Other income from investments	**624**	813	(23)
Profit on assets held against employee liabilities	**282**	230	23
RMB resources	**(74)**	(12)	>100
Other investment income	**416**	595	(30)
Total investment income	**1 481**	1 184	25

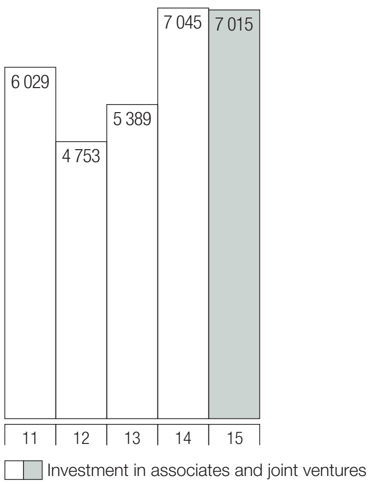
Key drivers

- Robust realisation profits, including significant realisations of more than R1 billion before tax and minorities, recognised in investment income and equity-accounted earnings.
- A disappointing performance with increased losses from the RMB Resources portfolio, negatively impacted by the current market conditions in the junior mining sector given the decrease in commodity prices over the last year.
- A satisfactory performance from the group's ELI asset portfolio, in part assisted by a 2% increase in the ALSI, a change in asset allocation and related tax obligation.
- Other investment income benefited from realisations held in portfolios outside the private equity portfolio.

SHARE PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 41%

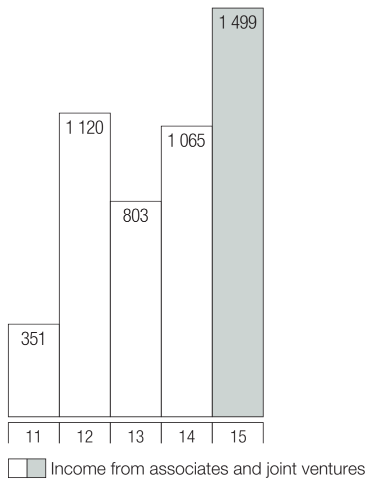
INVESTMENT IN ASSOCIATES AND JOINT VENTURES

R million



INCOME FROM ASSOCIATES AND JOINT VENTURES

R million



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Private equity associates and joint ventures	**1 211**	992	22
Profit for the year	**1 199**	1 113	8
Reversal of impairments/(impairments)	**12**	(121)	(>100)
WesBank associates	**342**	214	60
Toyota Financial Services (Pty) Ltd	**200**	185	8
Other	**142**	29	>100
Other operational associates and joint ventures	**428**	299	43
RMB Morgan Stanley (Pty) Ltd	**135**	90	50
Other	**293**	209	40
Share of profits from associates and joint ventures before tax	**1 981**	1 505	32
Tax on profits from associates and joint ventures	**(482)**	(440)	10
Share of profits from associates and joint ventures after tax	**1 499**	1 065	41

Key drivers

- An excellent performance from RMB's private equity associates and joint ventures, benefiting from:
  - profit on realisation of underlying investments held by associates and joint ventures of c. R290 million;
  - resilient underlying operating performances across most sectors and investments; and
  - the net benefit of new income streams relating to investments made over the last three financial years, in spite of significant realisations in both the prior and current year.
- A good performance from WesBank's associates driven by solid underlying advances growth as well as a notable increase in NIR, mainly from insurance revenue.

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

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

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
RMB Private Equity division	**2 435**	1 652	47
Income from associates and joint ventures	**1 211**	992	22
– Equity-accounted income*	**1 199**	1 113	8
– Reversal of impairments/(impairments)*	**12**	(121)	(>100)
Realisations and dividends**	**832**	347	>100
Other investment property income **	**25**	24	4
Consolidated private equity income#	**367**	289	27
Other business units	**564**	712	(21)
Income from associates and joint ventures	**255**	160	59
– Equity-accounted income*	**154**	160	(4)
– Reversal of impairments	**101**	–	>100
Other investment income**,†	**309**	552	(44)
Private equity activities	**2 999**	2 364	27
Tax on equity-accounted private equity investments	**(331)**	(334)	(1)
Private equity activities	**2 668**	2 030	31

* *Refer to analysis of income from associates and joint ventures on page 54.*

** *Refer to investment income analysis on page 53.*

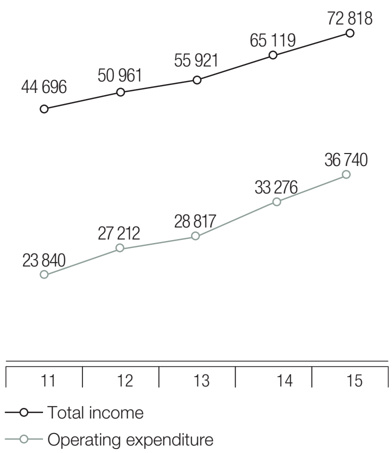
Refer to non-interest revenue analysis on page 50.

† *Includes profits from an investment realisation reflected in IBD resulting from a debt-to-debt equity restructure in prior years.*

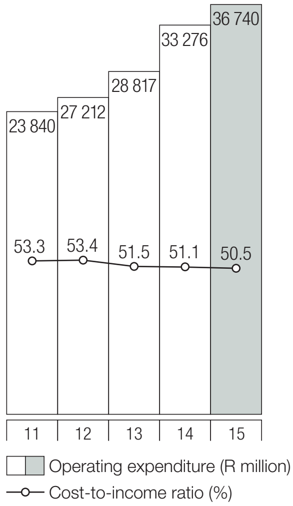
OPERATING EXPENSES – UP 10%

OPERATING JAWS

R million



OPERATING EFFICIENCY



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

OPERATING EXPENSES

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Staff expenditure	**21 840**	19 532	12
– Direct staff expenditure	**13 477**	12 076	12
– Other staff-related expenditure	**8 363**	7 456	12
Depreciation	**1 989**	1 928	3
Amortisation of other intangible assets	**98**	90	9
Advertising and marketing	**1 454**	1 376	6
Insurance	**77**	70	10
Lease charges	**1 335**	1 205	11
Professional fees	**1 530**	1 411	8
Audit fees	**297**	236	26
Computer expenses	**1 577**	1 564	1
Maintenance	**957**	741	29
Telecommunications	**377**	401	(6)
Cooperation agreements and joint ventures	**722**	865	(17)
Property	**888**	787	13
Business travel	**402**	355	13
Other expenditure	**3 197**	2 715	18
Total operating expenses	**36 740**	33 276	10

Key drivers

- Cost growth of 10% was driven by higher levels of variable costs associated with income generation and ongoing investment into infrastructure, capacity and expansion.

Description	% change	Reasons
Direct staff costs	12	Unionised increases of 8% and a 10% increase in the staff complement across the group, impacted by a 10% growth in the international business and converting temporary staff to permanent in South Africa which accounted for 6% of the increase in staff numbers, which had a positive impact on the increase in professional fees.
Variable staff costs	9	Directly related to higher levels of profitability and increase in IFRS 2 share-based payment expenses during the year.

- Decrease of 17% in cooperation agreement and JV costs due to margin pressure and increased operating expenses incurred by the partners.
- The 8% growth in professional fees and 1% growth in computer expenses reflects the increased spend on development, implementation and improvement projects related to various electronic platforms, both domestically and in the rest of Africa, as well as additional compliance-related projects during the year.
- Increase in property and maintenance expenses relate to recent associated maintenance costs and increase spend on footprint expansion in the rest of Africa.

IT SPEND

The group's income statement is presented on a nature basis; however, to better illustrate the composition of IT spend, the table below reflects the breakdown on a functional basis.

FUNCTIONAL PRESENTATION OF IT SPEND

	As at 30 June		
R million	**2015**	**2014**	**% change**
IT-related staff cost	**2 467**	2 123	16
Non-staff IT-related costs	**3 641**	3 273	11
– Computer expenses	**1 577**	1 564	1
– Professional fees	**548**	443	24
– Repairs and maintenance	**476**	329	45
– Other	**338**	305	11
– Depreciation	**609**	548	11
– Amortisation of software	**93**	84	11
Total spend	**6 108**	5 396	13

DIRECT TAXATION – UP 22%

Key drivers

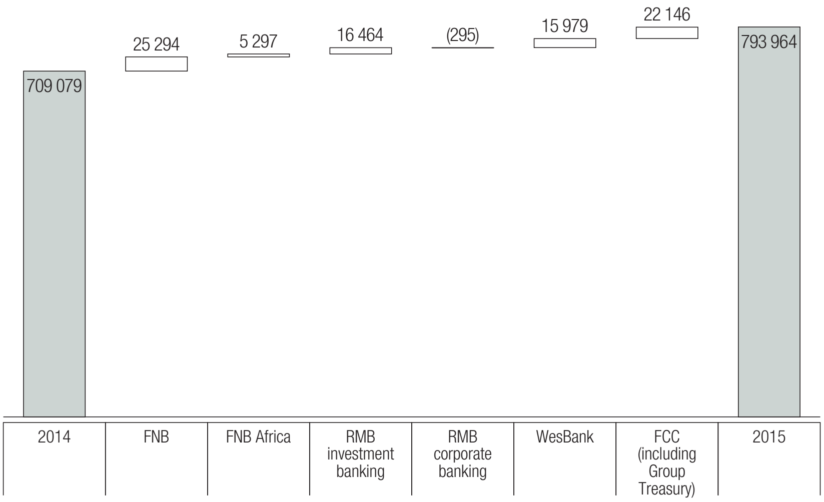
- Higher levels of profitability during the year.
- A change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

R million	2015	2014	% change
ASSETS			
Derivative financial instruments	**34 500**	39 038	(12)
Advances	**779 171**	695 179	12
Investment securities and other investments	**137 448**	109 242	26
Other assets	**108 143**	103 150	5
Total assets	**1 059 262**	946 609	12
EQUITY AND LIABILITIES			
Liabilities			
Deposits	**865 521**	768 234	13
Derivative financial instruments and short trading positions	**46 602**	47 101	(1)
Other liabilities	**48 535**	41 981	16
Total liabilities	**960 658**	857 316	12
Total equity	**98 604**	89 293	10
Total equity and liabilities	**1 059 262**	946 609	12

ADVANCES – UP 12%

GROSS ADVANCES BY FRANCHISE
R million



ADVANCES

R million	Year ended 30 June 2015	2014	% change
Normalised gross advances	**793 964**	709 079	12
Normalised impairment of advances	**(14 793)**	(13 900)	6
Normalised net advances	**779 171**	695 179	12

The group delivered satisfactory advances growth given the more constrained macro environment and rising interest rate cycle.

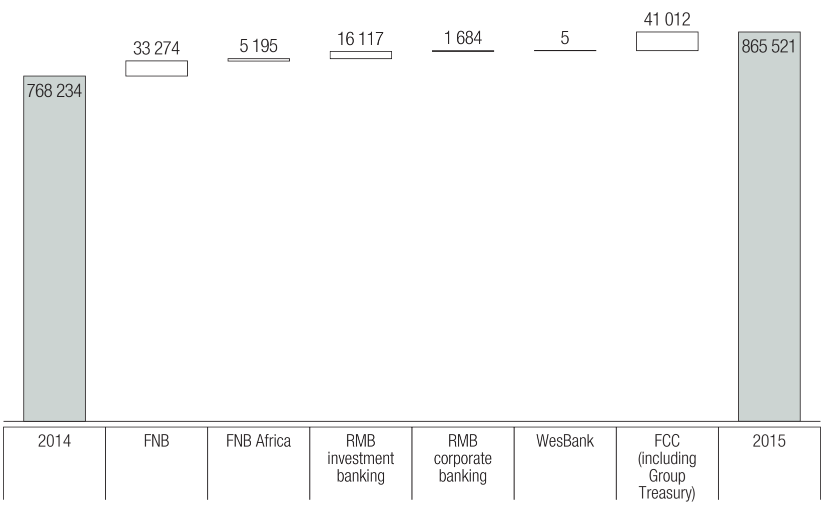
Growth rates have moderated across most retail portfolios, and in the case of the corporate portfolio, specifically in the second half of the financial year. Robust growth continues in the commercial and FNB Africa portfolios.

Portfolio/product	% change	Key drivers
FNB retail	**8**	
Residential mortgages	5	• Continued strong growth of 14% in secured affordable housing, on the back of client demand. • 6% growth in FNB HomeLoans, reflecting an improvement in new business volumes, although absolute growth is tracking nominal house price inflation.
Card	24	• Underpinned by targeted client acquisition, increased client migration and higher utilisation levels.
Personal loans	11	• Growth reflects a more conservative origination appetite, with consumer personal loans (including student loans) growing 16%, while mass market term loans decreased marginally.
Retail other	30	• Growth driven by increases in transactional banking accounts (primarily overdrafts) and revolving credit facilities, although growth has moderated on a rolling six month basis, reflecting lower risk appetite, slowing customer acquisition and more competitive pressures.
FNB Africa	**13**	
Namibia	14	• Primarily driven by ongoing growth in residential mortgages, commercial property finance and VAF.
Swaziland	14	• Reflecting solid growth in residential mortgages and term loan products.
Mozambique and Zambia	26	• Driven by new client acquisition, growth in footprint and conversion of pipeline transactions in the commercial sector.
FNB commercial	**17**	• Reflecting targeted new client acquisition in the business segment, resulting in growth of 22% in business banking advances, underpinned by growth of 25% in agriculture, 18% commercial property finance and 14% in overdrafts.
RMB investment banking core advances (excluding repos)	**7**	• Resilient growth from the SA core advances book, underpinned by infrastructure, renewable energy and leverage finance. Cross-border growth was marginally negative given reduced risk appetite due to the tough commodity cycle. The introduction of the LCR with effect from 1 January 2015 and the resultant creation of HQLA, further impacted on absolute growth.
WesBank	**10**	• Strong growth of 59% (44% 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 slower new business volumes of 9% in personal loans and 1% in SA retail VAF, reflecting the macro environment conditions, a 4.8% slowdown in new vehicle sales and a change in origination structure with an alliance partner.

DEPOSITS – UP 13%

GROSS DEPOSITS BY FRANCHISE

R million



Client deposits grew 12% with institutional funding, including term and structures issuances, increasing at 12%.

Key drivers

- FNB's deposits increased 12%.
- Retail deposit growth of 13% was supported by ongoing product innovation.
- Commercial deposit growth of 11% was driven by new client acquisition and cross-sell.
- FNB Africa's growth of 12% was driven by the expanding footprint, new client acquisition and product rollout.

