*for the six months ended 31 December 2016*

# analysis of financial results

FIRSTRAND

# ABOUT THIS REPORT

This report covers the unaudited condensed consolidated financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2016. **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 condensed 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 102 and 103. Detailed reconciliations of normalised to IFRS results are provided on pages 112 to 120. Commentary is based on normalised results, unless indicated otherwise.

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

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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

# SIMPLIFIED GROUP STRUCTURE

- Remgro Limited — 3.9% → FirstRand; 28.2% → RMB Holdings Limited
- Directors — 9.9% → RMB Holdings Limited
- Royal Bafokeng Holdings (Pty) Ltd — 15.0% → RMB Holdings Limited
- RMB Holdings Limited — 34.1% → FirstRand
- BEE partners — 5.2% → FirstRand

**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 Holdings (Pty) Ltd (FREMA) — Africa and emerging markets

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

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

| | |
|---|---|
| 96% | RMB Private Equity Holdings |
| 93% | RMB Private Equity |
| 100% | RMB Securities |
| 50% | RMB Morgan Stanley |
| 100% | FNB Securities |
| 100% | RentWorks |
| 100% | Direct Axis |
| 81% | MotoVantage |
| 100% | FirstRand International – Guernsey |
| 100% | RMB Australia Holdings |
| 100% | FirstRand Insurance Services Company (FRISCOL) |
| 100% | FirstRand Securities |
| 48% | NewDisc |

### 100% FirstRand Investment Management Holdings Limited — Investment management

| | |
|---|---|
| 100% | Ashburton Fund Managers |
| 100% | Ashburton Investor Services |
| 100% | Ashburton Management Company (RF) |
| 100% | Ashburton Investments International Holdings |
| 100% | FNB CIS Management Company (RF) |
| 100% | Atlantic Asset Management |
| 100% | Ashburton Investments Namibia Holdings |
| 100% | Various general partners[#] |

### 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.*

*# Ashburton Investments has a number of general partners for fund seeding purposes – all of these entities fall under FirstRand Investment Management Holdings Limited.*

**Structure shows effective consolidated shareholding**

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

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

The group's portfolio produced a **resilient performance**

Normalised EPS **+7%**

DPS **+10%**

ROE **22.9%**

Normalised NAV per share **+8%**

Normalised earnings **+7%**

FNB

Normalised earnings **+3%**

RMB

Normalised earnings **+2%**

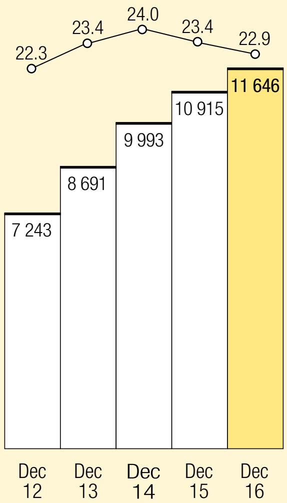
WesBank

Normalised earnings **+9%**

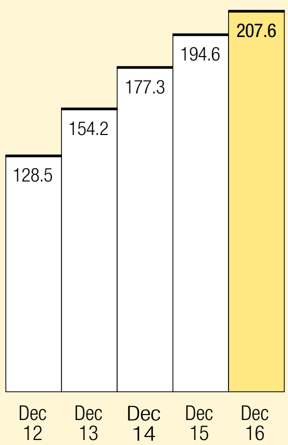
# TRACK RECORD

## The group's portfolio has delivered **five years of real growth and superior returns**

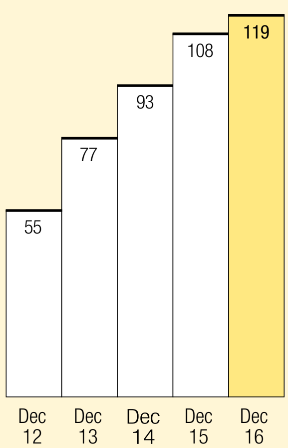
*NORMALISED EARNINGS (R million) AND ROE (%)*
CAGR 13%



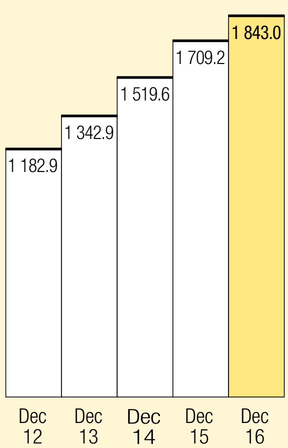

*DILUTED NORMALISED EARNINGS PER SHARE (cents)*
CAGR 13%




*DIVIDEND PER SHARE (cents)*
CAGR 21%




*NORMALISED NET ASSET VALUE PER SHARE (cents)*
CAGR 12%




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

# KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

| *R million* | Six months ended 31 December | | % change | Year ended 30 June |
|---|---|---|---|---|
| | **2016** | 2015 | | 2016 |
| **Earnings performance** | | | | |
| Normalised earnings per share (cents) | | | | |
| – Basic | **207.6** | 194.6 | 7 | 407.4 |
| – Diluted | **207.6** | 194.6 | 7 | 407.4 |
| Earnings per share (cents) – IFRS | | | | |
| – Basic | **212.0** | 186.9 | 13 | 402.4 |
| – Diluted | **212.0** | 186.9 | 13 | 402.4 |
| Headline earnings per share (cents) | | | | |
| – Basic | **211.5** | 185.4 | 14 | 399.2 |
| – Diluted | **211.5** | 185.4 | 14 | 399.2 |
| Attributable earnings – IFRS (refer page 104) | **11 889** | 10 480 | 13 | 22 563 |
| Headline earnings | **11 859** | 10 399 | 14 | 22 387 |
| Normalised earnings | **11 646** | 10 915 | 7 | 22 855 |
| Normalised net asset value | **103 381** | 95 878 | 8 | 99 794 |
| Normalised net asset value per share (cents) | **1 843.0** | 1 709.2 | 8 | 1 779.0 |
| Tangible normalised net asset value | **101 692** | 94 304 | 8 | 98 225 |
| Tangible normalised net asset value per share (cents) | **1 812.9** | 1 681.2 | 8 | 1 751.1 |
| Average normalised net asset value | **101 588** | 93 328 | 9 | 95 286 |
| Market capitalisation | **298 256** | 237 674 | 25 | 251 529 |
| Ordinary dividend per share (cents) | **119.0** | 108.0 | 10 | 226.0 |
| Dividend cover (times) | **1.74** | 1.80 | | 1.80 |
| NCNR B preference dividend – paid (cents per share)* | **394.7** | 363.9 | 8 | 730.4 |
| **Capital adequacy – IFRS** | | | | |
| Capital adequacy ratio (%) | **17.3** | 16.6 | | 16.9 |
| Tier 1 ratio (%) | **14.8** | 14.4 | | 14.6 |
| Common Equity Tier 1 (%) | **14.1** | 13.7 | | 13.9 |
| **Balance sheet** | | | | |
| Normalised total assets | **1 180 462** | 1 139 523 | 4 | 1 149 326 |
| Loans and advances (net of credit impairment) | **864 171** | 828 533 | 4 | 851 405 |
| **Ratio and key statistics** | | | | |
| ROE (%) | **22.9** | 23.4 | | 24.0 |
| ROA (%) | **2.00** | 1.99 | | 2.07 |
| Price earnings ratio (times) | **12.8** | 10.9 | | 11.0 |
| Price-to-book ratio (times) | **2.9** | 2.5 | | 2.5 |
| Average gross loan-to-deposit ratio (%) | **93.4** | 92.8 | | 93.1 |
| Diversity ratio (%) | **43.8** | 46.0 | | 45.5 |
| Credit impairment charge | **3 741** | 3 145 | 19 | 7 159 |
| NPLs as % of advances | **2.37** | 2.30 | | 2.45 |
| Credit loss ratio (%) | **0.86** | 0.77 | | 0.86 |
| Specific coverage ratio (%) | **38.3** | 42.1 | | 38.6 |
| Total impairment coverage ratio (%) | **79.5** | 83.3 | | 77.9 |
| Performing book coverage ratio (%) | **1.00** | 0.97 | | 0.99 |
| Cost-to-income ratio (%) | **51.3** | 51.1 | | 51.1 |
| Effective tax rate (%) | **22.1** | 23.3 | | 21.8 |
| Share price (closing – rand) | **53.17** | 42.37 | 25 | 44.84 |
| Number of employees | **45 490** | 43 406 | 5 | 45 100 |

* *75.56% of FNB prime lending rate.*

# CONDENSED CONSOLIDATED INCOME STATEMENT – NORMALISED

| *R million* | Six months ended 31 December 2016 | Six months ended 31 December 2015 | % change | Year ended 30 June 2016 |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | **23 243** | 20 823 | 12 | 43 730 |
| Impairment charge | **(3 741)** | (3 145) | 19 | (7 159) |
| **Net interest income after impairment of advances** | **19 502** | 17 678 | 10 | 36 571 |
| Total non-interest revenue | **18 132** | 17 722 | 2 | 36 442 |
| – Operational non-interest revenue | **17 663** | 16 909 | 4 | 34 989 |
| – Fee and commission income | **14 713** | 13 583 | 8 | 27 681 |
| – Markets, client and other fair value income | **1 664** | 1 530 | 9 | 3 361 |
| – Investment income | **89** | 668 | (87) | 1 364 |
| – Other | **1 197** | 1 128 | 6 | 2 583 |
| – Share of profit of associates and joint ventures after tax | **469** | 813 | (42) | 1 453 |
| **Income from operations** | **37 634** | 35 400 | 6 | 73 013 |
| Operating expenses | **(21 246)** | (19 703) | 8 | (40 942) |
| **Income before tax** | **16 388** | 15 697 | 4 | 32 071 |
| Indirect tax | **(573)** | (427) | 34 | (928) |
| **Profit before tax** | **15 815** | 15 270 | 4 | 31 143 |
| Income tax expense | **(3 495)** | (3 557) | (2) | (6 784) |
| **Profit for the period** | **12 320** | 11 713 | 5 | 24 359 |
| Non-controlling interests | **(493)** | (634) | (22) | (1 162) |
| NCNR preference shareholders | **(181)** | (164) | 10 | (342) |
| **Normalised earnings attributable to ordinary equityholders of the group** | **11 646** | 10 915 | 7 | 22 855 |

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| **Profit for the period** | **12 320** | 11 713 | 5 | 24 359 |
| **Items that may subsequently be reclassified to profit or loss** | | | | |
| **Cash flow hedges** | **45** | 528 | (91) | 118 |
| Gains arising during the period | **116** | 717 | (84) | 144 |
| Reclassification adjustments for amounts included in profit or loss | **(53)** | 16 | (>100) | 20 |
| Deferred income tax | **(18)** | (205) | (91) | (46) |
| **Available-for-sale financial assets** | **(210)** | (684) | (69) | (504) |
| Losses arising during the period | **(199)** | (966) | (79) | (671) |
| Reclassification adjustments for amounts included in profit or loss | **(64)** | 2 | (>100) | (6) |
| Deferred income tax | **53** | 280 | (81) | 173 |
| **Exchange differences on translating foreign operations** | **(1 437)** | 2 521 | (>100) | 567 |
| (Losses)/gains arising during the period | **(1 437)** | 2 521 | (>100) | 567 |
| **Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests** | **(60)** | 63 | (>100) | 87 |
| **Items that may not subsequently be reclassified to profit or loss** | | | | |
| **Remeasurements on defined benefit post-employment plans** | **(28)** | (11) | >100 | (37) |
| Losses arising during the period | **(38)** | (16) | >100 | (52) |
| Deferred income tax | **10** | 5 | 100 | 15 |
| **Other comprehensive income for the period** | **(1 690)** | 2 417 | (>100) | 231 |
| **Total comprehensive income for the period** | **10 630** | 14 130 | (25) | 24 590 |
| **Attributable to** | | | | |
| Ordinary equityholders | **10 024** | 13 230 | (24) | 23 059 |
| NCNR preference shareholders | **181** | 164 | 10 | 342 |
| **Equityholders of the group** | **10 205** | 13 394 | (24) | 23 401 |
| Non-controlling interests | **425** | 736 | (42) | 1 189 |
| **Total comprehensive income for the period** | **10 630** | 14 130 | (25) | 24 590 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| *R million* | **2016** | 2015 | 2016 |
| **ASSETS** | | | |
| Cash and cash equivalents | **65 983** | 61 120 | 64 303 |
| Derivative financial instruments | **35 721** | 69 001 | 40 551 |
| Commodities | **9 110** | 10 779 | 12 514 |
| Investment securities | **166 270** | 130 940 | 142 747 |
| Advances | **864 171** | 828 533 | 851 405 |
| – Advances to customers | **821 384** | 794 428 | 808 699 |
| – Marketable advances | **42 787** | 34 105 | 42 706 |
| Accounts receivable | **9 514** | 9 487 | 10 152 |
| Current tax asset | **509** | 1 321 | 428 |
| Non-current assets and disposal groups held for sale | **833** | 181 | 193 |
| Reinsurance assets | **81** | 587 | 36 |
| Investments in associates | **5 173** | 6 242 | 4 964 |
| Investments in joint ventures | **1 407** | 1 388 | 1 294 |
| Property, plant and equipment | **17 591** | 17 032 | 16 909 |
| Intangible assets | **1 689** | 1 574 | 1 569 |
| Investment properties | **399** | 416 | 386 |
| Defined benefit post-employment asset | **8** | 4 | 9 |
| Deferred income tax asset | **2 003** | 918 | 1 866 |
| **Total assets** | **1 180 462** | 1 139 523 | 1 149 326 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | **13 874** | 6 069 | 14 263 |
| Derivative financial instruments | **45 499** | 82 014 | 50 782 |
| Creditors, accruals and provisions* | **16 890** | 15 232 | 17 285 |
| Current tax liability | **536** | 373 | 270 |
| Liabilities directly associated with disposal groups held for sale | **508** | 207 | 141 |
| Deposits | **951 970** | 899 619 | 919 930 |
| – Deposits from customers | **693 053** | 660 203 | 667 995 |
| – Debt securities | **157 522** | 140 500 | 153 727 |
| – Asset-backed securities | **38 382** | 31 146 | 29 305 |
| – Other | **63 013** | 67 770 | 68 903 |
| Employee liabilities | **7 316** | 6 963 | 9 771 |
| Other liabilities | **7 674** | 7 492 | 8 311 |
| Policyholder liabilities | **3 296** | 1 236 | 1 402 |
| Tier 2 liabilities | **20 146** | 15 554 | 18 004 |
| Deferred income tax liability | **1 005** | 956 | 1 053 |
| **Total liabilities** | **1 068 714** | 1 035 715 | 1 041 212 |
| **Equity** | | | |
| Ordinary shares | **56** | 56 | 56 |
| Share premium | **8 056** | 8 056 | 8 056 |
| Reserves | **95 269** | 87 766 | 91 682 |
| **Capital and reserves attributable to ordinary equityholders** | **103 381** | 95 878 | 99 794 |
| NCNR preference shares | **4 519** | 4 519 | 4 519 |
| **Capital and reserves attributable to equityholders of the group** | **107 900** | 100 397 | 104 313 |
| Non-controlling interests | **3 848** | 3 411 | 3 801 |
| **Total equity** | **111 748** | 103 808 | 108 114 |
| **Total equity and liabilities** | **1 180 462** | 1 139 523 | 1 149 326 |

* *In December 2015, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – NORMALISED

*for the six months ended 31 December*

| | Ordinary share capital and ordinary equityholders' funds | | | | | |
|---|---|---|---|---|---|---|
| *R million* | Share capital | Share premium | **Share capital and share premium** | Defined benefit post-employment reserve | Cash flow hedge reserve | |
| **Balance as at 1 July 2015** | 56 | 8 056 | **8 112** | (470) | 190 | |
| Issue of share capital and premium | – | – | **–** | – | – | |
| Proceeds from the issue of share capital | – | – | **–** | – | – | |
| Share issue expenses | – | – | **–** | – | – | |
| Disposal of subsidiaries | – | – | **–** | – | – | |
| Movement in other reserves | – | – | **–** | – | – | |
| Ordinary dividends | – | – | **–** | – | – | |
| Preference dividends | – | – | **–** | – | – | |
| Transfer from/(to) general risk reserves | – | – | **–** | – | – | |
| Changes in ownership interest of subsidiaries | – | – | **–** | – | – | |
| Total comprehensive income for the period | – | – | **–** | (11) | 528 | |
| Vesting of share-based payments | – | – | **–** | – | – | |
| **Balance as at 31 December 2015** | 56 | 8 056 | **8 112** | (481) | 718 | |
| **Balance as at 1 July 2016** | 56 | 8 056 | **8 112** | (507) | 308 | |
| Issue of share capital and premium | – | – | **–** | – | – | |
| Proceeds from the issue of share capital | – | – | **–** | – | – | |
| Share issue expenses | – | – | **–** | – | – | |
| Disposal of subsidiaries | – | – | **–** | – | – | |
| Movement in other reserves | – | – | **–** | – | – | |
| Ordinary dividends | – | – | **–** | – | – | |
| Preference dividends | – | – | **–** | – | – | |
| Transfer from/(to) general risk reserves | – | – | **–** | – | – | |
| Changes in ownership interest of subsidiaries | – | – | **–** | – | – | |
| Total comprehensive income for the period | – | – | **–** | (28) | 45 | |
| Vesting of share-based payments | – | – | **–** | – | – | |
| **Balance as at 31 December 2016** | 56 | 8 056 | **8 112** | (535) | 353 | |

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

| 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 |
| 21 | 64 | 2 757 | 261 | 79 843 | 82 666 | 4 519 | 3 307 | 98 604 |
| – | – | – | – | – | – | – | 30 | 30 |
| – | – | – | – | – | – | – | 30 | 30 |
| – | – | – | – | – | – | – | – | – |
| – | – | – | – | – | – | – | (81) | (81) |
| – | – | – | (1) | (492)* | (493) | – | 2 | (491) |
| – | – | – | – | (6 563) | (6 563) | – | (583) | (7 146) |
| – | – | – | – | – | – | (164) | – | (164) |
| – | – | – | 12 | (12) | – | – | – | – |
| – | – | – | – | (1 077) | (1 077) | – | – | (1 077) |
| – | (667) | 2 421 | 44 | 10 915 | 13 230 | 164 | 736 | 14 130 |
| – | – | – | – | 3 | 3 | – | – | 3 |
| 21 | (603) | 5 178 | 316 | 82 617 | 87 766 | 4 519 | 3 411 | 103 808 |
| 9 | (441) | 3 310 | 374 | 88 629 | 91 682 | 4 519 | 3 801 | 108 114 |
| – | – | – | – | – | – | – | 129 | 129 |
| – | – | – | – | – | – | – | 130 | 130 |
| – | – | – | – | – | – | – | (1) | (1) |
| – | – | – | – | – | – | – | – | – |
| 2 | – | – | 54 | 152* | 208 | – | (10) | 198 |
| – | – | – | – | (6 619) | (6 619) | – | (480) | (7 099) |
| – | – | – | – | – | – | (181) | – | (181) |
| – | – | – | 7 | (7) | – | – | – | – |
| – | – | – | – | (26) | (26) | – | (17) | (43) |
| – | (197) | (1 395) | (47) | 11 646 | 10 024 | 181 | 425 | 10 630 |
| – | – | – | – | – | – | – | – | – |
| 11 | (638) | 1 915 | 388 | 93 775 | 95 269 | 4 519 | 3 848 | 111 748 |

# FLOW OF FUNDS ANALYSIS – NORMALISED

| *R million* | **December 2016 vs June 2016** **6-month movement** | December 2015 vs June 2015 6-month movement | June 2016 vs June 2015 12-month movement |
|---|---|---|---|
| **Sources of funds** | | | |
| Capital account movement (including profit and reserves) | **3 634** | 5 204 | 9 510 |
| Working capital movement | **(1 228)** | (5 487) | (445) |
| Short trading positions and derivative financial instruments | **(842)** | 6 980 | 12 392 |
| Investments | **2 223** | (5 445) | (5 104) |
| Deposits and long-term liabilities | **34 182** | 37 155 | 59 916 |
| **Total** | **37 969** | 38 407 | 76 269 |
| **Application of funds** | | | |
| Advances | **(12 766)** | (49 362) | (72 234) |
| Cash and cash equivalents | **(1 680)** | 4 447 | 1 264 |
| Investment securities (e.g. liquid asset portfolio) | **(23 523)** | 6 508 | (5 299) |
| **Total** | **(37 969)** | (38 407) | (76 269) |

# OVERVIEW OF RESULTS

**"The group continued its delivery of real growth in earnings and premium returns off a long track record of outperformance.**

**Normalised earnings growth of 7% and an ROE of 22.9% were driven by solid operational performances from our franchises and is a very satisfactory outcome given the level of ongoing investment in new growth initiatives, which is expected to deliver outperformance in the medium term and the level of conservatism applied to the balance sheet.**

**The group continues to exercise discipline in allocating capital and will not chase growth at the expense of returns. We believe these results demonstrate the quality of our underlying businesses and strike the right balance between growth, prudent risk management and investment for growth, whilst ensuring premium returns to shareholders."**

**JOHAN BURGER**
CEO

## INTRODUCTION

The macroeconomic environment remained tough in the period under review, characterised by increased global and domestic political uncertainty.

Increasing unemployment, rising inflation and low business and consumer confidence resulted in depressed household and business spending, reflected in weak retail and vehicle sales growth and a low rate of private sector credit expansion. The inflation rate remained well above the South African Reserve Bank's (SARB) 6% upper-range which prevented any interest rate relief.

Domestic import growth fell with a concurrent decrease in the trade deficit. A significant improvement in South Africa's terms of trade provided a further boost by lifting export growth. These developments provided support to the rand.

Continued political uncertainty in South Africa negatively impacted local and international investor confidence. This was compounded by increased global political uncertainty in the aftermath of the US election result.

The macroeconomic environment in the rest of the sub-Saharan region was also challenging as a number of countries had to deal with the ongoing fallout from the lower commodity price environment, weakening government finances, drought conditions and policy uncertainty.

## OVERVIEW OF RESULTS

FirstRand's diversified portfolio produced a satisfactory performance against this backdrop with normalised earnings increasing 7% and the normalised ROE marginally lower at 22.9%.

The table below shows a breakdown of sources of normalised earnings from the portfolio per operating franchise.

*SOURCES OF NORMALISED EARNINGS*

| | Six months ended 31 December | | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|---|
| *R million* | **2016** | **% composition** | 2015 | % composition | % change | 2016 | % composition |
| FNB | **6 462** | **55** | 6 278# | 58 | 3 | 12 294 | 53 |
| RMB | **2 853** | **25** | 2 805 | 26 | 2 | 6 287 | 28 |
| WesBank | **1 944** | **17** | 1 786# | 16 | 9 | 3 927 | 17 |
| FCC (including Group Treasury) and other*,** | **565** | **5** | 210 | 2 | >100 | 689 | 3 |
| NCNR preference dividend | **(178)** | **(2)** | (164) | (2) | 9 | (342) | (1) |
| **Normalised earnings** | **11 646** | **100** | 10 915 | 100 | 7 | 22 855 | 100 |

* *Includes FirstRand Limited (company).*
** *Includes negative accounting mismatches, improvement of interest rate management and improvement in foreign currency liquidity management.*
# *December 2015 numbers have been restated for the move of a business unit from WesBank to FNB.*

*Note: The group refined the franchise segmentation of its operations in the rest of Africa to more accurately reflect the respective franchise contributions.*

Across the portfolio, the six months to December 2016 were characterised by a slowdown in topline growth, combined with a strong investment cycle. The operating franchises, however, continued to produce resilient operating performances.