GROWTH IN DEPOSIT BALANCES:

Product	%
Current accounts	**7**
Savings and transmission accounts	**5**
Fixed deposits	**22**
Notice accounts	**14**

- Corporate transactional banking deposit growth of 14% was driven by client acquisition, which led to an increase in both transactional and operational deposit balances, as well as new product innovation.
- Group Treasury deposits grew 19%, benefiting from foreign currency and structured issuances in the domestic market and higher activity in the bond markets.

p64-74

SEGMENT REPORT

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	4 875	**12 511**	6 122	3 068	**21 701**
Impairment of advances	(111)	(191)	(715)	(742)	**(1 759)**	(311)	(415)	**(2 485)**
Net interest income after impairment of advances	3 437	1 665	1 517	4 133	**10 752**	5 811	2 653	**19 216**
Non-interest revenue	486	1 287	757	10 073	**12 603**	6 001	2 723	**21 327**
Income from operations	3 923	2 952	2 274	14 206	**23 355**	11 812	5 376	**40 543**
Operating expenses	(1 684)	(1 577)	(938)	(8 933)	**(13 132)**	(6 770)	(3 654)	**(23 556)**
Net income from operations	2 239	1 375	1 336	5 273	**10 223**	5 042	1 722	**16 987**
Share of profit of associates and joint ventures after tax	–	–	–	18	**18**	–	1	**19**
Income before tax	2 239	1 375	1 336	5 291	**10 241**	5 042	1 723	**17 006**
Indirect tax	(35)	(44)	(18)	(303)	**(400)**	(35)	(83)	**(518)**
Profit for the year before tax	2 204	1 331	1 318	4 988	**9 841**	5 007	1 640	**16 488**
Income tax expense	(617)	(373)	(369)	(1 396)	**(2 755)**	(1 402)	(551)	**(4 708)**
Profit for the year	1 587	958	949	3 592	**7 086**	3 605	1 089	**11 780**
Attributable to								
Ordinary equityholders	1 587	958	949	3 592	**7 086**	3 605	609	**11 300**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	480	**480**
Profit for the year	1 587	958	949	3 592	**7 086**	3 605	1 089	**11 780**
Attributable earnings to ordinary shareholders	1 587	958	949	3 592	**7 086**	3 605	609	**11 300**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 587	958	949	3 592	**7 086**	3 605	609	**11 300**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings†	1 587	958	949	3 592	**7 086**	3 605	609	**11 300**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmentation on page 72.*

Refer to additional activity disclosure on page 73.

† *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 9.*

RMB#							
Investment banking	Corporate banking	**Total RMB#**	**WesBank****	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
4 630	923	**5 553**	**8 796**	2 560	**38 610**	(2 989)	**35 621**
(917)	(112)	**(1 029)**	**(2 539)**	266	**(5 787)**	637	**(5 150)**
3 713	811	**4 524**	**6 257**	2 826	**32 823**	(2 352)	**30 471**
7 901	1 316	**9 217**	**3 576**	(1 411)	**32 709**	4 712	**37 421**
11 614	2 127	**13 741**	**9 833**	1 415	**65 532**	2 360	**67 892**
(5 543)	(1 423)	**(6 966)**	**(5 243)**	(975)	**(36 740)**	(1 952)	**(38 692)**
6 071	704	**6 775**	**4 590**	440	**28 792**	408	**29 200**
1 607	–	**1 607**	**342**	(469)	**1 499**	40	**1 539**
7 678	704	**8 382**	**4 932**	(29)	**30 291**	448	**30 739**
(93)	18	**(75)**	**(239)**	(52)	**(884)**	–	**(884)**
7 585	722	**8 307**	**4 693**	(81)	**29 407**	448	**29 855**
(2 125)	(202)	**(2 327)**	**(1 288)**	1 697	**(6 626)**	(105)	**(6 731)**
5 460	520	**5 980**	**3 405**	1 616	**22 781**	343	**23 124**
5 368	520	**5 888**	**3 309**	789	**21 286**	337	**21 623**
–	–	**–**	**–**	310	**310**	–	**310**
92	–	**92**	**96**	517	**1 185**	6	**1 191**
5 460	520	**5 980**	**3 405**	1 616	**22 781**	343	**23 124**
5 368	520	**5 888**	**3 309**	789	**21 286**	337	**21 623**
–	–	**–**	**–**	–	**–**	(482)	**(482)**
5 368	520	**5 888**	**3 309**	789	**21 286**	(145)	**21 141**
–	–	**–**	**–**	–	**–**	(34)	**(34)**
–	–	**–**	**–**	–	**–**	75	**75**
–	–	**–**	**–**	–	**–**	25	**25**
–	–	**–**	**–**	–	**–**	(107)	**(107)**
–	–	**–**	**–**	–	**–**	186	**186**
5 368	520	**5 888**	**3 309**	789	**21 286**	–	**21 286**

Segment report for the year ended 30 June 2015 *continued*

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	41.7	50.2	31.4	59.7	**52.3**	55.8	63.1	**54.7**
Diversity ratio (%)	12.0	40.9	25.3	67.4	**50.2**	49.5	47.0	**49.6**
Credit loss ratio (%)	0.06	1.08	5.42	6.81	**0.81**	0.58	0.96	**0.79**
NPLs as a percentage of advances (%)	2.54	2.09	4.91	4.10	**2.73**	2.23	2.61	**2.63**
Consolidated income statement includes								
Depreciation	(6)	(5)	(1)	(1 176)	**(1 188)**	(23)	(160)	**(1 371)**
Amortisation	–	–	–	(2)	**(2)**	–	(9)	**(11)**
Net impairment charge	–	–	–	(4)	**(4)**	–	–	**(4)**
Statement of financial position includes								
Advances (after ISP – before impairments)	180 208	19 488	13 856	12 314	**225 866**	58 251	45 740	**329 857**
– Normal advances	180 208	19 488	13 856	12 314	**225 866**	58 251	45 740	**329 857**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
– Credit related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 585	407	680	505	**6 177**	1 301	1 196	**8 674**
Investment in associated companies	–	–	–	246	**246**	–	4	**250**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	155	1 467	1	156 676	**158 299**	152 912	49 655	**360 866**
Total assets	179 095	18 895	12 787	31 351	**242 128**	57 905	50 602	**350 635**
Total liabilities†	178 316	18 171	12 120	21 926	**230 533**	55 011	50 053	**335 597**
Capital expenditure	–	3	7	2 637	**2 647**	32	1 467	**4 146**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental information on page 72.*

Refer to additional activity disclosure on page 73.

† *Total liabilities are net of interdivisional balances.*

RMB#							
Investment banking	Corporate banking	**Total RMB#**	**WesBank****	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
39.2	63.6	**42.5**	**41.2**	>100	**50.5**	–	**51.9**
67.3	58.8	**66.1**	**30.8**	(>100)	**47.0**	–	**52.2**
0.38	1.78	**0.42**	**1.45**	(0.04)	**0.77**	–	**0.71**
1.19	1.37	**1.19**	**3.20**	–	**2.21**	–	**2.29**
(102)	(5)	**(107)**	**(481)**	(30)	**(1 989)**	(104)	**(2 093)**
(12)	–	**(12)**	**(70)**	(5)	**(98)**	(4)	**(102)**
–	(2)	**(2)**	**(27)**	(50)	**(83)**	(14)	**(97)**
247 481	6 147	**253 628**	**183 016**	27 463	**793 964**	(31 368)	**762 596**
236 325	6 147	**242 472**	**166 956**	10 606	**749 891**	(3 355)	**746 536**
–	–	**–**	**16 060**	–	**16 060**	–	**16 060**
11 156	–	**11 156**	**–**	16 857	**28 013**	(28 013)	**–**
2 943	84	**3 027**	**5 850**	–	**17 551**	(50)	**17 501**
3 802	–	**3 802**	**1 735**	(6)	**5 781**	–	**5 781**
1 249	–	**1 249**	**–**	(15)	**1 234**	48	**1 282**
141 047	70 906	**211 953**	**53**	292 649	**865 521**	–	**865 521**
406 726	6 974	**413 700**	**186 273**	108 654	**1 059 262**	4	**1 059 266**
397 228	6 147	**403 375**	**180 293**	41 393	**960 658**	4	**960 662**
334	4	**338**	**1 021**	11	**5 516**	–	**5 516**

SEGMENT REPORT

for the year ended 30 June 2014

R million	FNB Retail: Residential mortgages	FNB Retail: Card	FNB Retail: Personal loans	FNB Retail: Retail other	FNB Retail: Retail	FNB: Commercial	FNB: FNB Africa*	FNB: Total FNB
Net interest income before impairment of advances	3 418	1 517	2 216	3 846	**10 997**	5 146	2 639	**18 782**
Impairment of advances	(158)	(101)	(980)	(581)	**(1 820)**	(262)	(331)	**(2 413)**
Net interest income after impairment of advances	3 260	1 416	1 236	3 265	**9 177**	4 884	2 308	**16 369**
Non-interest revenue	480	1 280	848	9 037	**11 645**	5 569	2 271	**19 485**
Income from operations	3 740	2 696	2 084	12 302	**20 822**	10 453	4 579	**35 854**
Operating expenses	(1 573)	(1 384)	(888)	(7 996)	**(11 841)**	(6 146)	(3 105)	**(21 092)**
Net income from operations	2 167	1 312	1 196	4 306	**8 981**	4 307	1 474	**14 762**
Share of profit of associates and joint ventures after tax	2	–	–	27	**29**	–	1	**30**
Income before tax	2 169	1 312	1 196	4 333	**9 010**	4 307	1 475	**14 792**
Indirect tax	(36)	(38)	(33)	(346)	**(453)**	(34)	(65)	**(552)**
Profit for the year before tax	2 133	1 274	1 163	3 987	**8 557**	4 273	1 410	**14 240**
Income tax expense	(597)	(357)	(326)	(1 114)	**(2 394)**	(1 196)	(508)	**(4 098)**
Profit for the year	1 536	917	837	2 873	**6 163**	3 077	902	**10 142**
Attributable to								
Ordinary equityholders	1 536	917	837	2 873	**6 163**	3 077	461	**9 701**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	441	**441**
Profit for the year	1 536	917	837	2 873	**6 163**	3 077	902	**10 142**
Attributable earnings to ordinary shareholders	1 536	917	837	2 873	**6 163**	3 077	461	**9 701**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 536	917	837	2 873	**6 163**	3 077	461	**9 701**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings†	1 536	917	837	2 873	**6 163**	3 077	461	**9 701**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmentation on page 72.*

Refer to additional activity disclosure on page 73.

† *Normalised earnings for FNB, RMB and WesBank exclude the return of capital in the rest of Africa, cost of preference shares and other capital and, therefore, differ from franchise normalised earnings reported on page 9.*

RMB#							
Investment banking	Corporate banking	Total RMB#	WesBank**	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments	FirstRand group – IFRS
4 565	817	5 382	8 213	1 038	33 415	(3 537)	29 878
(414)	(32)	(446)	(2 081)	(579)	(5 519)	267	(5 252)
4 151	785	4 936	6 132	459	27 896	(3 270)	24 626
7 117	1 230	8 347	3 291	(484)	30 639	5 511	36 150
11 268	2 015	13 283	9 423	(25)	58 535	2 241	60 776
(5 306)	(1 432)	(6 738)	(5 069)	(377)	(33 276)	(2 172)	(35 448)
5 962	583	6 545	4 354	(402)	25 259	69	25 328
1 237	–	1 237	214	(416)	1 065	(138)	927
7 199	583	7 782	4 568	(818)	26 324	(69)	26 255
(69)	(25)	(94)	(253)	21	(878)	–	(878)
7 130	558	7 688	4 315	(797)	25 446	(69)	25 377
(1 962)	(156)	(2 118)	(1 208)	1 976	(5 448)	(143)	(5 591)
5 168	402	5 570	3 107	1 179	19 998	(212)	19 786
5 105	402	5 507	3 013	442	18 663	(223)	18 440
–	–	–	–	288	288	–	288
63	–	63	94	449	1 047	11	1 058
5 168	402	5 570	3 107	1 179	19 998	(212)	19 786
5 105	402	5 507	3 013	442	18 663	(223)	18 440
–	–	–	–	–	–	231	231
5 105	402	5 507	3 013	442	18 663	8	18 671
–	–	–	–	–	–	(198)	(198)
–	–	–	–	–	–	182	182
–	–	–	–	–	–	97	97
–	–	–	–	–	–	(104)	(104)
–	–	–	–	–	–	15	15
5 105	402	5 507	3 013	442	18 663	–	18 663

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	40.3	49.5	29.0	61.9	**52.2**	57.4	63.2	**55.1**
Diversity ratio (%)	12.4	45.8	27.7	70.2	**51.5**	52.0	46.3	**51.0**
Credit loss ratio (%)	0.09	0.70	7.72	7.09	**0.90**	0.57	0.90	**0.85**
NPLs as a percentage of advances (%)	3.29	2.21	5.82	5.85	**3.47**	2.52	2.15	**3.14**
Consolidated income statement includes								
Depreciation	(6)	(5)	(2)	(1 148)	**(1 161)**	(27)	(149)	**(1 337)**
Amortisation	–	–	–	(10)	**(10)**	(12)	(12)	**(34)**
Net impairment charge	–	–	–	(7)	**(7)**	(10)	–	**(17)**
Statement of financial position includes								
Advances (after ISP – before impairments)	171 173	15 761	12 516	9 470	**208 920**	49 903	40 443	**299 266**
– Normal advances	171 173	15 761	12 516	9 470	**208 920**	49 903	40 443	**299 266**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
– Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	5 625	348	729	554	**7 256**	1 259	871	**9 386**
Investment in associated companies	–	–	–	241	**241**	–	4	**245**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	129	1 349	25	138 172	**139 675**	138 262	44 460	**322 397**
Total assets	169 873	15 216	11 448	25 453	**221 990**	49 382	51 742	**323 114**
Total liabilities†	167 862	14 000	10 228	22 654	**214 744**	45 108	49 360	**309 212**
Capital expenditure	6	9	1	2 327	**2 343**	36	367	**2 746**

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

* *Includes FNB's activities in India.*

** *Refer to additional segmental disclosure on page 72.*

Refer to additional activity disclosure on page 73.