- FNB's domestic franchise delivered a 6% increase in normalised earnings, underpinned by solid non-interest revenue (NIR) growth on the back of increased customer numbers and volumes, and high quality net interest income (NII) growth. The rest of Africa portfolio's performance, however, was negatively impacted by the subsidiaries in Zambia and Mozambique.
- RMB produced a very strong performance, although period-on-period growth was impacted by the timing of private equity realisations. In the six month period to December 2015, RMB reported realisations net of tax and minorities in excess of R800 million compared to minimal realisations in the period under review. RMB, however, remains in a realisation cycle.
- WesBank delivered a solid performance despite the tough operating environment. New business volumes in the domestic motor and corporate loan books were muted, however, there was an increased contribution from insurance activities.
- At a group level the rest of Africa performance was satisfactory given the macroeconomic pressures across the portfolio and ongoing investment spend. Total pre-tax profits from the rest of Africa in-country business was flat at R1.5 billion.

At a group level total NII increased 12%, driven by ongoing growth in advances (+4%) and deposits (+6%). Margins in many of the asset-generating businesses continued to come under pressure from higher term funding and liquidity costs. Term lending in both RMB and WesBank was muted due to ongoing discipline in origination to preserve returns given the prevailing competitive pressures. Earnings and margins benefited from the positive endowment effect.

The group achieved fee and commission income growth of 8%, benefiting from ongoing volume growth specifically in electronic channels together with solid growth in customer numbers. Fee and commission income represents 83% (December 2015: 80%) of operational NIR. Total group NIR growth moderated to 2% given the impact of the timing of private equity realisations.

Insurance revenues grew 23% due to volume growth in funeral and credit products in FNB, further augmented by the MMI book transfer being effective October 2016. WesBank insurance income also grew 13%, driven mainly by the MotoVantage acquisition in November 2015.

Knowledge-based fees at RMB remained robust, underpinned by key lending transactions and underwriting mandates as well as higher levels of structuring fees due to strong deal flow.

Total operating expenses increased 8% and continued to trend above inflation as the group remains committed to investing in its insurance and asset management franchises, the footprint in the rest of Africa and platforms to extract efficiencies Core operating cost growth of 8% was driven by above inflation salary increases and additional headcount, offset by significantly lower variable staff costs. The cost-to-income ratio increased marginally to 51.3%.

Credit impairments increased 19% with the credit impairment ratio increasing from 77 bps to 86 bps. Overall non-performing loans (NPLs) increased 7% (including the increase related to restructured debt review customers), with retail NPLs increasing 20% driven by.

- the anticipated normalisation of credit experience in retail SA vehicle asset finance (VAF) given the credit cycle;
- new business strain as a result of strong book growth in MotoNovo (UK) and the retail portfolios in FNB (linked to cross-sell and up-sell strategies) and in FNB commercial; and
- a tough credit environment in certain African territories, particularly Mozambique and Zambia given that they remain subscale.

Total coverage reduced marginally to 79.5% reflecting a change in NPL mix, an increasing proportion of paying debt review retail NPLs and the work-out and write-off of certain large corporate exposures. Portfolio provisions and the performing book coverage ratio, however, both increased.

The performing book coverage ratio of 100 bps increased marginally from the prior year's 97 bps. This was as a result of further increases in portfolio impairments in the franchises, in spite of a partial central overlay release.

The overall credit picture remains in line with expectations and reflects both the respective franchise growth strategies and the specific origination actions taken in the different segments of the group's customer base throughout the current credit cycle. The group has consistently adjusted credit appetite in the high risk segments of the retail market from as early as 2011. Robust growth has however, been generated on the back of FNB's strategy to focus on lending to its core transactional customer base.

## FRANCHISE PERFORMANCE REVIEW

FirstRand's strategic framework is designed to accommodate a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. The group believes this will ensure sustainable and superior returns for shareholders.

### Statement of intent

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

Execution on this new framework has picked up momentum in the period under review as the customer-facing operating franchises increasingly leverage group-wide technology platforms, customer bases, distribution channels, licences and skills. The group is incrementally increasing its share of the insurance, savings and investment profit pools where it is currently under-represented, whilst protecting and growing its large transactional and lending franchises.

Below is a brief overview of the financial and operational performance of each group 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 in both existing and new markets on the back of a compelling customer offering that provides a broad range of innovative financial services products. This offering is delivered through efficient and cost effective delivery channels, particularly electronic and digital platforms.

### *FNB FINANCIAL HIGHLIGHTS*

| *R million* | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2016** | 2015 | % change | 2016 |
| Normalised earnings | **6 462** | 6 278 | 3 | 12 294 |
| Normalised profit before tax | **9 441** | 9 137 | 3 | 17 883 |
| – South Africa | **8 894** | 8 366 | 6 | 16 586 |
| – Rest of Africa | **547** | 771 | (29) | 1 297 |
| Total assets | **391 690** | 372 782 | 5 | 383 416 |
| Total liabilities | **381 698** | 364 222 | 5 | 366 942 |
| NPLs (%) | **3.09** | 2.66 | | 3.03 |
| Credit loss ratio (%) | **1.15** | 0.93 | | 1.08 |
| ROE (%) | **38.5** | 40.0 | | 38.4 |
| ROA (%) | **3.36** | 3.47 | | 3.36 |
| Cost-to-income ratio (%) | **53.5** | 53.1 | | 54.1 |
| Advances margin (%) | **3.61** | 3.71 | | 3.73 |

### *SEGMENT RESULTS*

| *R million* | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2016** | 2015 | % change | 2016 |
| **Normalised PBT** | | | | |
| Retail | **5 491** | 5 436 | 1 | 10 552 |
| FNB Africa | **547** | 771 | (29) | 1 297 |
| Commercial | **3 403** | 2 930 | 16 | 6 034 |
| **Total FNB** | **9 441** | 9 137 | 3 | 17 883 |

FNB's total franchise produced pre-tax profits of R9.4 billion, up 3%, and an ROE of 38.5%. The domestic businesses produced solid profit growth of 6%, however, profit before tax from FNB's African subsidiaries declined 29% period-on-period driven by poor performances in Mozambique and Zambia, as well as the impact of ongoing investment in footprint and product rollout. In the rest of the portfolio, Botswana performed well, on the back of strong book growth and a reduction in impairments. FNB Namibia posted a strong operational performance, although overall profitability was impacted by the current investment cycle.

FNB's domestic franchise's performance was driven by its ongoing strategy to:

- grow and retain core transactional accounts;
- use its customer relationships and sophisticated data analytics to effectively cross-sell and up-sell into that customer base; and
- apply disciplined origination strategies and provide innovative transactional and savings products.

During the period under review, overall customer numbers increased 6% and the cross-sell ratio across FNB moved up from 2.63 to 2.72.

NII increased 11% driven by growth in both advances (+6%) and deposits (+11%) and the positive endowment effect from the increase in the repo rate. The table below shows that FNB's deliberate focus on acquiring and cross-selling into "sweet spot" transactional retail and commercial customers has continued to generate high quality NII growth.

### *SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH*

| *Segments* | Deposit growth | | Advances growth | |
|---|---|---|---|---|
| | % | R billion | % | R billion |
| Retail | **14** | **23.6** | **4** | **9.1** |
| FNB Africa | **4** | **1.3** | **4** | **1.7** |
| Commercial | **8** | **13.1** | **11** | **8.1** |
| **Total FNB** | **10** | **38.0** | **5** | **18.9** |

This strategy continues to be particularly successful in the premium and commercial segments as indicated in the table below. Conservative credit origination strategies in the consumer segment constrained book growth.

| *Customer segment* | Period-on-period growth | | |
|---|---|---|---|
| | Customer numbers % | Unsecured advances % | Deposits % |
| Consumer | **5** | **(4)** | **8** |
| Premium | **8** | **16** | **18** |
| Commercial | **15** | **–** | **8** |

NIR growth of 6% reflects a mixed picture in that the premium and commercial segments showed excellent growth of 16% and 9%, respectively, however, the consumer segment NIR was flat. This was a result of certain actions FNB took to rationalise its offering in this segment, simplifying both product and pricing options. These actions resulted in a number of customers moving into lower revenue generating product lines with the resultant impact on NIR. FNB believes this adjustment will ensure the consumer segment continues to grow its customer base and remain competitive on a sustainable basis.

Overall fee and commission income benefited from strong volume growth of 11% with ongoing momentum across electronic channels, again demonstrating the success of FNB's electronic migration strategy. There was some negative impact from a reduction in cash-related NIR and the cost of rewards linked to the e-migration and cross-sell strategy.

Total cost growth in the South African business was well contained at 8% with total costs growing 10% on the back of continued investment in the rest of Africa expansion strategy. The domestic cost-to-income ratio decreased marginally to 51.0%.

As expected, bad debts and NPLs increased period-on-period, however, the last six months has seen this trajectory flatten. NPL formation in the rest of Africa increased further, reflecting the ongoing economic headwinds in the region. NPLs in FNB's domestic unsecured books, which have shown strong advances growth, are trending in line with expectations, reflecting the quality of new business written, appropriate pricing strategies and the positive effect of risk cutbacks in higher risk origination buckets.

The adoption of a reclassification of restructured debt review loans in the previous financial year, to align with WesBank's practice, has resulted in an increase in total NPLs. If the impact of this reclassification is excluded, total NPLs increased 11%. The table below shows the relative contribution to the overall NPL increase.

| | Reclassification | Rest of Africa | Domestic retail and commercial | Total |
|---|---|---|---|---|
| Total FNB NPLs | 11.7% | 3.5% | 7.2% | 22.4% |

Overall provisioning levels have remained conservative with some of the overlays preserved.

### Progress on save and invest strategies

FNB's insurance initiative gained traction with more than four million lives now covered. FNB activated further life and health products, with the investment in system infrastructure significantly reducing time-to-market for new products.

The Horizon series range of funds saw assets under management grow to R529 million with the majority of funds offering upper quartile performance.

## 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 strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients. This, combined with an expanding market-making and distribution product offering and an excellent track record in private equity investments, contributes to a well diversified and sustainable earnings base. This strategy is underpinned by sound risk management, designed to effectively balance the relationship between profit growth, returns and earnings volatility.

*RMB FINANCIAL HIGHLIGHTS*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Normalised earnings | **2 853** | 2 805 | 2 | 6 287 |
| Normalised profit before tax | **4 055** | 3 956 | 3 | 8 918 |
| Total assets | **440 082** | 466 348 | (6) | 435 133 |
| Total liabilities | **430 216** | 458 371 | (6) | 423 322 |
| NPLs (%) | **0.86** | 1.50 | | 1.35 |
| Credit loss ratio (%) | **0.20** | 0.29 | | 0.27 |
| ROE (%) | **21.3** | 22.2 | | 25.2 |
| ROA (%) | **1.29** | 1.25 | | 1.45 |
| Cost-to-income ratio (%) | **47.0** | 46.4 | | 45.1 |

RMB delivered a solid operational performance, with pre-tax profits increasing 3% to R4.1 billion and the business producing an ROE of 21.3%, despite lower private equity realisations. This highlights the strength and diversification of RMB's portfolio of businesses. RMB's balance sheet remains robust, with high quality earnings and solid operational leverage despite platform investments and continued spend on regulatory and compliance initiatives.

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

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

| | Six months ended 31 December | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | 2016 | | | | | | | 2015 | % |
| *R million* | IB&A | C&TB | M&S | INV | IM | Other | Total | Total | change |
| **Normalised PBT** | | | | | | | | | |
| Global Markets | **–** | **–** | **714** | **5** | **16** | **(60)** | **675** | 655 | 3 |
| IBD | **1 585** | **–** | **32** | **85** | **22** | **–** | **1 724** | 1 546 | 12 |
| Private Equity | **–** | **–** | **–** | **535** | **–** | **–** | **535** | 1 256 | (57) |
| Other RMB | **(50)** | **–** | **–** | **–** | **–** | **294** | **244** | (257) | (>100) |
| **Investment banking** | **1 535** | **–** | **746** | **625** | **38** | **234** | **3 178** | 3 200 | (1) |
| **Corporate banking** | **–** | **877** | **–** | **–** | **–** | **–** | **877** | 756 | 16 |
| **Total RMB – 2016** | **1 535** | **877** | **746** | **625** | **38** | **234** | **4 055** | 3 956 | 3 |
| Total RMB – 2015* | 1 202 | 756 | 648 | 1 357 | 88 | (95) | 3 956 | | |
| % change | 28 | 16 | 15 | (54) | (57) | (>100) | 3 | | |

*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 36.*

The performance of Investment banking and advisory activities reflects ongoing discipline in financial resource allocation in an environment characterised by difficult credit markets and lower economic growth. Despite these conditions, the business delivered good growth, underpinned by strong fee income on the back of lending transactions and underwriting mandates. Lending margins continued to compress but this was offset by solid balance sheet growth. Profits further benefited from lower credit impairments raised due to proactive provisioning in prior periods. A conservative portfolio coverage ratio was maintained given the prevailing weak credit cycle.

Corporate and transactional banking's continued focus on leveraging platforms and expanding the client franchise delivered strong profit growth. The business benefited from increased demand for structured and traditional trade products, coupled with the successful execution of liability strategies aimed at increasing transactional volumes and average deposit balances. The global foreign exchange business produced a mixed performance with regulatory pressures in certain African jurisdictions dampening results, whilst currency volatility assisted client flows locally.

Markets and structuring activities delivered a balanced performance across asset classes, relative to the previous reporting period that was impacted by heightened levels of volatility in foreign exchange, fixed income and credit trading markets, as well as a specific credit loss incurred in the structuring portfolio. The execution of large structuring deals, a strong commodities performance and sustained equity performance, buoyed by higher market volumes, further contributed to good profit growth in the current period.

Investing activities continued to perform well, despite the absence of large realisations in the current period. The quality and diversity of the Ventures and Corvest portfolios contributed to healthy annuity earnings from associates and joint ventures, and investment subsidiaries and continues to underpin the unrealised value of the portfolio at R4.4 billion (December 2015: R4.5 billion; June 2016: R4.2 billion).

Other activities reported a profit in the current year, driven mainly by the curtailment of losses in the RMB Resources business and higher endowment earned on capital invested. This performance was partly offset by costs associated with an organisational and technological transformation project in the Global Markets business which is aimed at driving efficiencies and risk mitigation. Significant investment in this project is expected over the next five years.

## WesBank

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

*WESBANK FINANCIAL HIGHLIGHTS*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| Normalised earnings | **1 944** | 1 786 | 9 | 3 927 |
| Normalised profit before tax | **2 755** | 2 518 | 9 | 5 518 |
| Total assets | **203 848** | 202 701 | 1 | 205 016 |
| Total liabilities | **200 556** | 197 739 | 1 | 199 686 |
| NPLs (%) | **3.63** | 3.09 | | 3.38 |
| Credit loss ratio (%) | **1.65** | 1.43 | | 1.59 |
| ROE (%) | **19.9** | 20.5 | | 21.9 |
| ROA (%) | **1.87** | 1.82 | | 1.99 |
| Cost-to-income ratio (%) | **40.6** | 41.2 | | 39.1 |
| Net interest margin (%) | **4.99** | 4.92 | | 4.89 |

WesBank's performance is pleasing, particularly in its domestic businesses which are operating in an environment characterised by constrained consumer disposable income and a challenging credit cycle, growing profits 9%, delivering an ROE of 19.9% at a higher comparative ROA of 1.87%. The increasing level of diversification in WesBank's portfolio of businesses continues to position the franchise well to weather the domestic credit cycle. The table below shows the relative performance period-on-period of WesBank's activities.

*BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY**

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| **Normalised PBT** | | | | |
| **VAF** | **2 108** | 1 837 | 15 | 4 100 |
| – Retail SA | **1 351** | 1 015 | 33 | 2 358 |
| – MotoNovo (UK)** | **588** | 681 | (14) | 1 360 |
| – Corporate and commercial | **169** | 141 | 20 | 382 |
| **Personal loans** | **622** | 637 | (2) | 1 327 |
| **Rest of Africa** | **25** | 44 | (43) | 91 |
| **Total WesBank** | **2 755** | 2 518 | 9 | 5 518 |

* *Refer to additional segment disclosure on page 34.*

** *MotoNovo (UK) declined by 14% in ZAR terms and remained flat period-on-period in GBP terms.*

Overall advances growth was marginally down period-on-period, mainly due to a decline in new business in the local secured portfolios, both retail and corporate, although personal loans increased production 9%. MotoNovo (UK) new business volumes continued to track up (ZAR +18%; GBP +27%), but are slowing as risk appetite has been tightened. All new business volumes continue to reflect good quality and the overall risk profile remains in line with current credit appetite.

Retail SA VAF (excluding MotoVantage) has shown a 19% pre-tax profit growth period-on-period. The primary drivers of this are improved margins despite competitive pressures, reduced costs as a result of good cost containment and a significant improvement in the equity-accounted profits generated from the investment in associates.

Interest margins have shown resilience despite higher funding and liquidity costs and the shift in mix from fixed to floating rate business within total advances. From a new business perspective, however, this shift in mix has started to reverse.

As anticipated, impairment levels in the retail SA VAF portfolio are trending upwards, but remain within WesBank's through-the-cycle thresholds and WesBank is conservatively provided for. NPLs as a percentage of advances are up marginally period-on-period. NPLs continue to be inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement, have never defaulted or have balances lower than when these entered debt review. WesBank continues to monitor vintage performance closely. MotoNovo (UK)'s impairments are now trending above its through-the-cycle threshold. This is due to increased conservatism in impairment models and a deterioration in underlying arrears levels. This in turn has resulted in increased portfolio provisions.

WesBank produced strong growth in operational NIR of 20%. This was mainly driven by increased insurance and VAP-related income following the acquisition of MotoVantage, and increases in full maintenance lease (FML) rental income on the back of good new business growth. Advances-related NIR growth was muted in line with book growth.

MotoNovo (UK)'s performance was impacted by higher than expected levels of additional investment, particularly in its collections area and building out the personal loans offering. In addition, new business reduced on the back of relationship terminations in certain distribution channels showing elevated risk, and some adjustment to credit appetite.

Growth in operating expenses was 10%, mainly driven by the investments in new business initiatives and volume-related expenditure in MotoNovo (UK), Direct Axis and WesBank FML. Core operational costs were well contained.

ROE has declined period-on-period, primarily a function of increased capital held as a result of certain additional investments, and deterioration in credit risk weighted assets. The ROA has, however, increased period-on-period, due to a widening of operating jaws driven by strong topline growth and cost containment.

The acquisition of Regent's VAPS business by MotoVantage, a WesBank subsidiary, has not yet been concluded as all conditions precedent are not yet fulfilled.

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*

| | Six months ended 31 December | | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|---|
| *R million* | **2016** | **% composition** | 2015 | % composition | % change | 2016 | % composition |
| **Retail** | **5 834** | **50** | 5 854 | 54 | – | 11 597 | 50 |
| – FNB | **4 012** | | 4 168 | | | 7 950 | |
| – WesBank | **1 822** | | 1 686 | | | 3 647 | |
| **Commercial** | **2 572** | **22** | 2 210 | 20 | 16 | 4 624 | 20 |
| – FNB | **2 450** | | 2 110 | | | 4 344 | |
| – WesBank | **122** | | 100 | | | 280 | |
| **Corporate and investment banking** | **2 853** | **25** | 2 805 | 26 | 2 | 6 287 | 28 |
| – RMB | **2 853** | | 2 805 | | | 6 287 | |
| **Other** | **387** | **3** | 46 | – | >100 | 347 | 2 |
| – FirstRand and dividends paid on NCNR preference shares | **(178)** | | (164) | | | (342) | |
| – FCC (including Group Treasury) and consolidation adjustments | **565** | | 210 | | | 689 | |
| **Normalised earnings** | **11 646** | **100** | 10 915 | 100 | 7 | 22 855 | 100 |

## UPDATE ON INVESTMENT MANAGEMENT STRATEGY

The group has an organic strategy to grow its asset management, and wealth and investment management activities. The group's asset management business, Ashburton Investments (AI) comprises a wide range of funds including single manager, multi-manager, index tracking, multi-asset, listed equity, specialist equity, fixed income, specialist credit, private equity, renewable energy, infrastructure and hedge funds.

AI grew AUM 12% period-on-period to R105 billion. Flows into traditional funds period-on-period are down 10% largely as a result of isolated large institutional outflows. This has been offset by strong flows into the institutional fixed income solutions business of R4.5 billion in new mandates won. Despite a tough year for global financial markets, investment performance continues to show resilience with the majority of funds delivering performances that placed the funds in the top two quartiles of relative peer groups. The structured or guaranteed product solutions currently delivered through RMB Global Market Fund Solutions have increased to R26 billion.

The group's wealth and investment management activities include portfolio management, share trading and stockbroking, share investing and all related investor platform administration capabilities. There are two pillars to the strategy:

- asset management solutions/funds originated by Ashburton were launched to the FNB customer base branded FNB Horizon in July 2016. This has delivered R900 million in new flows in the first six months of the launch; and
- a bespoke offering of tailored portfolio management solutions to FNB's wealth-advised clients managed by AI.

Traction has been satisfactory in the period under review. Some highlights include:

- growth in assets under administration on the LISP platform from R12.2 billion to R14.6 billion, an increase of 19%; and
- customer numbers on the platform increasing to over 23 000.

## MANAGEMENT OF FINANCIAL RESOURCES

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

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

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

Given the high levels of uncertainty and volatility in funding markets, the group is exploring strategic options to protect its counterparty status. In addition, access to hard-currency funding is key to execution on the group's rest of Africa strategy and to grow MotoNovo (UK).

## Balance sheet strength

### Capital position

Current targeted ranges and actual ratios are summarised below.

| % | CET1 | Tier 1 | Total | Leverage# |
|---|---|---|---|---|
| Regulatory minimum* | 6.9 | 8.1 | 10.4 | 4.0 |
| Targets | 10.0 – 11.0 | >12.0 | >14.0 | >5.0 |
| **Actual**** | **14.1** | **14.8** | **17.3** | **8.4** |

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

** *Includes unappropriated profits.*

\# *Based on Basel III regulations.*

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 units' 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.

The group continues to actively manage its capital composition and, to this end, issued approximately R2.3 billion Basel III-compliant Tier 2 instruments in the domestic market during the past six months. This resulted in a more efficient capital structure which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments, either in the domestic and/or international markets. This ensures sustainable support for ongoing growth initiatives and also compensates for the haircut applied to Tier 2 instruments which are not compliant with Basel III.

### Liquidity position

Taking into account the liquidity risk introduced by its business activities across various currencies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets (HQLA) 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 70% (2016: 60%) minimum liquidity coverage ratio (LCR) requirement as set out by the Basel Committee for Banking Supervision (BCBS) with an LCR for the group of 95% (December 2015: 71%). FirstRand Bank's LCR was 104% (December 2015: 74%). At 31 December 2016, the group's available HQLA sources of liquidity per the LCR was R173 billion, with an additional R21 billion of management liquidity available.

### Regulatory changes

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

## DIVIDEND STRATEGY

Given the sustained superior return profile and strong operational performances from the franchises, combined with a strong capital position and low growth in RWA for the six months to December 2016, the board was comfortable to grow the dividend above normalised earnings. As a result, the dividend cover is slightly below the group's stated long-term cover range of 1.8x to 2.2x. The long-term cover range is assessed on an annual basis as part of the year end results process.

## PROSPECTS

Looking ahead the group expects economic growth to pick up slightly in calendar year 2017, although this is unlikely to provide significant support to topline growth for some time. In addition, global and domestic political risks continue to pose downside risk to this expectation.