† *Total liabilities are net of interdivisional balances.*

RMB#							
Investment banking	Corporate banking	**Total RMB#**	**WesBank****	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
41.1	70.0	**45.0**	**43.3**	(>100)	**51.1**	–	**52.9**
64.7	60.1	**64.0**	**29.9**	>100	**48.7**	–	**55.4**
0.19	0.55	**0.20**	**1.35**	0.09	**0.83**	–	**0.80**
0.91	0.09	**0.89**	**2.86**	–	**2.30**	–	**2.34**
(102)	(7)	**(109)**	**(434)**	(48)	**(1 928)**	(114)	**(2 042)**
(10)	–	**(10)**	**(44)**	(2)	**(90)**	(5)	**(95)**
(2)	–	**(2)**	**(12)**	(10)	**(41)**	(282)	**(323)**
231 017	6 442	**237 459**	**167 037**	5 317	**709 079**	(12 768)	**696 311**
221 639	6 442	**228 081**	**156 966**	5 287	**689 600**	(3 360)	**686 240**
–	–	**–**	**10 071**	–	**10 071**	–	**10 071**
9 378	–	**9 378**	**–**	30	**9 408**	(9 408)	**–**
2 105	6	**2 111**	**4 784**	–	**16 281**	–	**16 281**
4 172	–	**4 172**	**1 436**	(6)	**5 847**	–	**5 847**
1 214	–	**1 214**	**–**	(16)	**1 198**	7	**1 205**
124 930	69 222	**194 152**	**48**	251 637	**768 234**	–	**768 234**
383 083	7 126	**390 209**	**170 194**	63 092	**946 609**	(1 074)	**945 535**
373 661	6 446	**380 107**	**166 137**	1 860	**857 316**	2	**857 318**
289	4	**293**	**1 172**	41	**4 252**	–	**4 252**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Year ended 30 June 2015				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	MotoNovo (UK)			
NII before impairment of advances	**4 179**	**1 543**	**1 054**	**2 020**	**8 796**
Impairment of advances	**(1 219)**	**(278)**	**(209)**	**(833)**	**(2 539)**
Normalised profit before tax	**2 087**	**937**	**398**	**1 271**	**4 693**
Normalised earnings	**1 502**	**675**	**316**	**816**	**3 309**
Advances	**98 131**	**34 612**	**39 796**	**10 477**	**183 016**
– Normal advances	**95 760**	**20 923**	**39 796**	**10 477**	**166 956**
– Securitised advances	**2 371**	**13 689**	**–**	**–**	**16 060**
NPLs	**4 162**	**151**	**628**	**909**	**5 850**
Advances margin (%)	**3.72**	**5.86**	**2.69**	**19.60**	**4.72**
NPLs (%)	**4.24**	**0.44**	**1.58**	**8.68**	**3.20**
Credit loss ratio (%)	**1.25**	**0.97**	**0.53**	**8.49**	**1.45**

	Year ended 30 June 2014				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	MotoNovo (UK)			
NII before impairment of advances	4 194	1 148	1 128	1 743	8 213
Impairment of advances	(1 209)	(135)	(135)	(602)	(2 081)
Normalised profit before tax	1 980	651	515	1 169	4 315
Normalised earnings	1 455	469	342	747	3 013
Advances	96 445	22 675	38 763	9 154	167 037
– Normal advances	95 864	13 185	38 763	9 154	156 966
– Securitised advances	581	9 490	–	–	10 071
NPLs	3 409	83	633	659	4 784
Advances margin (%)	4.24	6.34	2.77	20.51	5.05
NPLs (%)	3.53	0.37	1.63	7.20	2.86
Credit loss ratio (%)	1.32	0.75	0.37	7.32	1.35

ADDITIONAL ACTIVITY DISCLOSURE – RMB

Normalised PBT R million	Year ended 30 June 2015						
	IB&A	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	**–**	**348**	**1 794**	**116**	**37**	**–**	**2 295**
IBD	**3 076**	**–**	**68**	**451**	**73**	**–**	**3 668**
Private Equity	**–**	**–**	**–**	**1 869**	**–**	**–**	**1 869**
Other RMB	**–**	**–**	**–**	**–**	**–**	**(247)**	**(247)**
Investment banking	**3 076**	**348**	**1 862**	**2 436**	**110**	**(247)**	**7 585**
Corporate banking	**–**	**680**	**42**	**–**	**–**	**–**	**722**
Total RMB	**3 076**	**1 028**	**1 904**	**2 436**	**110**	**(247)**	**8 307**

Normalised PBT R million	Year ended 30 June 2014						
	IB&A	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	–	347	1 506	32	101	–	1 986
IBD	2 928	–	31	1 022	102	–	4 083
Private Equity	–	–	–	1 212	–	–	1 212
Other RMB	–	–	–	–	–	(151)	(151)
Investment banking	2 928	347	1 537	2 266	203	(151)	7 130
Corporate banking	–	514	44	–	–	–	558
Total RMB	2 928	861	1 581	2 266	203	(151)	7 688

Normalised PBT R million	Year ended 30 June 2013						
	IB&A	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	–	125	1 447	75	110	–	1 757
IBD	2 529	–	214	494	107	–	3 344
Private Equity	–	–	–	650	–	–	650
Other RMB	–	–	–	–	–	(138)	(138)
Investment banking	2 529	125	1 661	1 219	217	(138)	5 613
Corporate banking	–	531	6	–	–	–	537
Total RMB	2 529	656	1 667	1 219	217	(138)	6 150

Note:

IB&A – investment banking and advisory
C&TB – corporate and transactional banking
M&S – markets and structuring
INV – investing
IM – investment management

p76-108

BALANCE SHEET AND RETURN ANALYSIS

PERFORMANCE MEASUREMENT

The group aims to deliver sustainable returns to its shareholders and each business unit is evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, NIACC.

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

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

The group's NIACC increased largely due to the improvement in earnings. The slight reduction in the group's cost of equity also contributed to the increased NIACC, as illustrated in the table below.

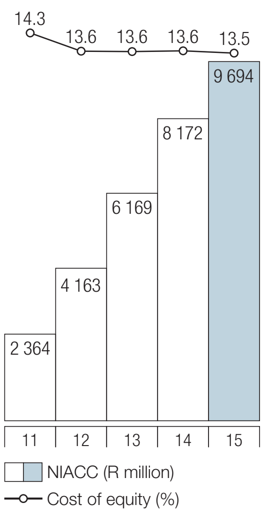
NIACC AND ROE

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings attributable to ordinary shareholders	**21 286**	18 663	14
Capital charge*	**(11 592)**	(10 491)	10
NIACC**	**9 694**	8 172	19
Average ordinary shareholders' equity and reserves	**86 184**	77 143	12
ROE (%)	**24.7**	24.2	
Cost of equity (%)	**13.5**	13.6	
Return on average RWA (%)	**3.53**	3.42	

* *Capital charge based on cost of equity.*

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

NIACC AND COST OF EQUITY



SHAREHOLDER VALUE CREATION

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

Decomposition of the ROE indicates that, although gearing levels are lower due to the implementation of Basel III, the group's focus on improving ROA delivered an increased ROE of 24.7% (2014: 24.2%), which is seen as a cyclical high.

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

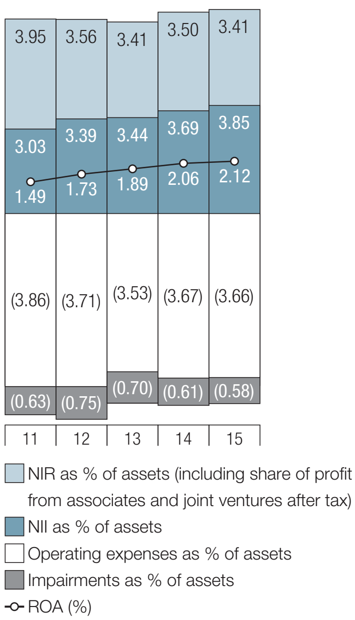
HISTORICAL ANALYSIS OF ROA, GEARING AND ROE

	Year ended 30 June				
	2015	**2014**	**2013**	**2012**	**2011**
ROA (%)	**2.12**	2.06	1.89	1.73	1.49
Gearing*	**11.6**	11.8	12.0	11.9	12.5
ROE (%)	**24.7**	24.2	22.7	20.7	18.7

* *Gearing = average total assets/average equity.*

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

ROA ANALYSIS



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

FRANCHISE PERFORMANCE AND ROE

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

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

FRANCHISE ROEs AND NORMALISED EARNINGS

	Year ended 30 June		
	2015		2014^
R million	Normalised earnings*	ROE %	ROE %
FNB**	**11 179**	**38.3**	37.3
RMB#	**5 678**	**25.0**	25.7
WesBank	**3 242**	**23.2**	26.6
FCC (including Group Treasury)†	**1 187**	**5.3**	2.8
FirstRand group	**21 286**	**24.7**	24.2
Rest of Africa total‡	**1 422**	**18.5**	19.4

* *Includes the return on capital in African operations and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings in the segment report on pages 64 to 71.*

** *Includes FNB Africa and FNB's activities in India.*

Includes RMB Africa.

† *Includes Ashburton Investments.*

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

^ *Comparative ROEs were restated for segment migrations.*

ECONOMIC VIEW OF THE BALANCE SHEET

The structure of the balance sheet has been further optimised following the group's strategy over the last three years 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 group's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets. The composition of the net advances portfolio consists of retail secured (40%), retail unsecured (7%), corporate and commercial (45%) and FNB Africa and other (8%). Total NPLs were R17.55 billion (2.21% as a percentage of advances) with a credit loss ratio of 0.77% and 91% of advances were rated B or better.

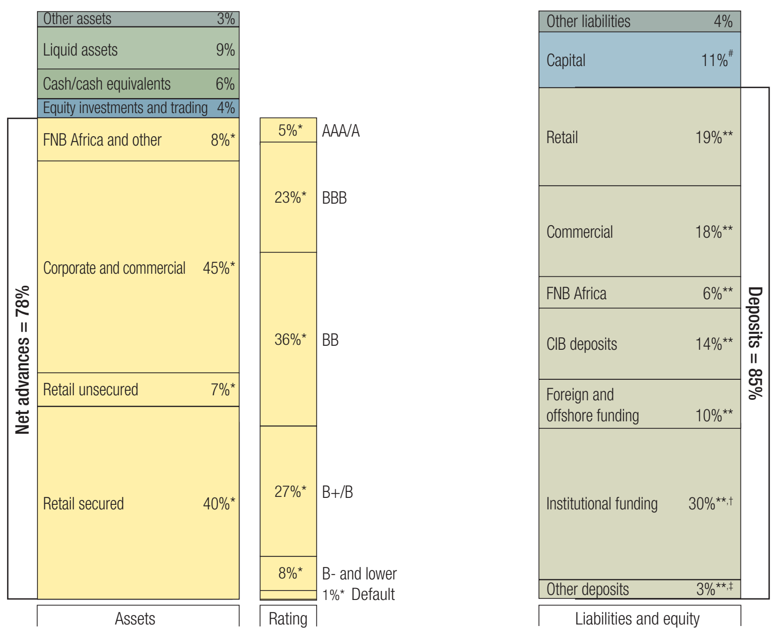
Cash and cash equivalents, and liquid assets represent 6% and 9% respectively of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low and the group's equity investments stem primarily from RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the group has continued to reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 31 months in 2015.

The group's capital ratios remained strong with the CET1 ratio 14.0%, Tier 1 ratio 14.8% and total capital adequacy ratio 16.7%. Gearing reduced to 11.6 times (June 2014: 11.8 times).

ECONOMIC VIEW OF THE BALANCE SHEET

%



* As a proportion of loans and advances.

** As a proportion of deposit franchise.

\# Ordinary equity and non-controlling interests (9%) and NCNR preference shares and Tier 2 liabilities (2%).

† Includes CIB institutional funding and foreign branch platform.

‡ Consists of liabilities relating to conduits and securitisation.

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

CAPITAL

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

- business units' organic growth plans;
- rating agencies' considerations;
- investor expectations (including debt holders);
- targeted capital and leverage levels;
- future business plans;
- stress testing scenarios;
- economic capital requirements;
- appropriate buffers in excess of minimum 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 group remains appropriately capitalised under a range of normal and severe scenarios (including stress events), which includes ongoing regulatory developments, expansion initiatives and corporate transactions. The final Basel III leverage framework was implemented in 2014 and greater emphasis has been placed on monitoring leverage for the group.

FirstRand comfortably operated above its capital and leverage targets during the year. The table below summarises the group's capital and leverage ratios as at 30 June 2015.

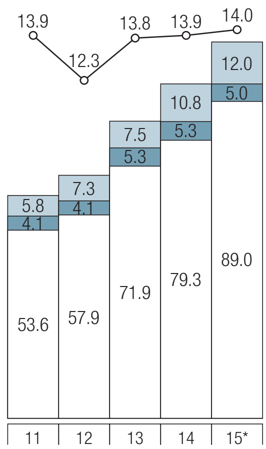
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.5	8.0	10.0	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
Excluding unappropriated profits	**13.0**	**13.8**	**15.7**	**7.8**
Including unappropriated profits	**14.0**	**14.8**	**16.7**	**8.4**

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

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

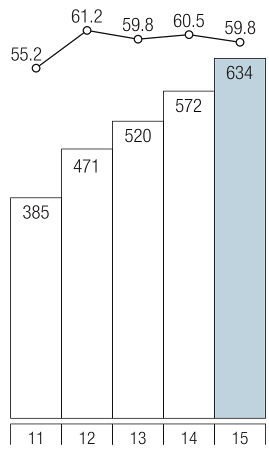
CAPITAL ADEQUACY



Tier 2 capital (R billion)
AT1 capital (R billion)
CET1 capital (R billion)
CET1 ratio (%)

* *Includes unappropriated profits.*

RWA HISTORY



RWA (R billion)
RWA as a % of total assets

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

REGULATORY UPDATE

The BCBS issued a number of consultative documents during the year under review. These papers are at different stages of testing, finalisation and implementation and will be incorporated in the BCBS quantitative impact studies. The group continues to participate in the quantitative impact studies to assess and incorporate, where relevant, the effect of these standards. The following table summarises the proposals that may impact the group's capital levels.