FirstRand is committed to its current investment cycle despite ongoing topline pressures, as it believes its growth strategies both in broadening its financial services offerings and building its rest of Africa franchise will deliver outperformance over the medium to long term. The group aims to deliver real growth in earnings and an ROE of between 18% and 22%.

## BOARD CHANGES

Vivian Wade Bartlett retired as an independent non-executive director of FirstRand and FirstRand Bank on 29 November 2016.

Deepak Premnarayen retired as an independent non-executive director of FirstRand and FirstRand Bank on 29 November 2016.

Thandie Sylvia Mashego was appointed as a non-executive director of FirstRand and FirstRand Bank on 1 January 2017.

## CASH DIVIDEND DECLARATIONS

### Ordinary shares

The directors declared a gross cash dividend totalling 119 cents per ordinary share out of income reserves for the six months ended 31 December 2016.

### Dividends

*ORDINARY SHARES*

| | Six months ended 31 December | |
|---|---|---|
| *Cents per share* | **2016** | 2015 |
| Interim (declared 8 March 2017) | **119.0** | 108.0 |

The salient dates for the interim ordinary dividend are as follows:

| | |
|---|---|
| Last day to trade cum-dividend | Tuesday 28 March 2017 |
| Shares commence trading ex-dividend | Wednesday 29 March 2017 |
| Record date | Friday 31 March 2017 |
| Payment date | Monday 3 April 2017 |

Share certificates may not be dematerialised or rematerialised between Wednesday 29 March 2017 and Friday 31 March 2017, both days inclusive.

In the interest of facilitating safer and faster payment of dividends and other payments by FirstRand, it has been decided that no further cheques will be issued and all future payments will only be made by electronic funds transfer into a nominated bank account. FirstRand's Memorandum of Incorporation has been amended accordingly. FirstRand dividends, therefore, will no longer be paid by cheque to stakeholders. Shareholders who have not yet provided bank account details to Computershare Investor Services (Pty) Ltd are reminded to contact Computershare on 0861 100 930/933 with their bank account details into which FirstRand's ordinary and B preference dividends can be electronically paid.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net interim dividend after deducting 20% tax will be 95.20000 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:** | |
| 24 February 2015 – 31 August 2015 | **363.9** |
| 1 September 2015 – 29 February 2016 | **366.5** |
| 1 March 2016 – 29 August 2016 | **394.7** |
| 30 August 2016 – 27 February 2017 | **395.6** |

| **LL Dippenaar** | **JP Burger** | **C Low** |
|---|---|---|
| Chairman | CEO | Company secretary |

8 March 2017

# SEGMENT REPORT

| | Six months ended 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | | | | | | |
| | Retail | | | | | | | |
| R million | Residential mortgages | Card | Personal loans | Retail other | Retail | Commercial | FNB Africa** | Total FNB |
| **Net interest income before impairment of advances** | 1 867 | 1 223 | 1 376 | 3 072 | **7 538** | 4 240 | 1 559 | **13 337** |
| Impairment charge | (132) | (289) | (565) | (510) | **(1 496)** | (262) | (332) | **(2 090)** |
| **Net interest income after impairment of advances** | 1 735 | 934 | 811 | 2 562 | **6 042** | 3 978 | 1 227 | **11 247** |
| Non-interest revenue | 292 | 891 | 415 | 5 421 | **7 019** | 3 559 | 1 663 | **12 241** |
| **Income from operations** | 2 027 | 1 825 | 1 226 | 7 983 | **13 061** | 7 537 | 2 890 | **23 488** |
| Operating expenses | (892) | (1 004) | (515) | (4 876) | **(7 287)** | (4 116) | (2 268) | **(13 671)** |
| **Net income from operations** | 1 135 | 821 | 711 | 3 107 | **5 774** | 3 421 | 622 | **9 817** |
| Share of profit of associates and joint ventures after tax | – | – | – | (18) | **(18)** | – | 1 | **(17)** |
| **Income before tax** | 1 135 | 821 | 711 | 3 089 | **5 756** | 3 421 | 623 | **9 800** |
| Indirect tax | (6) | (30) | (8) | (221) | **(265)** | (18) | (76) | **(359)** |
| **Profit for the period before tax** | 1 129 | 791 | 703 | 2 868 | **5 491** | 3 403 | 547 | **9 441** |
| Income tax expense | (316) | (221) | (197) | (803) | **(1 537)** | (953) | (237) | **(2 727)** |
| **Profit for the period** | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 310 | **6 714** |
| **Attributable to** | | | | | | | | |
| Ordinary equityholders | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 58 | **6 462** |
| NCNR preference shareholders | – | – | – | – | **–** | – | – | **–** |
| Non-controlling interests | – | – | – | – | **–** | – | 252 | **252** |
| **Profit for the period** | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 310 | **6 714** |
| **Attributable earnings to ordinary shareholders** | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 58 | **6 462** |
| Headline earnings adjustments | – | – | – | – | **–** | – | – | **–** |
| **Headline earnings** | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 58 | **6 462** |
| TRS and IFRS 2 liability remeasurement | – | – | – | – | **–** | – | – | **–** |
| Treasury shares | – | – | – | – | **–** | – | – | **–** |
| IAS 19 adjustment | – | – | – | – | **–** | – | – | **–** |
| Private equity subsidiary realisations | – | – | – | – | **–** | – | – | **–** |
| **Normalised earnings*** | 813 | 570 | 506 | 2 065 | **3 954** | 2 450 | 58 | **6 462** |

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

* *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 97.*

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

# *Refer to additional activity disclosure on page 36.*

† *Refer to additional segmental information on page 34.*

| | Six months ended 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | RMB | | | | | | | |
| | Investment banking | Corporate banking | **Total RMB#** | **WesBank†** | FCC (including Group Treasury) and other | **FirstRand group – normalised** | Normalised adjustments | **FirstRand group – IFRS** |
| | 2 253 | 989 | **3 242** | **5 200** | 1 464 | **23 243** | (1 043) | **22 200** |
| | (217) | (55) | **(272)** | **(1 629)** | 250 | **(3 741)** | – | **(3 741)** |
| | 2 036 | 934 | **2 970** | **3 571** | 1 714 | **19 502** | (1 043) | **18 459** |
| | 3 395 | 1 189 | **4 584** | **2 187** | (1 349) | **17 663** | 1 851 | **19 514** |
| | 5 431 | 2 123 | **7 554** | **5 758** | 365 | **37 165** | 808 | **37 973** |
| | (2 644) | (1 241) | **(3 885)** | **(3 088)** | (602) | **(21 246)** | (462) | **(21 708)** |
| | 2 787 | 882 | **3 669** | **2 670** | (237) | **15 919** | 346 | **16 265** |
| | 447 | – | **447** | **214** | (175) | **469** | (2) | **467** |
| | 3 234 | 882 | **4 116** | **2 884** | (412) | **16 388** | 344 | **16 732** |
| | (56) | (5) | **(61)** | **(129)** | (24) | **(573)** | – | **(573)** |
| | 3 178 | 877 | **4 055** | **2 755** | (436) | **15 815** | 344 | **16 159** |
| | (893) | (246) | **(1 139)** | **(771)** | 1 142 | **(3 495)** | (101) | **(3 596)** |
| | 2 285 | 631 | **2 916** | **1 984** | 706 | **12 320** | 243 | **12 563** |
| | | | | | | | | |
| | 2 274 | 579 | **2 853** | **1 944** | 387 | **11 646** | 243 | **11 889** |
| | – | – | **–** | **3** | 178 | **181** | – | **181** |
| | 11 | 52 | **63** | **37** | 141 | **493** | – | **493** |
| | 2 285 | 631 | **2 916** | **1 984** | 706 | **12 320** | 243 | **12 563** |
| | 2 274 | 579 | **2 853** | **1 944** | 387 | **11 646** | 243 | **11 889** |
| | – | – | **–** | **–** | – | **–** | (30) | **(30)** |
| | 2 274 | 579 | **2 853** | **1 944** | 387 | **11 646** | 213 | **11 859** |
| | – | – | **–** | **–** | – | **–** | (166) | **(166)** |
| | – | – | **–** | **–** | – | **–** | 7 | **7** |
| | – | – | **–** | **–** | – | **–** | (54) | **(54)** |
| | – | – | **–** | **–** | – | **–** | – | **–** |
| | 2 274 | 579 | **2 853** | **1 944** | 387 | **11 646** | – | **11 646** |

## Segment report for the six months ended 31 December 2016 *continued*

| | Six months ended 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | | | | | | |
| | Retail | | | | | | | |
| *R million* | Residential mortgages | Card | Personal loans | Retail other | Retail | Commercial | FNB Africa** | Total FNB |
| Cost-to-income ratio (%) | 41.3 | 47.5 | 28.8 | 57.5 | **50.1** | 52.8 | 70.4 | **53.5** |
| Diversity ratio (%) | 13.5 | 42.1 | 23.2 | 63.8 | **48.2** | 45.6 | 51.6 | **47.8** |
| Credit loss ratio (%) | 0.14 | 2.60 | 7.83 | 6.97 | **1.24** | 0.66 | 1.52 | **1.15** |
| NPLs as a percentage of advances (%) | 2.33 | 3.62 | 8.50 | 4.82 | **2.97** | 2.78 | 4.36 | **3.09** |
| **Consolidated income statement includes** | | | | | | | | |
| Depreciation | (2) | (3) | (1) | (776) | **(782)** | (19) | (127) | **(928)** |
| Amortisation | – | (2) | – | (29) | **(31)** | – | (4) | **(35)** |
| Net impairment charges | – | – | – | (6) | **(6)** | – | – | **(6)** |
| **Statement of financial position includes** | | | | | | | | |
| Advances (after ISP – before impairments) | 191 693 | 22 495 | 14 431 | 14 911 | **243 530** | 80 364 | 43 583 | **367 477** |
| – Normal advances | 191 693 | 22 495 | 14 431 | 14 911 | **243 530** | 80 364 | 43 583 | **367 477** |
| – Securitised advances | – | – | – | – | **–** | – | – | **–** |
| NPLs net of ISP | 4 462 | 814 | 1 226 | 719 | **7 221** | 2 235 | 1 900 | **11 356** |
| Investments in associated companies | – | – | – | 218 | **218** | – | 6 | **224** |
| Investments in joint ventures | – | – | – | – | **–** | 6 | – | **6** |
| Total deposits (including non-recourse deposits) | 698 | 1 611 | 1 | 191 727 | **194 037** | 182 450 | 36 697 | **413 184** |
| Total assets | 190 336 | 21 691 | 13 050 | 38 396 | **263 473** | 79 364 | 48 853 | **391 690** |
| Total liabilities* | 190 059 | 21 295 | 12 756 | 31 782 | **255 892** | 77 375 | 48 431 | **381 698** |
| Capital expenditure | 2 | 18 | – | 1 206 | **1 226** | 17 | 123 | **1 366** |