SUMMARY OF CONSULTATIVE DOCUMENTS

	Objectives	Impact assessment
Revised standardised approaches for credit and operational risk	• Reduced variability in RWA and increased risk sensitivity.	• Impact not yet quantified. • Incorporated in the last BCBS quantitative impact studies for December 2014.
Capital floor based on standardised approaches for internal ratings based accredited banks	• Address variability in capital ratios for banks using internal ratings based approaches. • Enhanced comparability across jurisdictions.	• Impact not yet quantified. • Proposed calibration and implementation timeline not clarified.
Interest rate risk in the banking book	• Appropriate capital to cover potential losses from exposure to changes in interest rates. • Limit capital arbitrage between trading and banking book.	• Impact not yet quantified. • Incorporated in the current BCBS quantitative impact studies for June 2015. • Two possible options: – Pillar 1 approach (minimum capital requirement), or – enhanced Pillar 2 approach.
Principles on loss absorbing and recapitalisation capacity of G-SIBs	• Developed in consultation with BCBS. • Forms a new minimum standard for total loss absorbing capacity and composition of a bank's capital structure.	• Discussion document issued for comment.

The National Treasury, SARB and Financial Services Board published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. Comments on the paper are due by 30 September 2015.

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise FirstRand's qualifying capital components and unpacks year-on-year movements.

COMPOSITION OF CAPITAL ANALYSIS

R million	CET1 capital	Tier 1 capital	Total qualifying capital
2015 – excluding unappropriated profits	82 516	87 563	99 563
2015 – including unappropriated profits	**88 961**	**94 008**	**106 008**
2014*	**79 344**	**84 647**	**95 368**

* *All profits were appropriated at 30 June 2014.*

Movement		
CET1	**AT1**	**Tier 2**
↑	↓	↑
• Share capital issuance relating to BEE deal. • Internal capital generation through earnings.	• Additional haircut on non-compliant Basel III NCNR preference shares partly offset by movement in third party capital.	• Issuance of Basel III compliant subordinated debt instrument (FRB15 – R2.0 billion) in March 2015. • Redemption of FRB03 old-style Tier 2 instrument (R1.7 billion) in September 2014. • Additional haircut on non-compliant Basel III Tier 2 instruments.

DEMAND FOR CAPITAL

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

RWA ANALYSIS

R million	2015	2014	Key drivers
Credit risk	**435 826**	389 440	↑ organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**16 205**	10 037	↑ primarily a result of the withdrawal of the credit valuation adjustment (CVA) exemption for ZAR and local counterparty over-the-counter (OTC) derivatives.
Operational risk	**100 329**	93 613	↑ recalibration of risk scenarios; increase in gross income for entities on standardised approach; and capital floor add-on for difference between advanced measurement approach (AMA) and standardised approaches.
Market risk	**12 371**	13 118	↓ volume and mark-to-market movements; and refinement to internal and regulatory methodologies.
Equity investment risk	**31 951**	34 128	↓ disposals of investments and fair value adjustments.
Other assets*	**37 148**	32 110	↑ increase in assets subject to 250% risk weighting; and increase in property and equipment.
Total RWA	**633 830**	572 446	

* *Includes investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

RWA AND CAPITAL ADEQUACY POSITIONS FOR THE GROUP, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

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

The RWA and capital adequacy positions of FirstRand, its regulated subsidiaries and the bank's foreign branches are set out below.

RWA AND CAPITAL ADEQUACY POSITIONS OF FIRSTRAND, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

	For the year ended 30 June			
	2015			2014
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III				
FirstRand*	**633 830**	**14.8**	**16.7**	16.7
FirstRand Bank South Africa*	**473 412**	**14.8**	**16.7**	16.1
FirstRand Bank London	**29 588**	**8.8**	**16.1**	19.0
FirstRand Bank India	**1 797**	**39.0**	**39.5**	31.8
Basel II (local regulations)				
FNB Namibia	**21 895**	**14.1**	**17.0**	17.1
FNB Mozambique	**3 000**	**9.9**	**10.3**	8.2
Basel I (local regulations)				
FNB Botswana	**15 423**	**16.5**	**19.0**	18.3
FNB Swaziland	**2 446**	**21.4**	**22.6**	22.3
FNB Lesotho	**724**	**15.2**	**18.7**	17.7
FNB Zambia	**4 229**	**19.7**	**24.1**	31.9
FNB Tanzania	**725**	**29.8**	**31.3**	>100
RMB Nigeria	**1 375**	**86.1**	**86.1**	>100

* *Includes unappropriated profits.*

Directive 3/2015 (replaces directive 8/2013) 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 for further details.

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

FUNDING AND LIQUIDITY

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

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

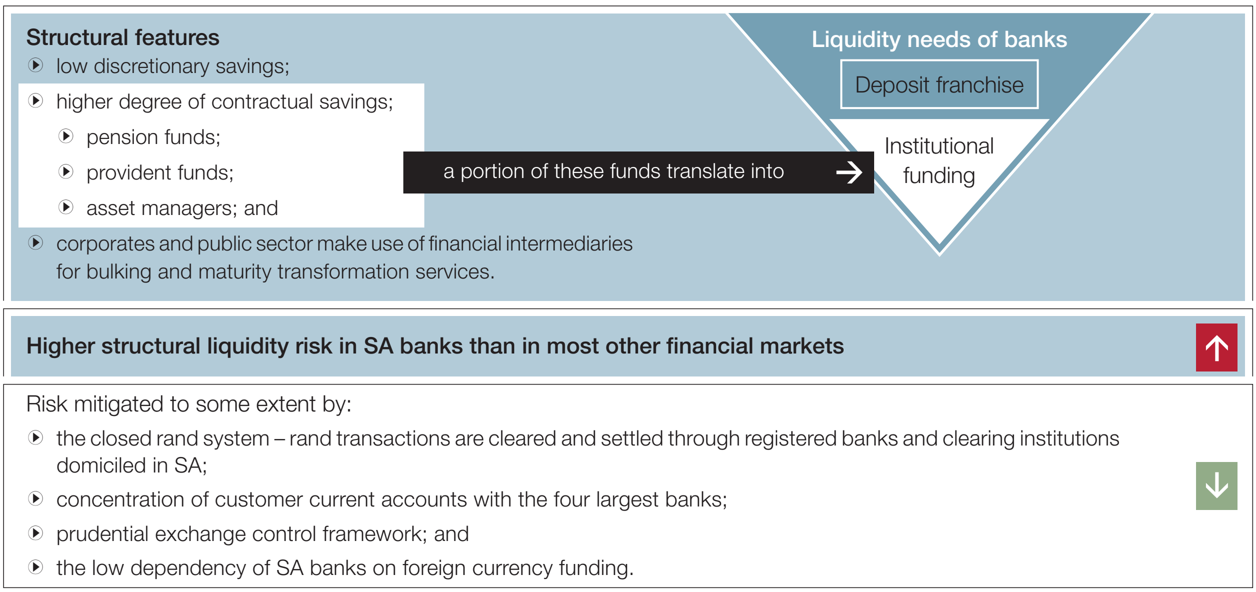
Compliance with the Basel III Liquidity Coverage Ratio (LCR) influences the group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of deposits. The group is actively building its deposit franchise through innovative and competitive products and pricing, while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

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

At 30 June 2015, the group exceeded the 60% minimum LCR requirement with a LCR of 76%. FirstRand's available sources of liquidity per the LCR were R137 billion, with an additional R12 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



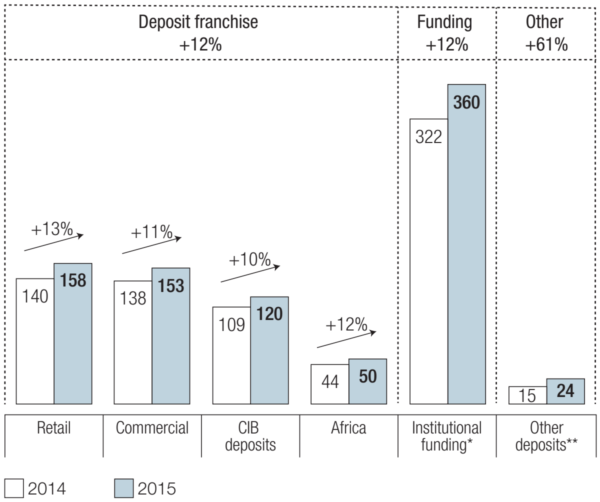
During the year under review, there has been increased liquidity demand by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations. In light of the structural features discussed above, focus is currently placed on achieving a risk-adjusted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

The group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 66% of domestic funding liabilities at 30 June 2015. During the year under review, the group continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress has been 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 group accesses domestic money markets daily and has, over the course of the year accessed capital markets. The group has frequently issued various capital and funding instruments in the capital markets on an auction and reverse enquiry basis with strong support from investors, both domestically and internationally. Institutional funding has increased faster than in prior periods based on the group's strategy to improve diversification in terms of maturity and investor base.

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

GROUP FUNDING BY SEGMENT

R billion



* *Includes CIB institutional funding and international entity platforms.*

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

Funds transfer pricing

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

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

Funding measurement and activity

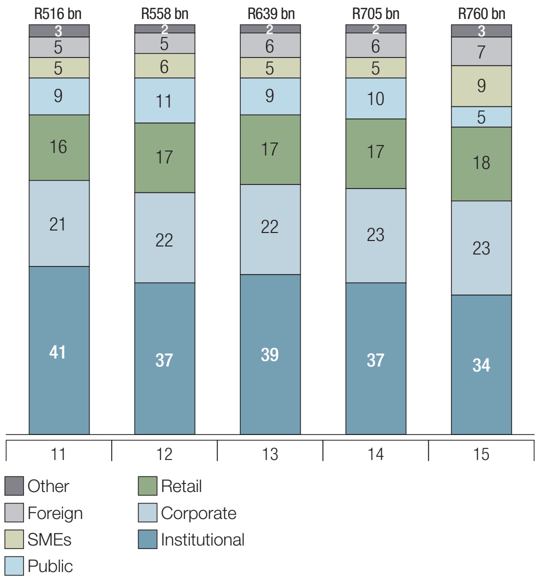
FRB, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described above. The table below provides an analysis of FRB's funding sources.

FIRSTRAND BANK'S FUNDING SOURCES

	As at 30 June 2015			
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**
Institutional funding	**34.1**	**9.9**	**7.4**	**16.8**
Deposit franchise	**65.9**	**48.5**	**7.8**	**9.6**
Corporate	**23.4**	**19.9**	**1.8**	**1.7**
Retail	**17.7**	**13.6**	**2.8**	**1.3**
SME	**5.4**	**4.7**	**0.4**	**0.3**
Government and parastatals	**9.2**	**6.9**	**1.7**	**0.6**
Foreign	**7.5**	**3.2**	**1.0**	**3.3**
Other	**2.7**	**0.2**	**0.1**	**2.4**
Total	**100.0**	**58.4**	**15.2**	**26.4**

FIRSTRAND BANK'S FUNDING SOURCES

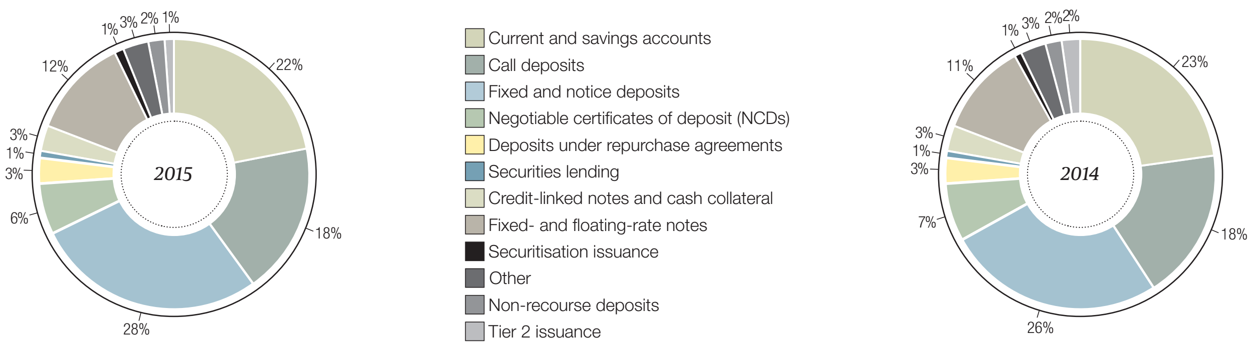
R billion



Source: SARB BA900 returns, June 2015.

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE

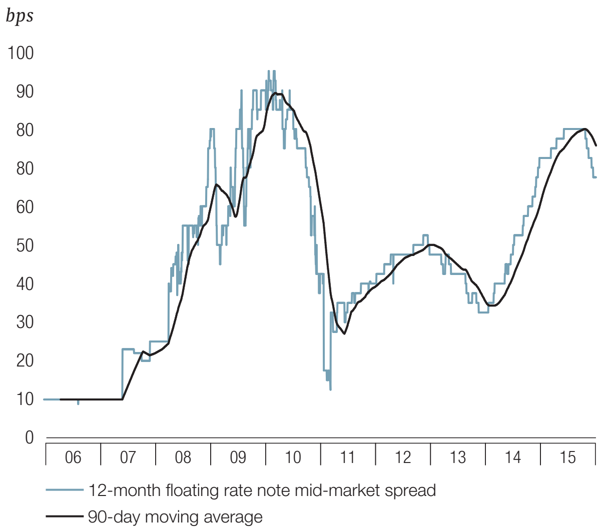


The group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

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

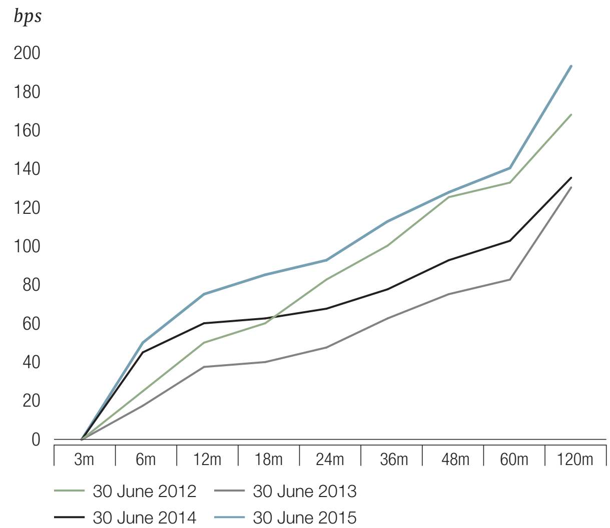
12-MONTH LIQUIDITY SPREAD



Source: Bloomberg (RMBP screen) and Reuters.

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

LONG-TERM FUNDING SPREADS

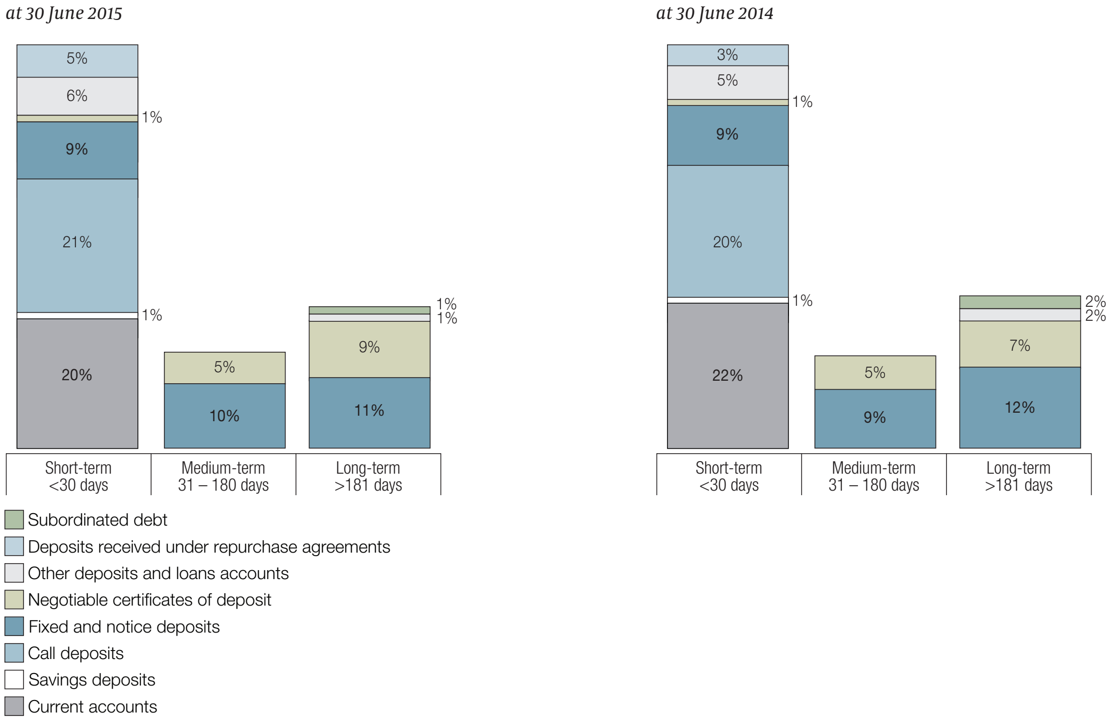


Source: Bloomberg (RMBP screen) and Reuters.

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

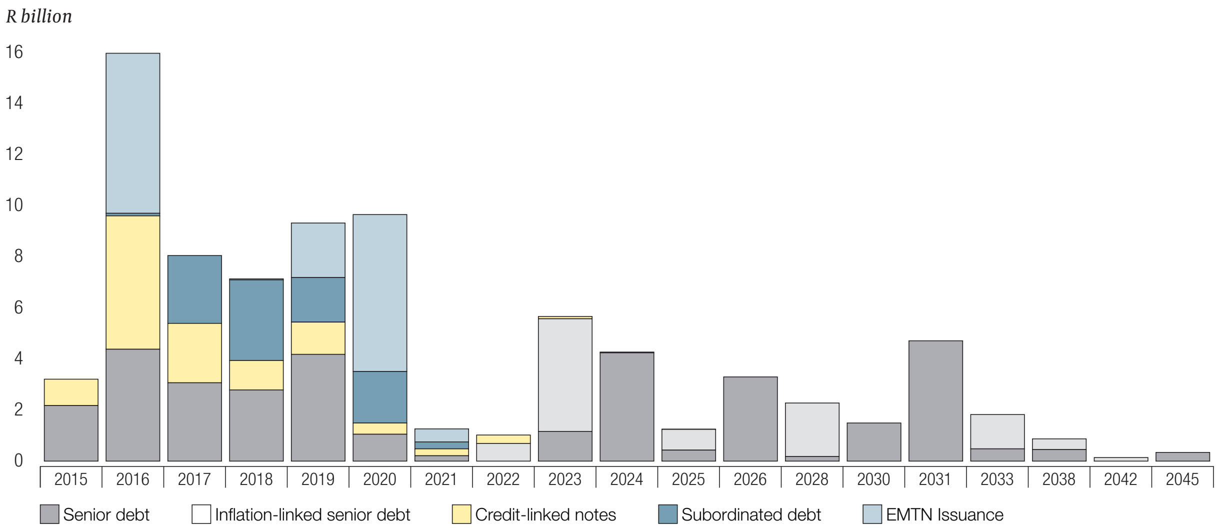
The following chart illustrates a breakdown of the group's funding liabilities by instrument and term.

THE GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF FIRSTRAND BANK'S CAPITAL MARKET INSTRUMENTS



FOREIGN CURRENCY BALANCE SHEET

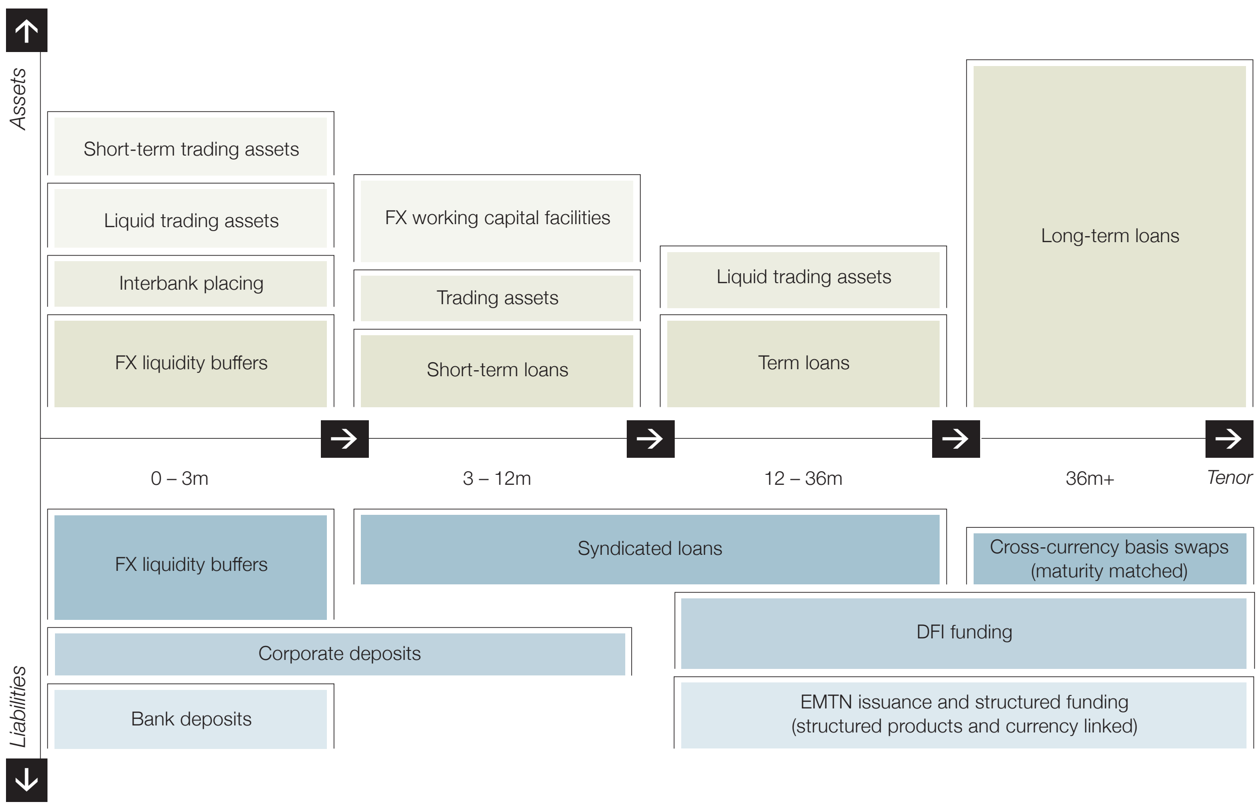
Given the group's objective to grow its franchise in the rest of Africa, India and the corridors, and given the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk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

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

Philosophy on foreign currency external debt

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

1 Basel III

The BCBS framework for sound and prudent liquidity risk management seeks to address the aspects below:

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

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

2 Liquidity coverage ratio

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

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

3 Disclosure requirements

The BCBS published the *Liquidity coverage ratio disclosure standards* in March 2014. The objective of the document is to reduce market uncertainty around liquidity positions.

- Effective from 1 January 2015.
- Will follow the capital quarterly disclosures.
- Standardised template for available sources of liquidity by level of liquidity, cash outflows attributable by customer, category type and relationship and cash inflows attributable by source.

4 Net stable funding ratio

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

5 Resolution recovery framework

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 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 G-SIBs and have been identified as:

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

LIQUIDITY RISK POSITION

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

FIRSTRAND GROUP'S COMPOSITION OF LIQUID ASSETS

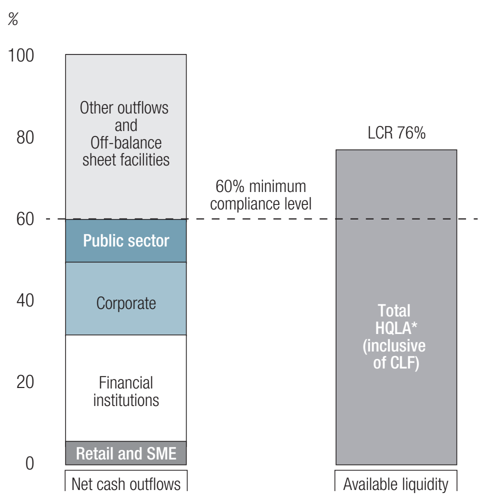
	Basel III			Management view
		After haircut		After SARB haircut
R billion	**High-quality liquid assets**	**Level 1**	**Level 2**	**Management buffer after haircuts**
Cash and deposits with central banks	**31**	**–**	**–**	**31**
Government bonds and bills	**93**	**88**	**–**	**88**
Corporate bonds	**11**	**–**	**6**	**6**
Other liquid assets	**2**	**–**	**1**	**12**
Total	**137**	**88**	**7**	**137**

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 institutional funding, as well as to offer utilised facilities more efficiently.

The graph below gives an indication of the group's LCR position of 76% at 30 June 2015 and demonstrates the group's compliance with the 60% minimum requirement. The LCR for FRB was 84% at 30 June 2015.

FIRSTRAND GROUP LCR



* *HQLA held by subsidiaries and foreign branches in excess of the required LCR minimum of 60%, have been excluded on consolidation as per directive 11 of 2014.*

Directive 6/2014 and directive 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 common disclosure template on the group's website.

CREDIT

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

Credit assets which have been reclassified from investment securities to advances are included in the numbers presented below. A description of the impact of regulatory changes on advances and impairments is on page 8.

CREDIT HIGHLIGHTS AT A GLANCE

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

		Year ended 30 June		
R million	Notes	**2015**	**2014**	**% change**
Total gross advances – including credit-related assets*	1	**793 964**	709 079	12
NPLs – including credit-related assets	2	**17 551**	16 281	8
NPLs as a % of advances – including credit-related assets		**2.21**	2.30	
Impairment charge – including credit-related assets	3	**5 787**	5 519	5
Impairment charge as a % of average advances – including credit-related assets		**0.77**	0.83	
Total impairments*	4	**14 793**	13 900	6
– Portfolio impairments		**7 760**	7 259	7
– Specific impairments		**7 033**	6 641	6
Implied loss given default (coverage)**	4	**40.1**	40.8	
Total impairments coverage ratio#		**84.3**	85.4	
Performing book coverage ratio†		**1.00**	1.05	

* *Includes cumulative credit fair value adjustments.*

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

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

† *Portfolio impairments as a percentage of the performing book.*

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

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

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 563 million (June 2014: R3 515 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R637 million (June 2014: R267 million). Under IFRS, these are accounted for in NIR.

In addition, certain HQLA, securitisation notes and other corporate bonds, reflected as investment securities in terms of IFRS, have been reflected as advances – refer to page 8 for additional information.