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

* *Total liabilities are net of interdivisional balances.*

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

# *Refer to additional segmental information on page 34.*

| Six months ended 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| RMB | | | | | | | |
| Investment banking | Corporate banking | Total RMB | WesBank# | FCC (including Group Treasury) and other | FirstRand group – normalised | Normalised adjustments | FirstRand group – IFRS |
| 43.4 | 57.0 | **47.0** | **40.6** | (>100) | **51.3** | – | **51.5** |
| 63.0 | 54.6 | **60.8** | **31.6** | >100 | **43.8** | – | **47.4** |
| 0.19 | 0.29 | **0.20** | **1.65** | (0.06) | **0.86** | – | **0.86** |
| 0.97 | 0.17 | **0.86** | **3.63** | – | **2.37** | – | **2.37** |
| | | | | | | | |
| (48) | (2) | **(50)** | **(323)** | (12) | **(1 313)** | (32) | **(1 345)** |
| (9) | – | **(9)** | **(31)** | (2) | **(77)** | (2) | **(79)** |
| – | (5) | **(5)** | **(10)** | (21) | **(42)** | (2) | **(44)** |
| | | | | | | | |
| 234 683 | 40 717 | **275 400** | **196 737** | 41 128 | **880 742** | (420) | **880 322** |
| 234 683 | 40 717 | **275 400** | **163 550** | 41 128 | **847 555** | (420) | **847 135** |
| – | – | **–** | **33 187** | – | **33 187** | – | **33 187** |
| 2 288 | 71 | **2 359** | **7 136** | – | **20 851** | – | **20 851** |
| 2 814 | – | **2 814** | **2 138** | (3) | **5 173** | – | **5 173** |
| 1 417 | – | **1 417** | **–** | (16) | **1 407** | 51 | **1 458** |
| 101 367 | 128 847 | **230 214** | **49** | 308 523 | **951 970** | – | **951 970** |
| 397 703 | 42 379 | **440 082** | **203 848** | 144 842 | **1 180 462** | 26 | **1 180 488** |
| 388 989 | 41 227 | **430 216** | **200 556** | 56 244 | **1 068 714** | – | **1 068 714** |
| 700 | 7 | **707** | **722** | 4 | **2 799** | – | **2 799** |

# SEGMENT REPORT

| | Six months ended 31 December 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** | 1 896 | 1 076 | 1 221 | 2 745 | **6 938** | 3 669 | 1 278 | **11 885** |
| Impairment charge | (159) | (220) | (440) | (346) | **(1 165)** | (202) | (210) | **(1 577)** |
| **Net interest income after impairment of advances** | 1 737 | 856 | 781 | 2 399 | **5 773** | 3 467 | 1 068 | **10 308** |
| Non-interest revenue | 293 | 818 | 417 | 5 147 | **6 675** | 3 274 | 1 644 | **11 593** |
| **Income from operations** | 2 030 | 1 674 | 1 198 | 7 546 | **12 448** | 6 741 | 2 712 | **21 901** |
| Operating expenses | (902) | (978) | (537) | (4 377) | **(6 794)** | (3 791) | (1 884) | **(12 469)** |
| **Net income from operations** | 1 128 | 696 | 661 | 3 169 | **5 654** | 2 950 | 828 | **9 432** |
| Share of profit of associates and joint ventures after tax | – | – | – | 13 | **13** | – | 1 | **14** |
| **Income before tax** | 1 128 | 696 | 661 | 3 182 | **5 667** | 2 950 | 829 | **9 446** |
| Indirect tax | (8) | (24) | (9) | (190) | **(231)** | (20) | (58) | **(309)** |
| **Profit for the period before tax** | 1 120 | 672 | 652 | 2 992 | **5 436** | 2 930 | 771 | **9 137** |
| Income tax expense | (314) | (188) | (183) | (839) | **(1 524)** | (820) | (278) | **(2 622)** |
| **Profit for the period** | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 493 | **6 515** |
| **Attributable to** | | | | | | | | |
| Ordinary equityholders | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 256 | **6 278** |
| NCNR preference shareholders | – | – | – | – | **–** | – | – | **–** |
| Non-controlling interests | – | – | – | – | **–** | – | 237 | **237** |
| **Profit for the period** | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 493 | **6 515** |
| **Attributable earnings to ordinary shareholders** | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 256 | **6 278** |
| Headline earnings adjustments | – | – | – | – | **–** | – | – | **–** |
| **Headline earnings** | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 256 | **6 278** |
| TRS and IFRS 2 liability remeasurement | – | – | – | – | **–** | – | – | **–** |
| Treasury shares | – | – | – | – | **–** | – | – | **–** |
| IAS 19 adjustment | – | – | – | – | **–** | – | – | **–** |
| Private equity subsidiary realisations | – | – | – | – | **–** | – | – | **–** |
| **Normalised earnings*** | 806 | 484 | 469 | 2 153 | **3 912** | 2 110 | 256 | **6 278** |

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

* *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 97.*

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

# *Refer to additional activity disclosure on page 36.*

† *Refer to additional segmental information on page 34.*

‡ *Restated, refer to pages 121 and 122 for more detailed information.*

| Six months ended 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| RMB | | | | | | | |
| Investment banking | Corporate banking | **Total RMB#** | **WesBank†** | FCC (including Group Treasury) and other | **FirstRand group – normalised** | Normalised adjustments | **FirstRand group – IFRS‡** |
| 2 086 | 921 | **3 007** | **4 813** | 1 118 | **20 823** | (803) | **20 020** |
| (350) | (32) | **(382)** | **(1 351)** | 165 | **(3 145)** | – | **(3 145)** |
| 1 736 | 889 | **2 625** | **3 462** | 1 283 | **17 678** | (803) | **16 875** |
| 3 270 | 1 079 | **4 349** | **1 826** | (859) | **16 909** | 232 | **17 141** |
| 5 006 | 1 968 | **6 974** | **5 288** | 424 | **34 587** | (571) | **34 016** |
| (2 608) | (1 208) | **(3 816)** | **(2 799)** | (619) | **(19 703)** | (53) | **(19 756)** |
| 2 398 | 760 | **3 158** | **2 489** | (195) | **14 884** | (624) | **14 260** |
| 862 | – | **862** | **153** | (216) | **813** | (11) | **802** |
| 3 260 | 760 | **4 020** | **2 642** | (411) | **15 697** | (635) | **15 062** |
| (60) | (4) | **(64)** | **(124)** | 70 | **(427)** | – | **(427)** |
| 3 200 | 756 | **3 956** | **2 518** | (341) | **15 270** | (635) | **14 635** |
| (896) | (212) | **(1 108)** | **(706)** | 879 | **(3 557)** | 200 | **(3 357)** |
| 2 304 | 544 | **2 848** | **1 812** | 538 | **11 713** | (435) | **11 278** |
| 2 280 | 525 | **2 805** | **1 786** | 46 | **10 915** | (435) | **10 480** |
| – | – | **–** | **–** | 164 | **164** | – | **164** |
| 24 | 19 | **43** | **26** | 328 | **634** | – | **634** |
| 2 304 | 544 | **2 848** | **1 812** | 538 | **11 713** | (435) | **11 278** |
| 2 280 | 525 | **2 805** | **1 786** | 46 | **10 915** | (435) | **10 480** |
| – | – | **–** | **–** | – | **–** | (81) | **(81)** |
| 2 280 | 525 | **2 805** | **1 786** | 46 | **10 915** | (516) | **10 399** |
| – | – | **–** | **–** | – | **–** | 569 | **569** |
| – | – | **–** | **–** | – | **–** | (1) | **(1)** |
| – | – | **–** | **–** | – | **–** | (53) | **(53)** |
| – | – | **–** | **–** | – | **–** | 1 | **1** |
| 2 280 | 525 | **2 805** | **1 786** | 46 | **10 915** | – | **10 915** |

## Segment report for the six months ended 31 December 2015 *continued*

| | Six months ended 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | | | | | | |
| | Retail | | | | | | | |
| *R million* | Residential mortgages | Card | Personal loans | Retail other | **Retail** | Commercial | FNB Africa** | **Total FNB** |
| Cost-to-income ratio (%) | 41.2 | 51.6 | 32.8 | 55.4 | **49.9** | 54.6 | 64.5 | **53.1** |
| Diversity ratio (%) | 13.4 | 43.2 | 25.5 | 65.3 | **49.1** | 47.2 | 56.3 | **49.4** |
| Credit loss ratio (%) | 0.17 | 2.18 | 6.77 | 5.32 | **1.01** | 0.58 | 1.07 | **0.93** |
| NPLs as a percentage of advances (%) | 2.29 | 2.55 | 5.07 | 4.01 | **2.58** | 2.30 | 3.76 | **2.66** |
| **Consolidated income statement includes** | | | | | | | | |
| Depreciation | (3) | (2) | (4) | (663) | **(672)** | (14) | (96) | **(782)** |
| Amortisation | – | – | – | (2) | **(2)** | – | (4) | **(6)** |
| Net impairment charges | – | – | – | 7 | **7** | – | – | **7** |
| **Statement of financial position includes** | | | | | | | | |
| Advances (after ISP – before impairments) | 186 217 | 20 855 | 13 630 | 13 689 | **234 391** | 72 280 | 41 894 | **348 565** |
| – Normal advances | 186 217 | 20 855 | 13 630 | 13 689 | **234 391** | 72 280 | 41 894 | **348 565** |
| – Securitised advances | – | – | – | – | **–** | – | – | **–** |
| NPLs net of ISP | 4 270 | 531 | 691 | 549 | **6 041** | 1 663 | 1 576 | **9 280** |
| Investments in associated companies | – | – | – | 258 | **258** | – | 4 | **262** |
| Investments in joint ventures | – | – | – | – | **–** | – | – | **–** |
| Total deposits (including non-recourse deposits) | 751 | 1 606 | 1 | 168 106 | **170 464** | 169 368 | 35 389 | **375 221** |
| Total assets | 185 072 | 20 156 | 12 476 | 35 126 | **252 830** | 71 874 | 48 078 | **372 782** |
| Total liabilities* | 184 719 | 19 804 | 12 190 | 29 324 | **246 037** | 70 225 | 47 960 | **364 222** |
| Capital expenditure | 1 | 1 | 1 | 761 | **764** | 24 | 553 | **1 341** |

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

* *Total liabilities are net of interdivisional balances.*

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

# *Refer to additional segmental information on page 34.*

† *Restated, refer to pages 121 and 122 for more detailed information.*

| Six months ended 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|
| RMB | | | | | | | |
| Investment banking | Corporate banking | **Total RMB** | **WesBank#** | FCC (including Group Treasury) and other | **FirstRand group – normalised** | Normalised adjustments | **FirstRand group – IFRS†** |
| 41.9 | 60.4 | **46.4** | **41.2** | >100 | **51.1** | – | **52.0** |
| 66.5 | 54.0 | **63.4** | **29.1** | (>100) | **46.0** | – | **47.3** |
| 0.32 | 0.16 | **0.29** | **1.43** | (0.04) | **0.77** | – | **0.77** |
| 1.74 | 0.30 | **1.50** | **3.09** | – | **2.30** | – | **2.29** |
| | | | | | | | |
| (58) | (2) | **(60)** | **(250)** | (15) | **(1 107)** | (40) | **(1 147)** |
| (5) | – | **(5)** | **(32)** | (2) | **(45)** | (2) | **(47)** |
| – | (2) | **(2)** | **–** | (8) | **(3)** | (6) | **(9)** |
| | | | | | | | |
| 222 472 | 46 088 | **268 560** | **197 857** | 29 709 | **844 691** | (420) | **844 271** |
| 222 472 | 46 088 | **268 560** | **182 679** | 29 709 | **829 513** | (420) | **829 093** |
| – | – | **–** | **15 178** | – | **15 178** | – | **15 178** |
| 3 881 | 137 | **4 018** | **6 111** | – | **19 409** | (50) | **19 359** |
| 4 103 | – | **4 103** | **1 883** | (6) | **6 242** | – | **6 242** |
| 1 402 | – | **1 402** | **–** | (14) | **1 388** | 36 | **1 424** |
| 107 691 | 130 879 | **238 570** | **53** | 285 775 | **899 619** | – | **899 619** |
| 416 480 | 49 868 | **466 348** | **202 701** | 97 692 | **1 139 523** | (15) | **1 139 508** |
| 409 524 | 48 847 | **458 371** | **197 739** | 15 383 | **1 035 715** | 2 | **1 035 717** |
| 81 | 3 | **84** | **929** | 8 | **2 362** | – | **2 362** |