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

R million	Advances – As at 30 June 2015	2014	% change	2015 % composition
Retail	**369 086**	337 194	9	**47**
Retail – secured	**312 951**	290 293	8	**40**
Residential mortgages	**180 208**	171 173	5	**23**
VAF	**132 743**	119 120	11	**17**
– SA	**98 131**	96 445	2	**12**
– International	**34 612**	22 675	53	**5**
Retail – unsecured	**56 135**	46 901	20	**7**
Card	**19 488**	15 761	24	**2**
Personal loans	**24 333**	21 670	12	**3**
– FNB loans	**13 856**	12 516	11	**2**
– WesBank loans	**10 477**	9 154	14	**1**
Retail other	**12 314**	9 470	30	**2**
Corporate and commercial	**361 169**	326 125	11	**45**
FNB commercial	**58 251**	49 903	17	**7**
WesBank corporate	**39 796**	38 763	3	**5**
RMB investment banking	**247 481**	231 017	7	**31**
RMB corporate banking	**6 147**	6 442	(5)	**1**
HQLA corporate advances*	**9 494**	–	–	**1**
FNB Africa**	**45 740**	40 443	13	**6**
FCC (including Group Treasury)	**17 969**	5 317	>100	**2**
Securitisation notes	**7 301**	–	–	**1**
Other	**10 668**	5 317	>100	**1**
Total advances	**793 964**	709 079	12	**100**
Of which:				
Accrual book	**578 072**	512 580	13	**73**
Fair value book#	**215 892**	196 499	10	**27**

* *Managed by the Group Treasurer.*

** *Includes FNB's activities in India.*

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

Assets under agreements to resell included in the RMB investment banking loan book:

R million	As at 30 June 2015	2014	% change	2015 % composition
Investment banking advances	**247 481**	231 017	7	**100**
Less: assets under agreements to resell	**(35 600)**	(32 753)	9	**(14)**
Investment banking advances net of assets under agreements to resell	**211 881**	198 264	7	**86**

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	As at 30 June			2015
R million	**2015**	**2014**	**% change**	**% composition**
Gross advances	**795 515**	710 715	12	**100**
Less: interest in suspense	**(1 551)**	(1 636)	(5)	**–**
Advances net of interest in suspense	**793 964**	709 079	12	**100**
Sector analysis				
Agriculture	**28 617**	22 912	25	**4**
Banks	**17 093**	8 637	98	**2**
Financial institutions	**85 764**	78 902	9	**11**
Building and property development	**38 044**	36 814	3	**5**
Government, Land Bank and public authorities	**20 430**	19 463	5	**3**
Individuals	**378 530**	356 218	6	**48**
Manufacturing and commerce	**103 226**	89 717	15	**12**
Mining	**27 001**	24 327	11	**3**
Transport and communication	**18 704**	20 430	(8)	**2**
Other services	**76 555**	51 659	48	**10**
Total advances	**793 964**	709 079	12	**100**
Geographic analysis				
South Africa	**657 132**	608 129	8	**83**
Other Africa	**79 868**	62 310	28	**10**
UK	**43 279**	28 423	52	**5**
Other Europe	**5 196**	4 316	20	**1**
North America	**1 030**	1 223	(16)	**–**
South America	**739**	161	>100	**–**
Australasia	**998**	1 165	(14)	**–**
Asia	**5 722**	3 352	71	**1**
Total advances	**793 964**	709 079	12	**100**

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL ANALYSIS OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			2015	As at 30 June	
R million	2015	2014	% change	% composition	2015	2014
Retail	**11 399**	11 407	–	**65**	**3.09**	3.38
Retail – secured	**8 898**	9 117	(2)	**51**	**2.84**	3.14
Residential mortgages	**4 585**	5 625	(18)	**26**	**2.54**	3.29
VAF	**4 313**	3 492	24	**25**	**3.25**	2.93
– SA	**4 162**	3 409	22	**24**	**4.24**	3.53
– International	**151**	83	82	**1**	**0.44**	0.37
Retail – unsecured	**2 501**	2 290	9	**14**	**4.46**	4.88
Card	**407**	348	17	**2**	**2.09**	2.21
Personal loans	**1 589**	1 388	14	**9**	**6.53**	6.41
– FNB loans	**680**	729	(7)	**4**	**4.91**	5.82
– WesBank loans	**909**	659	38	**5**	**8.68**	7.20
Retail other	**505**	554	(9)	**3**	**4.10**	5.85
Corporate and commercial	**4 956**	4 003	24	**28**	**1.37**	1.23
FNB commercial	**1 301**	1 259	3	**7**	**2.23**	2.52
WesBank corporate	**628**	633	(1)	**4**	**1.58**	1.63
RMB investment banking	**2 943**	2 105	40	**17**	**1.19**	0.91
RMB corporate banking	**84**	6	>100	**–**	**1.37**	0.09
HQLA corporate advances*	**–**	–	–	**–**	**–**	–
FNB Africa**	**1 196**	871	37	**7**	**2.61**	2.15
FCC (including Group Treasury)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total NPLs	**17 551**	16 281	8	**100**	**2.21**	2.30
Of which:						
Accrual book	**15 674**	14 641	7	**89**	**2.71**	2.86
Fair value book	**1 877**	1 640	14	**11**	**0.87**	0.83

* *Managed by the Group Treasurer.*

** *Includes FNB's activities in India.*

SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			**2015**	**As at 30 June**	
R million	**2015**	**2014**	**% change**	**% composition**	**2015**	**2014**
Sector analysis						
Agriculture	**276**	200	38	**2**	**0.96**	0.87
Financial services	**99**	167	(41)	**1**	**0.10**	0.19
Building and property development	**1 589**	2 194	(28)	**9**	**4.18**	5.96
Government, Land Bank and public authorities	**9**	53	(83)	**–**	**0.04**	0.27
Individuals	**11 403**	11 729	(3)	**65**	**3.01**	3.29
Manufacturing and commerce	**1 434**	661	>100	**8**	**1.39**	0.74
Mining	**1 319**	248	>100	**7**	**4.89**	1.02
Transport and communication	**185**	91	>100	**1**	**0.99**	0.45
Other services	**1 237**	938	32	**7**	**1.62**	1.82
Total NPLs	**17 551**	16 281	8	**100**	**2.21**	2.30
Geographic analysis						
South Africa	**14 992**	15 061	–	**85**	**2.28**	2.48
Other Africa	**1 790**	810	>100	**10**	**2.24**	1.30
UK	**151**	84	80	**1**	**0.35**	0.30
Other Europe	**90**	–	–	**1**	**1.73**	–
North America	**427**	26	>100	**2**	**41.46**	2.13
South America	**20**	161	(88)	**–**	**2.71**	100.00
Australasia	**1**	78	(99)	**–**	**0.10**	6.70
Asia	**80**	61	31	**1**	**1.40**	1.82
Total NPLs	**17 551**	16 281	8	**100**	**2.21**	2.30

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	2015			2014		
R million	**NPLs**	**Security held and expected recoveries**	**Specific impairment***	**NPLs**	**Security held and expected recoveries**	**Specific impairment***
Retail	**11 399**	**7 380**	**4 019**	11 407	7 643	3 764
Retail – secured	**8 898**	**6 554**	**2 344**	9 117	6 926	2 191
Residential mortgages	**4 585**	**3 662**	**923**	5 625	4 504	1 121
VAF	**4 313**	**2 892**	**1 421**	3 492	2 422	1 070
– SA	**4 162**	**2 832**	**1 330**	3 409	2 393	1 016
– International	**151**	**60**	**91**	83	29	54
Retail – unsecured	**2 501**	**826**	**1 675**	2 290	717	1 573
Card	**407**	**111**	**296**	348	94	254
Personal loans	**1 589**	**602**	**987**	1 388	474	914
– FNB	**680**	**175**	**505**	729	159	570
– WesBank	**909**	**427**	**482**	659	315	344
Retail other	**505**	**113**	**392**	554	149	405
Corporate and commercial	**4 956**	**2 366**	**2 590**	4 003	1 491	2 512
FNB commercial	**1 301**	**549**	**752**	1 259	526	733
WesBank corporate	**628**	**255**	**373**	633	199	434
RMB investment banking	**2 943**	**1 484**	**1 459**	2 105	766	1 339
RMB corporate banking	**84**	**78**	**6**	6	–	6
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
FNB Africa#	**1 196**	**772**	**424**	871	506	365
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total	**17 551**	**10 518**	**7 033**	16 281	9 640	6 641

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

** *Managed by the Group Treasurer.*

\# *Includes FNB's activities in India.*

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge improved from 83 bps at June 2014 to 77 bps at June 2015.

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge			As a % of average advances	
	As at 30 June			As at 30 June	
R million	2015	2014	% change	2015	2014
Retail	**4 089**	3 766	9	**1.16**	1.18
Retail – secured	**1 608**	1 502	7	**0.53**	0.54
Residential mortgages	**111**	158	(30)	**0.06**	0.09
VAF	**1 497**	1 344	11	**1.19**	1.22
– SA	**1 219**	1 209	1	**1.25**	1.32
– International	**278**	135	>100	**0.97**	0.75
Retail – unsecured	**2 481**	2 264	10	**4.82**	5.20
Card	**191**	101	89	**1.08**	0.70
Personal loans	**1 548**	1 582	(2)	**6.73**	7.56
– FNB	**715**	980	(27)	**5.42**	7.72
– WesBank	**833**	602	38	**8.49**	7.32
Retail other	**742**	581	28	**6.81**	7.09
Corporate and commercial	**1 549**	843	84	**0.45**	0.28
FNB commercial	**311**	262	19	**0.58**	0.57
WesBank corporate	**209**	135	55	**0.53**	0.37
RMB investment banking	**917**	414	>100	**0.38**	0.19
RMB corporate banking	**112**	32	>100	**1.78**	0.55
HQLA corporate advances*	**–**	–	–	**–**	–
FNB Africa**	**415**	331	25	**0.96**	0.90
FCC (including Group Treasury)#	**(266)**	579	(<100)	**(0.04)**	0.09
Securitisation notes	**–**	–	–	**–**	–
Other†	**(266)**	579	(<100)	**(0.04)**	0.09
Total impairment charge	**5 787**	5 519	5	**0.77**	0.83
Of which:					
Portfolio impairment charge	**583**	1 466	(60)	**0.08**	0.22
Specific impairment charge	**5 204**	4 053	28	**0.69**	0.61

* *Managed by the Group Treasurer.*

** *Includes FNB's activities in India.*

\# *Percentages calculated on total average advances.*

† *Including release of R325 million central portfolio overlays in the current year.*

NOTE 4: BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

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

The group's NPL coverage ratio is 40.1% (2014: 40.8%).

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	**2015**	**2014**	**% change**	**2015**	**2014**
Specific impairments*					
Retail	**4 019**	3 764	7	**35.3**	33.0
Retail – secured	**2 344**	2 191	7	**26.3**	24.0
Residential mortgages	**923**	1 121	(18)	**20.1**	19.9
VAF**	**1 421**	1 070	33	**32.9**	30.6
– SA	**1 330**	1 016	31	**32.0**	29.8
– International	**91**	54	69	**60.3**	65.1
Retail – unsecured	**1 675**	1 573	6	**67.0**	68.7
Card	**296**	254	17	**72.7**	73.0
Personal loans	**987**	914	8	**62.1**	65.9
– FNB	**505**	570	(11)	**74.3**	78.2
– WesBank	**482**	344	40	**53.0**	52.2
Retail other	**392**	405	(3)	**77.6**	73.1
Corporate and commercial	**2 590**	2 512	3	**52.3**	62.8
FNB commercial	**752**	733	3	**57.8**	58.2
WesBank corporate	**373**	434	(14)	**59.4**	68.6
RMB investment banking	**1 459**	1 339	9	**49.6**	63.6
RMB corporate banking	**6**	6	–	**7.1**	100.0
HQLA corporate advances#	**–**	–	–	**–**	–
FNB Africa†	**424**	365	16	**35.5**	41.9
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total specific impairments/implied loss given default‡	**7 033**	6 641	6	**40.1**	40.8
Portfolio impairments^	**7 760**	7 259	7	**44.2**	44.6
Total impairments/total impairment coverage ratio~	**14 793**	13 900	6	**84.3**	85.4

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

** *The coverage ratio is subdued by accounts that have been restructured in terms of the debt review process. These accounts are reported in NPLs even though the clients may be fully performing in terms of the revised repayment terms. This is in line with the group's policy not to reclassify accounts out of NPLs, i.e. accounts will only migrate out of NPLs when clients have repaid all arrears.*

\# *Managed by the Group Treasurer.*

† *Includes FNB's activities in India.*

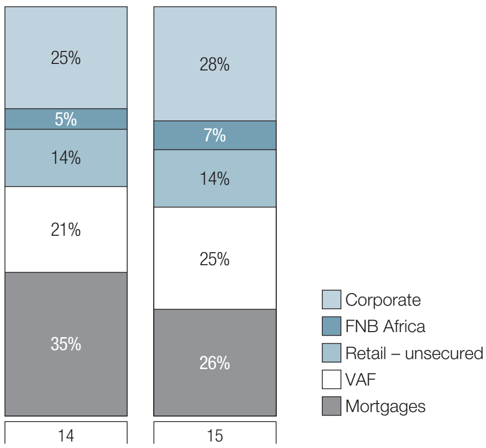
‡ *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

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

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

The graph below provides the NPL distribution across the portfolios, showing decreases in the proportion of residential mortgages and an increase in VAF and corporate NPLs since June 2014.

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

The group incorporates cumulative fair value adjustments on loans that are held at fair value through profit or loss in the calculation of total impairments.

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

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	As at 30 June					
	Amortised cost book		**Fair value book**		**Total book**	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-performing book	**5 867**	5 575	**1 166**	1 066	**7 033**	6 641
Performing book	**5 363**	4 810	**2 397**	2 449	**7 760**	7 259
Total impairments	**11 230**	10 385	**3 563**	3 515	**14 793**	13 900

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

BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST

	As at 30 June		
R million	**2015**	**2014**	**% change**
Opening balance	**5 575**	5 713	(2)
Reclassifications and transfers	**35**	(7)	(>100)
Acquisitions	**(71)**	–	–
Exchange rate difference	**11**	17	(35)
Unwinding and discounted present value on NPLs	**(94)**	(135)	(30)
Bad debts written off	**(6 000)**	(5 835)	3
Net new impairments created	**6 411**	5 822	10
Closing balance	**5 867**	5 575	5

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

INCOME STATEMENT IMPAIRMENTS

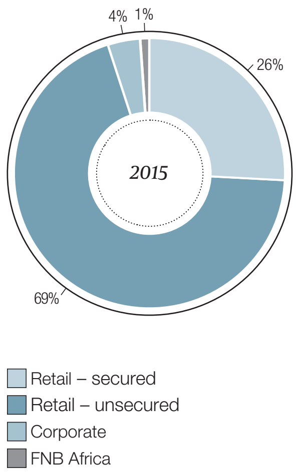
The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

	As at 30 June		% change
R million	**2015**	**2014**	
Specific impairment charge	**6 411**	5 822	10
Recoveries of bad debts written off	**(1 866)**	(1 642)	14
Net specific impairment charge (amortised cost)	**4 545**	4 180	9
Portfolio impairment charge (amortised cost)	**605**	1 072	(44)
Credit fair value adjustments	**637**	267	>100
– Non-performing book	**659**	(126)	>100
– Performing book	**(22)**	393	(>100)
Total impairments	**5 787**	5 519	5

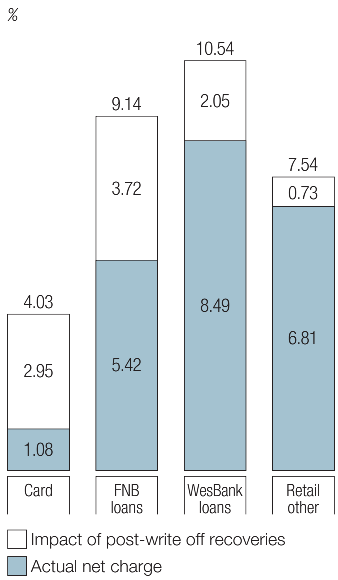
IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries amounted to R1.87 billion, primarily emanating from the unsecured retail lending portfolio.
- Impairment charges were significantly reduced by post write-off recoveries for FNB card and particularly FNB loans.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES

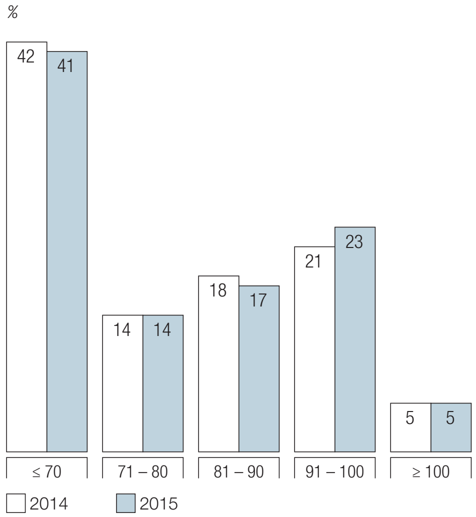


RISK ANALYSES

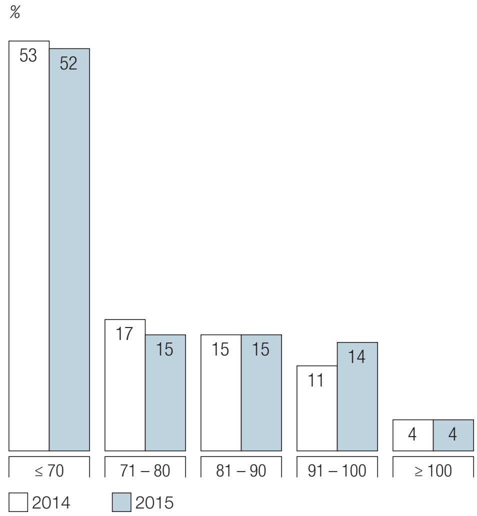
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

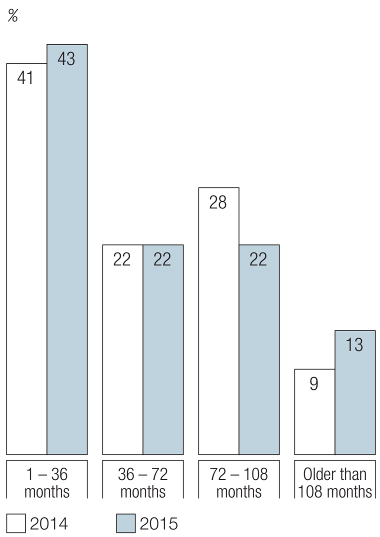
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

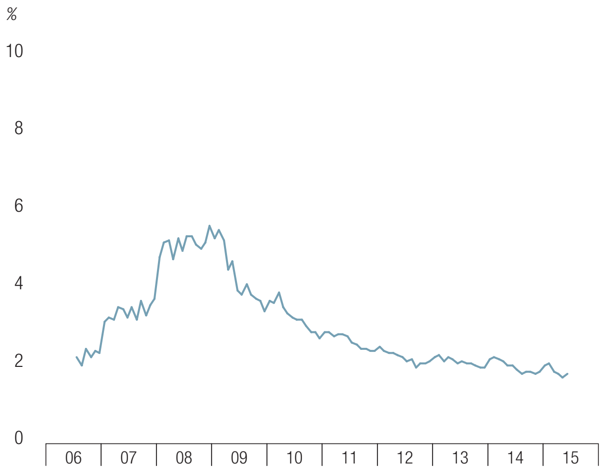


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



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

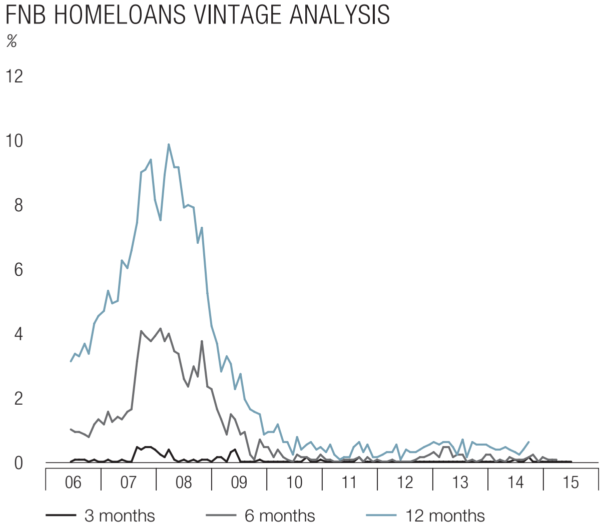
FNB HOMELOANS ARREARS



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

FNB HomeLoans vintages continue to perform at record lows even when considering the pre-2008 period. This can be attributed to risk mitigation actions taken across all residential mortgage portfolios as well as a continued lower interest rate environment supporting customer affordability.

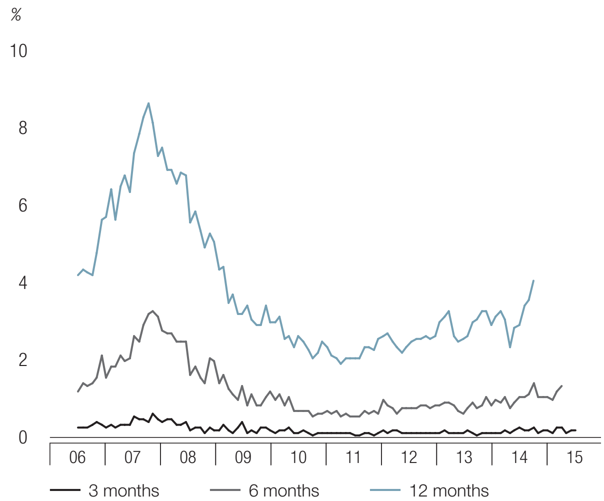
FNB HOMELOANS VINTAGE ANALYSIS



The WesBank retail 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.

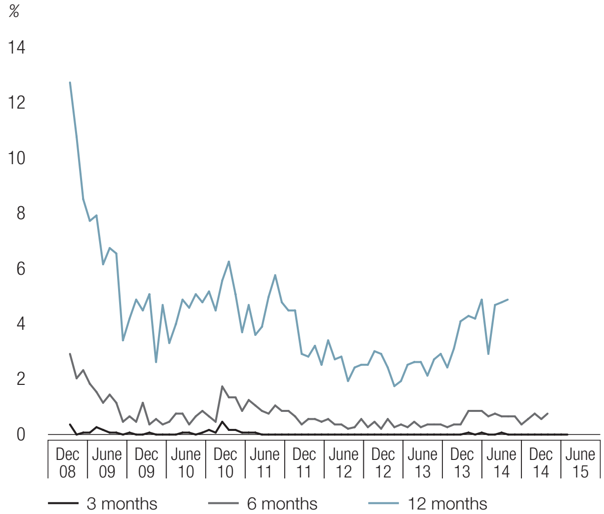
As expected, default rates in the domestic retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The group actively adjusts risk appetite and credit parameters to ensure that vintages continue to perform in line with expectations considering the credit cycle.

WESBANK RETAIL VAF VINTAGE ANALYSIS



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

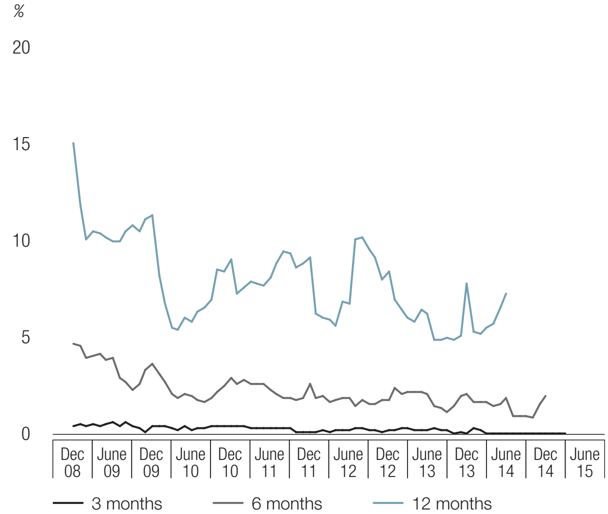
FNB CARD VINTAGE ANALYSIS



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

There is continued action to ensure that these portfolios remain within risk appetite. FNB personal loans vintages reflect improvement since December 2008 levels. This positive outcome is the result of active management of risk appetite and parameters even as risk levels within the unsecured lending market remain high.

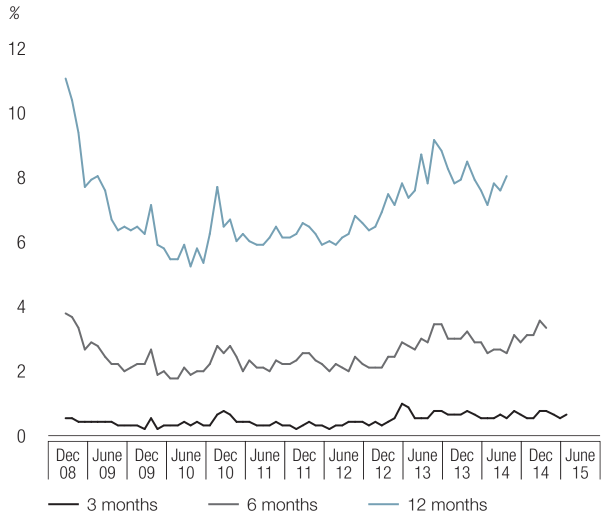
FNB PERSONAL LOANS VINTAGE ANALYSIS



As expected, WesBank personal loans vintages have shown 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 remains in line with expectations. Recent adjustments to credit appetite are proving effective and enhancing portfolio performance, particularly for business written less than six months ago.

WESBANK PERSONAL LOANS VINTAGE ANALYSIS



p110-142

SUPPLEMENTARY INFORMATION

FAIR VALUE MEASUREMENTS (AUDITED)

VALUATION METHODOLOGY

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

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

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

Recurring fair value measurements

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

Financial instruments

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

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

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

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the group's investment properties and commodities, the highest and best use of the assets 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, where fair value less costs to sell is the recoverable amount; IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date; and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under other fair value measurements on page 126, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

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

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

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

Levels of fair value hierarchy

Level 1

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

Level 2

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

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Loans and advances to customers					
Investment banking book	Level 3	Discounted cash flows	The group has elected to designate the investment banking book of 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 a market-related interest rate. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2 and level 3	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, these are classified as level 2 or level 3 and a valuation technique is used, e.g. the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using a market related interest rate. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves	Credit inputs
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. Future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves	Not applicable
Non-recourse investments	Level 2	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves	Not applicable
Deposits					
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Non-recourse deposits	Level 2	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected for changes in the applicable credit ratings of the assets.	Market interest rates and foreign exchange rates; credit inputs	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance

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

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, e.g. property and equipment or intangible assets, the fair value will be determined per transaction and details will be provided in the relevant notes to the annual financial statements. During the current year the recoverable amount of certain associates and joint ventures was measured at fair value for the purpose of calculating impairments.

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	2015			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**95**	**34 335**	**70**	**34 500**
Advances*	**–**	**40 790**	**160 528**	**201 318**
Investment securities and other investments	**75 692**	**45 116**	**27 027**	**147 835**
Non-recourse investments	**–**	**16 357**	**–**	**16 357**
Commodities	**7 354**	**–**	**–**	**7 354**
Investment properties	**–**	**460**	**–**	**460**
Total assets measured at fair value	**83 141**	**137 058**	**187 625**	**407 824**
Liabilities				
Recurring fair value measurements				
Short trading positions	**5 685**	**–**	**–**	**5 685**
Derivative financial instruments	**50**	**40 862**	**5**	**40 917**
Deposits	**2 207**	**96 277**	**1 273**	**99 757**
Non-recourse deposits	**–**	**16 357**	**–**	**16 357**
Other liabilities	**–**	**3 348**	**–**	**3 348**
Total liabilities measured at fair value	**7 942**	**156 844**	**1 278**	**166 064**

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

The following represents the significant transfers into 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.

	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	**64**	**(4 709)**	Deposits and loans of R61 million were transferred into level 2 from level 3 as the inputs used to calculate their fair value became observable. An additional R3 million was transferred into level 2 due to the lifting of a trading suspension on the related investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	**4 709**	**(64)**	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 interest rate and foreign exchange and unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	**4 773**	**(4 773)**	

	2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	35	–	Investment securities were transferred into level 1 out of level 3 due to these investment securities listing on an exchange in an active market.
Level 2	150	(298)	Investment securities to the value of R150 million were transferred into level 2 out of level 3 as these securities listed on an exchange. The market is not yet considered to be active for these investments and level 2 is considered to be appropriate.
Level 3	298	(185)	Investment securities to the value of R187 million and deposits to the value of R111 million were transferred into level 3 out of level 2 because the significant inputs in the fair value measurements became unobservable.
Total transfers	483	(483)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	2015		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**120**	**(35)**	**–**
Advances	**151 810**	**7 123**	**–**
Investment securities and other investments	**3 958**	**1 136**	**27**
Total financial assets measured at fair value in level 3	**155 888**	**8 224**	**27**
Liabilities			
Derivative financial instruments	**5**	**4**	**–**
Deposits	**1 327**	**(13)**	**–**
Total financial liabilities measured at fair value in level 3	**1 332**	**(9)**	**–**

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

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

	2015					
	Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 30 June 2015**
	(15)	**–**	**–**	**–**	**–**	**70**
	322	**–**	**–**	**(6)**	**1 279**	**160 528**
	17 175	**–**	**4 709**	**(2)**	**24**	**27 027**
	17 482	**–**	**4 709**	**(8)**	**1 303**	**187 625**
	(4)	**–**	**–**	**–**	**–**	**5**
	13	**–**	**–**	**(56)**	**2**	**1 273**
	9	**–**	**–**	**(56)**	**2**	**1 278**

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

The table below presents the total gains/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.

	2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**24**	**–**	**24**
Advances*	**5 456**	**–**	**5 456**
Investment securities and other investments	**987**	**27**	**1 014**
Total	**6 467**	**27**	**6 494**
Liabilities			
Derivative financial instruments	**4**	**–**	**4**
Deposits	**(37)**	**–**	**(37)**
Total	**(33)**	**–**	**(33)**

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

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

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

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

As described on page 112, the value of assets and liabilities measured at fair value on a recurring basis that are classified in level 3 of the fair value hierarchy is determined using valuation techniques that make use of significant inputs that are not based on observable market data. The input into these valuation techniques are derived from all available information and management's judgements. While management believes that these fair values are appropriate they could be sensitive to changes in the assumptions used to derive the inputs. The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

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

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

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

	2015			2014		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
	70	**92**	**58**	120	175	107
	160 528	**161 601**	**158 170**	151 810	153 180	151 817
	27 027	**27 386**	**26 665**	3 958	4 381	3 540
	187 625	**189 079**	**184 893**	155 888	157 736	155 464
	5	**4**	**5**	5	5	5
	1 273	**1 146**	**1 401**	1 327	1 195	1 460
	1 278	**1 150**	**1 406**	1 332	1 200	1 465

OTHER FAIR VALUE MEASUREMENTS

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position but for which fair value is required to be disclosed. For all other financial instruments the carrying value is equal to or a reasonable approximation of the fair value.

	2015				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**550 048**	**552 703**	**–**	**94 263**	**458 440**
Investment securities and other investments	**979**	**985**	**–**	**401**	**584**
Total financial assets at amortised cost	**551 027**	**553 688**	**–**	**94 664**	**459 024**
Liabilities					
Deposits	**749 407**	**749 357**	**5 274**	**738 816**	**5 267**
Other liabilities	**3 526**	**3 531**	**–**	**2 211**	**1 320**
Tier 2 liabilities	**12 497**	**12 702**	**–**	**12 702**	**–**
Total financial liabilities at amortised cost	**765 430**	**765 590**	**5 274**	**753 729**	**6 587**

	2014				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	502 195	505 747	–	72 581	433 166
Investment securities and other investments	1 072	1 070	–	729	341
Total financial assets at amortised cost	503 267	506 817	–	73 310	433 507
Liabilities					
Deposits	663 472	664 789	18 156	646 537	96
Other liabilities	3 075	2 850	–	975	1 875
Tier 2 liabilities	10 953	11 216	–	11 099	117
Total financial liabilities at amortised cost	677 500	678 855	18 156	658 611	2 088

Day 1 profit or loss

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

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

R million	**2015**	**2014**
Balance at 1 July	**20**	28
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(9)**	(8)
Balance at 30 June	**11**	20

HEADLINE EARNINGS ADDITIONAL DISCLOSURE

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

ISSUE 1 – RE-MEASUREMENT RELATING TO PRIVATE EQUITY ACTIVITIES (ASSOCIATES AND JOINT VENTURES, EXCLUDING ANY PRIVATE EQUITY INVESTMENTS CARRIED AT FAIR VALUE IN TERMS OF IAS 39) REGARDED AS OPERATING OR TRADING ACTIVITIES

	Year ended 30 June		
	2015	**2014**	**% change**
Aggregate cost of portfolio	**2 781**	3 091	(10)
Aggregate carrying value	**4 651**	5 029	(8)
Aggregate fair value*	**8 934**	8 252	8
Equity-accounted income**	**1 135**	677	68
Profit on realisation#	**653**	795	(18)

* *Aggregate fair value is disclosed including non-controlling interests.*

** *Income from associates and joint ventures is disclosed post-tax.*

Profit on realisation is disclosed post-tax and non-controlling interests.

ISSUE 2 – CAPITAL APPRECIATION ON INVESTMENT PRODUCTS

	Year ended 30 June		
	2015	**2014**	**% change**
Carrying value of investment properties	**460**	419	10
Fair value of investment properties	**460**	419	10

CONTINGENCIES AND COMMITMENTS (AUDITED)

R million	2015	2014	% change
Contingencies			
Guarantees	**34 995**	33 114	6
Letters of credit	**6 010**	7 588	(21)
Total contingencies	**41 005**	40 702	1
Capital commitments			
Contracted capital commitments	**916**	1 169	(22)
Capital expenditure authorised not yet contracted	**4 424**	2 795	58
Total capital commitments	**5 340**	3 964	35
Other commitments			
Irrevocable commitments	**87 464**	82 932	5
Operating lease and other commitments	**3 252**	3 166	3
Total other commitments	**90 716**	86 098	5
Total contingencies and commitments	**137 061**	130 764	5

AFRICAN BANK INVESTMENT LIMITED (ABIL)

The SARB announced in August 2014 that ABIL would be placed under curatorship. A consortium of six South African banks, including FirstRand, and the Public Investment Corporation underwrote R5 billion.

BEE TRANSACTION SUPPLEMENTARY INFORMATION

	For the year ended 30 June 2015			
	IFRS			
	R million	Number of shares†	Cents per share	
Earnings attributable to ordinary equityholders	**21 650**	5 637 023 173	384.1	
Net profit impact of unwinding the trusts*	**(27)**	–	–	
Impact of the unwind on WANOS	**–**	(93 466 197)	–	
Earnings attributable to ordinary equityholders after the unwind	**21 623**	5 543 556 976	390.1	
Net asset value at 30 June 2014	**89 478**	5 483 584 252	1 631.7	
Buy-back of shares from unconsolidated trust#	**(233)**	(4 762 878)	4 892.0	
Earnings impact of unwinding the trusts*	**(27)**	–	–	
Impact of unwinding the trusts on reserves**	**(51)**	–	–	
Shares issued to participants	**–**	92 290 248	–	
Buy-back of shares not allocated to the participants#	**–**	–	–	
Reissue of shares repurchased	**1 611**	35 420 014	4 548.3	
Net asset value after the reissue of shares	**90 778**	5 606 531 636	1 619.1	

* *Comprises the staff costs for the current period, release of available-for-sale reserve on the MMI shares distributed, securities transfer tax paid on share buy backs and a donation made by FirstRand Investment Holdings (Pty) Ltd to the unconsolidated trust. The difference between IFRS and normalised earnings is due to the release of the available-for-sale reserve and share-based payment expenses; both of which are reversed when calculating normalised earnings.*

** *Relates to share-based payment and available-for-sale reserves. The difference between IFRS and normalised reporting is due to the reversal of the share-based payment expense and the release of the available-for-sale reserve.*

\# *All shares owned by the consolidated and unconsolidated share trusts were treated as being issued to external parties for normalised purposes.*

† *When determining the amounts per share all earnings numbers are divided by the weighted average number of shares while all balance sheet values are divided by the actual number of shares in issue.*

For the year ended 30 June 2015		
Normalised		
R million	Number of shares†	Cents per share
21 460	**5 638 097 599**	380.6
(174)	**–**	–
–	**(14 343 777)**	–
21 286	**5 623 753 822**	378.5
90 569	**5 637 941 689**	1 606.4
(233)	**(4 762 878)**	4 892.0
(174)	**–**	–
518	**–**	–
–	**–**	–
(1 513)	**(59 110 824)**	2 559.6
1 611	**35 420 014**	4 548.3
90 778	**5 609 488 001**	1 618.3

NUMBER OF ORDINARY SHARES IN ISSUE
for the year ended 30 June

	2015		2014
	IFRS‡	**Normalised**	**IFRS‡**
Shares in issue			
Opening balance as at 1 July	**5 637 941 689**	**5 637 941 689**	5 637 941 689
Shares issued	**35 420 014**	**35 420 014**	–
Shares bought back*	**(4 762 878)**	**(63 873 702)**	–
Shares cancelled**	**(59 110 824)**	**–**	–
Less: treasury shares	**(2 956 365)**	**–**	(152 823 701)
– BEE staff trusts	**–**	**–**	(151 401 072)
– Shares for client trading#	**(2 956 365)**	**–**	(1 422 629)
Number of shares in issue (after treasury shares)	**5 606 531 636**	**5 609 488 001**	5 485 117 988
Weighted average number of shares			
Weighted average number of shares before treasury shares	**5 637 941 689**	**5 637 941 689**	5 637 941 689
Shares issued	**14 944 335**	**17 661 486**	–
Shares bought back	**(2 374 915)**	**(31 849 353)**	–
Shares cancelled	**(29 474 438)**	**–**	–
Less: treasury shares	**(77 479 695)**	**–**	(152 688 931)
– BEE staff trusts	**(75 907 935)**	**–**	(151 401 072)
– Shares for client trading	**(1 571 760)**	**–**	(1 287 859)
Weighted average number of shares in issue	**5 543 556 976**	**5 623 753 822**	5 485 252 758
Dilution impact:			
Staff schemes	**–**	**–**	30 121
BEE staff trusts	**–**	**–**	57 719 182
Diluted weighted average number of shares in issue	**5 543 556 976**	**5 623 753 822**	5 543 002 061
Number of shares for normalised earnings per share calculation			
Weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share†	**n/a**	**5 623 753 822**	5 637 941 689

* *For IFRS reporting, only the shares bought back from the unconsolidated trusts resulted in a reduction in shares issued as the shares in the consolidated trusts were historically treated as treasury shares. For normalised reporting, all shares in the consolidated and unconsolidated trusts were treated as externally issued.*

** *For IFRS reporting, shares held by the consolidated trusts were treated as treasury shares. For normalised reporting, shares held by the consolidated trusts were treated as externally issued.*

For normalised reporting, shares held for client trading activities are treated as externally issued.

† *Number of shares calculated on a normalised basis.*

‡ *Audited.*

KEY MARKET INDICATORS AND SHARE STATISTICS

for the year ended 30 June

	2015	2014	% change
Market indicators			
USD/ZAR exchange rate			
– Closing	**12.14**	10.63	14
– Average	**11.45**	10.38	10
SA prime overdraft (%)	**9.25**	9.00	
SA average prime overdraft (%)	**9.24**	8.71	
SA average CPI (%)	**5.13**	6.00	
JSE All Share Index	**51 807**	50 945	2
JSE Banks Index	**78 355**	65 117	20
Share statistics			
Share price			
– High for the period (cents)	**5 847**	4 162	40
– Low for the period (cents)	**4 002**	2 765	45
– Closing (cents)	**5 332**	4 075	31
Shares traded			
– Number of shares (millions)	**2 539**	2 664	(5)
– Value of shares (R million)	**123 832**	90 928	36
– Turnover in shares traded (%)	**45.80**	48.57	

SHARE PRICE PERFORMANCE

for the year ended 30 June

	2015	2014	% change
FirstRand average share price (cents)	**4 901**	3 431	43
JSE Bank Index (average)	**72 596**	56 423	29
JSE All Share Index (average)	**51 242**	45 630	12

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), SE Nxasana (chief executive officer), JP Burger (deputy chief executive officer), HS Kellan (financial director), VW Bartlett, JJH Bester (retired December 2014), MS Bomela, P Cooper (alternate), L Crouse, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, RM Loubser, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), KB Schoeman, BJ van der Ross, JH van Greuning

COMPANY SECRETARY AND REGISTERED OFFICE

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

JSE SPONSOR

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

NAMIBIAN SPONSOR

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

TRANSFER SECRETARIES – SOUTH AFRICA

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

TRANSFER SECRETARIES – NAMIBIA

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

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

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

Botswana Stock Exchange (BSE)

Ordinary shares

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

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRB15	ZAG000124199
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596

	Issuer	Bond code	ISIN code
Senior unsecured	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	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS118	ZAG000118498
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Senior unsecured	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	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	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182

	Issuer	Bond code	ISIN code
Credit-linked notes	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	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC226	ZAG000122722
	FirstRand Bank Limited	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	FRD003	ZAG000114067
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

LISTED DEBT INSTRUMENTS

NSX

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

London Stock Exchange (LSE)

European medium term note (EMTN) programme

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

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FIRSTRAND BANK LIMITED — Banking

- 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%** FNB 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
- **100%** FirstRand International – Guernsey
- **100%** RMB Australia Holdings

100% ASHBURTON INVESTMENTS 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%** RMB CIS Management Company (RF)

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 are reported as part of results of the managing franchise. The group's securitisations and conduits are in FRIHL.

CREDIT RATINGS

FIRSTRAND BANK LIMITED

The credit ratings reflect 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.

FIRSTRAND LIMITED

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

CREDIT RATINGS AS AT 9 SEPTEMBER 2015

	South African sovereign rating			FirstRand	FirstRand Bank		
	Moody's	**Fitch**	**S&P**	**S&P**	**Moody's**	**Fitch**	**S&P**
Foreign currency rating							
Long term	Baa2	BBB	BBB-	BB+	Baa2	BBB	BBB-
Short term	(P)P-2	F3	A-3	B	P-2	F3	A-3
Outlook	Stable	Negative	Stable	Stable	Stable	Negative	Stable
Local currency rating							
Long term	Baa2	BBB+	BBB+	BB+	Baa2	BBB	BBB-
Short term	(P)P-2	–	A-2	B	P-2	–	A-3
Outlook	Stable	Negative	Stable	Stable	Stable	Negative	Stable
National scale rating							
Long term			zaAAA	zaA+	A1.za	AA(zaf)	zaAA
Short term			zaA-1	zaA-1	P-1.za	F1+(zaf)	zaA-1
Outlook			–	–	–	Negative	–
Standalone credit ratings*					baa2	bbb	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 three major rating agencies use different terminology for this concept: Moody's, baseline credit assessment; Fitch Ratings, viability rating; and Standard & Poor's, standalone credit profile.*

Moody's Investor Services (Moody's)

Moody's announced on 19 August 2014 that it had downgraded FRB's local currency and national scale ratings by one notch to Baa1 (from A3) and Aa3.za (from Aa2.za), respectively, and that all ratings had been placed under review. In the announcement, Moody's indicated that the change to their credit opinion was prompted by the SARB's actions with respect to ABIL, which, in their view, changed the likelihood of systemic support that might be received from South African authorities. These rating actions were linked to Moody's assessment of the South African banking industry as a whole and were not a reflection of any fundamental changes in FRB's financial strength, earnings resilience or credit quality. On 10 November 2014, the agency announced that following the lowering of South Africa's bond rating to Baa2 (stable) from Baa1 (negative) on 6 November 2014, the long-term deposit and senior debt ratings of the five largest South African banks were downgraded by one notch to Baa2 (stable) from Baa1 (on review for downgrade). These rating actions concluded Moody's rating review which had been initiated for these banks on 19 August 2014.

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

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

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

On 23 June 2015 Moody's affirmed FRB's ratings.

Fitch Ratings (Fitch)

On 17 July 2014 and 25 June 2015, FRB's national scale ratings as well as all the local and foreign currency ratings were affirmed by Fitch.

Standard and Poor's (S&P)

On 30 September 2014 FSR's long term national scale rating was revised from zaA to zaA+ in accordance with S&P's revised national scale criteria. This rating action did not reflect any other change in the fundamental credit quality of the group.

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

DEFINITIONS

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)	Capital divided by RWA.
Common Equity Tier 1 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 specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per 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 including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	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.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

STUDIO 5

FIRSTRAND

WWW.FIRSTRAND.CO.ZA