# SEGMENT REPORT

| | Year ended 30 June 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | | | | | | |
| | Retail | | | | | | | |
| *R million* | Residential mortgages | Card | Personal loans | Retail other | **Retail** | Commercial | FNB Africa** | **Total FNB** |
| **Net interest income before impairment of advances** | 3 766 | 2 305 | 2 567 | 5 896 | **14 534** | 7 682 | 2 730 | **24 946** |
| Impairment charge | (414) | (565) | (1 051) | (755) | **(2 785)** | (390) | (553) | **(3 728)** |
| **Net interest income after impairment of advances** | 3 352 | 1 740 | 1 516 | 5 141 | **11 749** | 7 292 | 2 177 | **21 218** |
| Non-interest revenue | 583 | 1 651 | 790 | 10 478 | **13 502** | 6 570 | 3 297 | **23 369** |
| **Income from operations** | 3 935 | 3 391 | 2 306 | 15 619 | **25 251** | 13 862 | 5 474 | **44 587** |
| Operating expenses | (1 766) | (1 969) | (998) | (9 570) | **(14 303)** | (7 802) | (4 056) | **(26 161)** |
| **Net income from operations** | 2 169 | 1 422 | 1 308 | 6 049 | **10 948** | 6 060 | 1 418 | **18 426** |
| Share of profit of associates and joint ventures after tax | – | – | – | (9) | **(9)** | 6 | 1 | **(2)** |
| **Income before tax** | 2 169 | 1 422 | 1 308 | 6 040 | **10 939** | 6 066 | 1 419 | **18 424** |
| Indirect tax | (13) | (51) | (17) | (306) | **(387)** | (32) | (122) | **(541)** |
| **Profit for the year before tax** | 2 156 | 1 371 | 1 291 | 5 734 | **10 552** | 6 034 | 1 297 | **17 883** |
| Income tax expense | (604) | (384) | (361) | (1 606) | **(2 955)** | (1 690) | (491) | **(5 136)** |
| **Profit for the year** | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 806 | **12 747** |
| **Attributable to** | | | | | | | | |
| Ordinary equityholders | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 353 | **12 294** |
| NCNR preference shareholders | – | – | – | – | **–** | – | – | **–** |
| Non-controlling interests | – | – | – | – | **–** | – | 453 | **453** |
| **Profit for the year** | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 806 | **12 747** |
| **Attributable earnings to ordinary shareholders** | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 353 | **12 294** |
| Headline earnings adjustments | – | – | – | – | **–** | – | – | **–** |
| **Headline earnings** | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 353 | **12 294** |
| TRS and IFRS 2 liability remeasurement | – | – | – | – | **–** | – | – | **–** |
| Treasury shares | – | – | – | – | **–** | – | – | **–** |
| IAS 19 adjustment | – | – | – | – | **–** | – | – | **–** |
| Private equity subsidiary realisations | – | – | – | – | **–** | – | – | **–** |
| **Normalised earnings*** | 1 552 | 987 | 930 | 4 128 | **7 597** | 4 344 | 353 | **12 294** |

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

* *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 97.*
** *Includes FNB's activities in India.*
# *Refer to additional activity disclosure on page 36.*
† *Refer to additional segmental information on page 34.*
‡ *Restated, refer to pages 121 and 122 for more detailed information.*

| Year ended 30 June 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| RMB | | | | | | | |
| Investment banking | Corporate banking | **Total RMB#** | **WesBank†** | FCC (including Group Treasury) and other | **FirstRand group – normalised** | Normalised adjustments | **FirstRand group – IFRS‡** |
| 4 321 | 1 882 | **6 203** | **10 142** | 2 439 | **43 730** | (1 689) | **42 041** |
| (551) | (162) | **(713)** | **(3 013)** | 295 | **(7 159)** | – | **(7 159)** |
| 3 770 | 1 720 | **5 490** | **7 129** | 2 734 | **36 571** | (1 689) | **34 882** |
| 7 669 | 2 234 | **9 903** | **3 946** | (2 229) | **34 989** | 1 945 | **36 934** |
| 11 439 | 3 954 | **15 393** | **11 075** | 505 | **71 560** | 256 | **71 816** |
| (5 514) | (2 491) | **(8 005)** | **(5 623)** | (1 153) | **(40 942)** | (715) | **(41 657)** |
| 5 925 | 1 463 | **7 388** | **5 452** | (648) | **30 618** | (459) | **30 159** |
| 1 632 | – | **1 632** | **303** | (480) | **1 453** | 3 | **1 456** |
| 7 557 | 1 463 | **9 020** | **5 755** | (1 128) | **32 071** | (456) | **31 615** |
| (93) | (9) | **(102)** | **(237)** | (48) | **(928)** | – | **(928)** |
| 7 464 | 1 454 | **8 918** | **5 518** | (1 176) | **31 143** | (456) | **30 687** |
| (2 104) | (407) | **(2 511)** | **(1 540)** | 2 403 | **(6 784)** | 172 | **(6 612)** |
| 5 360 | 1 047 | **6 407** | **3 978** | 1 227 | **24 359** | (284) | **24 075** |
| | | | | | | | |
| 5 328 | 959 | **6 287** | **3 927** | 347 | **22 855** | (292) | **22 563** |
| – | – | **–** | **–** | 342 | **342** | – | **342** |
| 32 | 88 | **120** | **51** | 538 | **1 162** | 8 | **1 170** |
| 5 360 | 1 047 | **6 407** | **3 978** | 1 227 | **24 359** | (284) | **24 075** |
| 5 328 | 959 | **6 287** | **3 927** | 347 | **22 855** | (292) | **22 563** |
| – | – | **–** | **–** | – | **–** | (176) | **(176)** |
| 5 328 | 959 | **6 287** | **3 927** | 347 | **22 855** | (468) | **22 387** |
| – | – | **–** | **–** | – | **–** | 494 | **494** |
| – | – | **–** | **–** | – | **–** | (6) | **(6)** |
| – | – | **–** | **–** | – | **–** | (102) | **(102)** |
| – | – | **–** | **–** | – | **–** | 82 | **82** |
| 5 328 | 959 | **6 287** | **3 927** | 347 | **22 855** | – | **22 855** |

Segment report for the year ended 31 June 2016 *continued*

| | Year ended 30 June 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | | | | | | |
| | Retail | | | | | | | |
| *R million* | Residential mortgages | Card | Personal loans | Retail other | **Retail** | Commercial | FNB Africa** | **Total FNB** |
| Cost-to-income ratio (%) | 40.6 | 49.8 | 29.7 | 58.5 | **51.0** | 54.7 | 67.3 | **54.1** |
| Diversity ratio (%) | 13.4 | 41.7 | 23.5 | 64.0 | **48.1** | 46.1 | 54.7 | **48.4** |
| Credit loss ratio (%) | 0.22 | 2.73 | 7.84 | 5.66 | **1.20** | 0.53 | 1.38 | **1.08** |
| NPLs as a percentage of advances (%) | 2.46 | 3.46 | 7.33 | 5.49 | **3.03** | 2.49 | 4.04 | **3.03** |
| **Consolidated income statement includes** | | | | | | | | |
| Depreciation | (6) | (5) | (5) | (1 347) | **(1 363)** | (32) | (221) | **(1 616)** |
| Amortisation | – | – | – | (19) | **(19)** | – | (8) | **(27)** |
| Net impairment charges | – | – | – | 3 | **3** | – | (53) | **(50)** |
| **Statement of financial position includes** | | | | | | | | |
| Advances (after ISP – before impairments) | 189 453 | 21 968 | 14 443 | 14 344 | **240 208** | 77 957 | 43 609 | **361 774** |
| – Normal advances | 189 453 | 21 968 | 14 443 | 14 344 | **240 208** | 77 957 | 43 609 | **361 774** |
| – Securitised advances | – | – | – | – | **–** | – | – | **–** |
| NPLs net of ISP | 4 664 | 759 | 1 059 | 787 | **7 269** | 1 941 | 1 763 | **10 973** |
| Investments in associated companies | – | – | – | 237 | **237** | – | 5 | **242** |
| Investments in joint ventures | – | – | – | – | **–** | 6 | – | **6** |
| Total deposits (including non-recourse deposits) | 706 | 1 557 | 1 | 177 886 | **180 150** | 167 401 | 37 180 | **384 731** |
| Total assets | 188 110 | 21 229 | 13 157 | 34 108 | **256 604** | 77 595 | 49 217 | **383 416** |
| Total liabilities* | 187 483 | 20 521 | 12 611 | 22 906 | **243 521** | 74 112 | 49 309 | **366 942** |
| Capital expenditure | 3 | 5 | 2 | 2 091 | **2 101** | 62 | 2 093 | **4 256** |

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

* *Total liabilities are net of interdivisional balances.*

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

# *Refer to additional segmental information on page 34.*

† *Restated, refer to pages 121 and 122 for more detailed information.*

| Year ended 30 June 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|
| RMB | | | | | | | |
| Investment banking | Corporate banking | **Total RMB** | **WesBank#** | FCC (including Group Treasury) and other | **FirstRand group – normalised** | Normalised adjustments | **FirstRand group – IFRS†** |
| 40.5 | 60.5 | **45.1** | **39.1** | (>100) | **51.1** | – | **51.8** |
| 68.3 | 54.3 | **65.0** | **29.5** | >100 | **45.5** | – | **47.7** |
| 0.25 | 0.45 | **0.27** | **1.59** | (0.04) | **0.86** | – | **0.86** |
| 1.50 | 0.36 | **1.35** | **3.38** | – | **2.45** | – | **2.45** |
| | | | | | | | |
| (218) | (5) | **(223)** | **(535)** | 67 | **(2 307)** | (99) | **(2 406)** |
| (14) | – | **(14)** | **(62)** | (1) | **(104)** | (4) | **(108)** |
| 22 | (3) | **19** | **(107)** | 18 | **(120)** | (5) | **(125)** |
| | | | | | | | |
| 229 233 | 36 170 | **265 403** | **199 297** | 41 508 | **867 982** | (420) | **867 562** |
| 229 233 | 36 170 | **265 403** | **176 616** | 41 508 | **845 301** | (420) | **844 881** |
| – | – | **–** | **22 681** | – | **22 681** | – | **22 681** |
| 3 440 | 130 | **3 570** | **6 739** | – | **21 282** | – | **21 282** |
| 2 744 | – | **2 744** | **1 983** | (5) | **4 964** | – | **4 964** |
| 1 305 | – | **1 305** | **–** | (17) | **1 294** | 50 | **1 344** |
| 111 173 | 123 679 | **234 852** | **60** | 300 287 | **919 930** | – | **919 930** |
| 395 822 | 39 311 | **435 133** | **205 016** | 125 761 | **1 149 326** | (49) | **1 149 277** |
| 385 887 | 37 435 | **423 322** | **199 686** | 51 262 | **1 041 212** | – | **1 041 212** |
| 176 | 5 | **181** | **1 454** | 12 | **5 903** | – | **5 903** |

# ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

| | Six months ended 31 December 2016 | | | | | |
|---|---|---|---|---|---|---|
| | VAF | | | | | |
| | Retail | | | | | |
| *R million* | South Africa | MotoNovo (UK) | Corporate and commercial | Personal loans | Rest of Africa | Total WesBank |
| NII before impairment of advances | **2 280** | **1 282** | **281** | **1 182** | **175** | **5 200** |
| Impairment of advances | **(709)** | **(344)** | **(25)** | **(505)** | **(46)** | **(1 629)** |
| Normalised profit before tax | **1 351** | **588** | **169** | **622** | **25** | **2 755** |
| Normalised earnings | **947** | **423** | **122** | **448** | **4** | **1 944** |
| Advances | **99 323** | **48 116** | **28 525** | **12 468** | **8 305** | **196 737** |
| – Normal advances | **92 016** | **22 236** | **28 525** | **12 468** | **8 305** | **163 550** |
| – Securitised advances | **7 307** | **25 880** | **–** | **–** | **–** | **33 187** |
| NPLs | **5 158** | **292** | **267** | **1 238** | **181** | **7 136** |
| Advances margin (%) | **3.83** | **5.53** | **2.28** | **19.15** | **3.72** | **4.99** |
| NPLs (%) | **5.19** | **0.61** | **0.94** | **9.93** | **2.18** | **3.63** |
| Credit loss ratio (%) | **1.42** | **1.40** | **0.17** | **8.30** | **1.11** | **1.65** |

| | Six months ended 31 December 2015 | | | | | |
|---|---|---|---|---|---|---|
| | VAF | | | | | |
| | Retail | | | | | |
| *R million* | South Africa | MotoNovo (UK) | Corporate and commercial | Personal loans | Rest of Africa | Total WesBank |
| NII before impairment of advances | 2 149 | 1 125 | 320 | 1 070 | 149 | 4 813 |
| Impairment of advances | (631) | (220) | (34) | (453) | (13) | (1 351) |
| Normalised profit before tax | 1 015 | 681 | 141 | 637 | 44 | 2 518 |
| Normalised earnings | 705 | 490 | 100 | 459 | 32 | 1 786 |
| Advances | 98 530 | 48 447 | 31 277 | 11 271 | 8 332 | 197 857 |
| – Normal advances | 96 749 | 35 050 | 31 277 | 11 271 | 8 332 | 182 679 |
| – Securitised advances | 1 781 | 13 397 | – | – | – | 15 178 |
| NPLs | 4 345 | 214 | 385 | 1 018 | 149 | 6 111 |
| Advances margin (%) | 3.82 | 5.74 | 2.47 | 19.63 | 3.61 | 4.92 |
| NPLs (%) | 4.41 | 0.44 | 1.23 | 9.03 | 1.79 | 3.09 |
| Credit loss ratio (%) | 1.28 | 1.06 | 0.22 | 8.33 | 0.33 | 1.43 |

| | Year ended 30 June 2016 | | | | | |
|---|---|---|---|---|---|---|
| | VAF | | | | | |
| | Retail | | | | | |
| *R million* | South Africa | MotoNovo (UK) | Corporate and commercial | Personal loans | Rest of Africa | Total WesBank |
| NII before impairment of advances | 4 457 | 2 472 | 658 | 2 247 | 308 | 10 142 |
| Impairment of advances | (1 377) | (571) | (31) | (975) | (59) | (3 013) |
| Normalised profit before tax | 2 358 | 1 360 | 382 | 1 327 | 91 | 5 518 |
| Normalised earnings | 1 675 | 979 | 280 | 955 | 38 | 3 927 |
| Advances | 99 702 | 50 223 | 29 210 | 11 870 | 8 292 | 199 297 |
| – Normal advances | 98 378 | 28 866 | 29 210 | 11 870 | 8 292 | 176 616 |
| – Securitised advances | 1 324 | 21 357 | – | – | – | 22 681 |
| NPLs | 4 882 | 247 | 303 | 1 128 | 179 | 6 739 |
| Advances margin (%) | 3.79 | 5.53 | 2.40 | 19.52 | 4.11 | 4.89 |
| NPLs (%) | 4.90 | 0.49 | 1.04 | 9.50 | 2.16 | 3.38 |
| Credit loss ratio (%) | 1.39 | 1.35 | 0.10 | 8.73 | 0.75 | 1.59 |

# ADDITIONAL ACTIVITY DISCLOSURE – RMB

| Normalised PBT<br>*R million* | Six months ended 31 December 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | **IB&A** | **C&TB** | **M&S** | **INV** | **IM** | **Other** | **Total** |
| Global Markets | **–** | **–** | **714** | **5** | **16** | **(60)** | **675** |
| IBD | **1 585** | **–** | **32** | **85** | **22** | **–** | **1 724** |
| Private Equity | **–** | **–** | **–** | **535** | **–** | **–** | **535** |
| Other RMB | **(50)** | **–** | **–** | **–** | **–** | **294** | **244** |
| **Investment banking** | **1 535** | **–** | **746** | **625** | **38** | **234** | **3 178** |
| **Corporate banking** | **–** | **877** | **–** | **–** | **–** | **–** | **877** |
| **Total RMB** | **1 535** | **877** | **746** | **625** | **38** | **234** | **4 055** |

| Normalised PBT<br>*R million* | Six months ended 31 December 2015 | | | | | | |
|---|---|---|---|---|---|---|---|
| | IB&A | C&TB | M&S | INV | IM | Other | Total |
| Global Markets | – | – | 618 | 12 | 63 | (38) | 655 |
| IBD | 1 402 | – | 30 | 89 | 25 | – | 1 546 |
| Private Equity | – | – | – | 1 256 | – | – | 1 256 |
| Other RMB | (200) | – | – | – | – | (57) | (257) |
| **Investment banking** | 1 202 | – | 648 | 1 357 | 88 | (95) | 3 200 |
| **Corporate banking** | – | 756 | – | – | – | – | 756 |
| **Total RMB** | 1 202 | 756 | 648 | 1 357 | 88 | (95) | 3 956 |

| Normalised PBT<br>*R million* | Year ended 30 June 2016 | | | | | | |
|---|---|---|---|---|---|---|---|
| | IB&A | C&TB | M&S | INV | IM | Other | Total |
| Global Markets | – | – | 1 335 | (24) | 120 | (43) | 1 388 |
| IBD | 3 557 | – | 52 | 125 | 51 | – | 3 785 |
| Private Equity | – | – | – | 2 537 | – | – | 2 537 |
| Other RMB | (300) | – | – | – | – | 54 | (246) |
| **Investment banking** | 3 257 | – | 1 387 | 2 638 | 171 | 11 | 7 464 |
| **Corporate banking** | – | 1 454 | – | – | – | – | 1 454 |
| **Total RMB** | 3 257 | 1 454 | 1 387 | 2 638 | 171 | 11 | 8 918 |

*Note:*

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

# income statement analysis

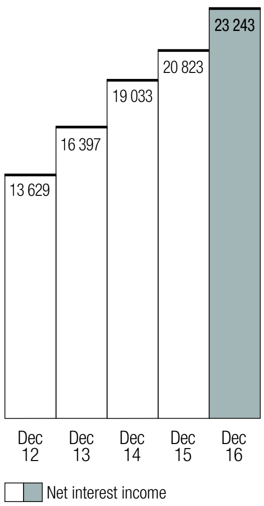
pg 38 – 57

## NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 12%

*NET INTEREST INCOME*

*R million*

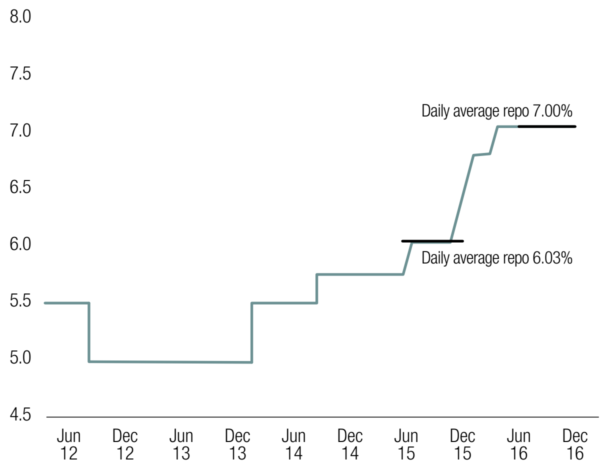
CAGR 14%




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

*REPO RATE*

*%*




*Note: R186 billion = average endowment book for the period. Rates were higher by 97 bps on average in the current period, which translates into a positive endowment impact of approximately R1.8 billion on an annualised basis and more than R900 million for the period under review.*

*MARGIN CASCADE TABLE*

| *Percentage of average interest-earning banking assets* | % |
|---|---|
| **December 2015 normalised margin*** | **5.10** |
| Capital and deposit endowment | **0.22** |
| Advances | **(0.01)** |
| – Change in balance sheet mix | **(0.01)** |
| – Asset pricing | **–** |
| Liabilities | **0.05** |
| – Change in funding mix (deposits) | **0.06** |
| – Term funding cost | **0.01** |
| – Deposit pricing | **(0.02)** |
| Group Treasury and other movements | **(0.07)** |
| – MTM vs accrual on term issuance in professional funding | **(0.06)** |
| – Liquidity management | **(0.09)** |
| – Increase in HQLA | **(0.08)** |
| – Liquidity mismatches | **(0.01)** |
| – Interest rate risk hedges | **0.04** |
| – Accounting mismatches | **0.01** |
| – Other | **0.03** |
| **December 2016 normalised margin** | **5.29** |

* *The prior period margin has been restated due to the Africa segmentation process which was finalised in the second half of the previous financial year.*

*ACTIVITY ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| R million | 2016 | 2015 | % change | 2016 |
| **Net interest income** | | | | |
| Lending* | **9 802** | 9 306 | 5 | 19 002 |
| Transactional** | **7 192** | 6 120 | 18 | 12 745 |
| Savings and term deposits# | **1 385** | 1 308 | 6 | 2 794 |
| Capital endowment† | **3 044** | 2 642 | 15 | 5 104 |
| FNB Africa‡ | **1 559** | 1 278 | 22 | 2 730 |
| Group Treasury† | **298** | (27) | (>100) | 730 |
| Other (negative endowment, e.g fixed assets)*,# | **(37)** | 196 | (>100) | 625 |
| **Total net interest income** | **23 243** | 20 823 | 12 | 43 730 |

* *NII related to certain asset classes were reclassified from lending to other. December 2015 figures have been restated to reflect this change.*
** *Includes NII related to credit cards, overdrafts and transactional deposit products, and deposit endowment.*
# *December 2015 savings and term deposits and other NII restated to reflect certain classification changes.*
† *Improved methodology for the attribution or return on capital resulted in shifts between the capital endowment and Group Treasury lines for December 2015.*
‡ *This includes FNB operations in Africa and India.*

## KEY DRIVERS

- Positive capital and deposit endowment from the cumulative 125 bps increase in the repo rate during the 12-month period ended June 2016 (25 bps increases in the repo rate in July and November 2015 and March 2016, and 50 bps in January 2016), which represents an average increase of 97 bps in the repo rate period-on-period.
- NII growth supported by:
  - higher capital levels; and
  - advances and deposit growth of 4% and 6%, respectively.
- FNB's margins benefited from positive deposit endowment and an increase in the deposit base, but decreased overall due to compression in advances margins. Repricing benefits in card and retail overdrafts were offset by higher funding and liquidity costs as well as higher levels of suspended interest on NPLs.
- WesBank's margins increased, positively impacted by the mix change in new business in the retail SA VAF book but offset by slower growth in MotoNovo (UK), continued elevated funding and liquidity costs and increased competitive pressures.
- Investment banking advances margins were negatively impacted by continued high levels of funding and liquidity costs as well as competitive pricing pressure.
- A decrease of R96 million (December 2015: R72 million increase) in the dollar funding carry costs relating to pre-funding dollar liquidity in previous financial years, positively impacted by the partial deployment of a portion of the funding to assets and a reduction in the level of surplus funding period-on-period.
- R185 million profit, compared to R162 million negative mark-to-market movement in December 2015, on non-hedge accounted interest rate risk management hedge positions closed out during the period.
- Negative period-on-period mark-to-market movement of R254 million on fair value term funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated.
- The ongoing build-up of HQLA in compliance with the LCR prudential regulatory requirement negatively impacted the group's interest margin, albeit at lower levels than in the prior period.

*AVERAGE BALANCE SHEET*

| *R million* | Notes | **December 2016** Average balance# | Interest income/ (expense) | Average rate % | December 2015† Average balance | Interest income/ (expense) | Average rate % |
|---|---|---|---|---|---|---|---|
| **INTEREST-EARNING ASSETS** | | | | | | | |
| **Average prime rate (RSA)** | | | | **10.50** | | | 9.53 |
| Balances with central banks | | **23 123** | **–** | **–** | 21 409 | – | – |
| Cash and cash equivalents | | **15 907** | **302** | **3.77** | 13 334 | 238 | 3.54 |
| Liquid assets portfolio | | **104 315** | **4 012** | **7.63** | 92 616 | 3 268 | 7.00 |
| Loans and advances to customers | 1 | **728 872** | **40 094** | **10.91** | 681 960 | 34 972 | 10.17 |
| **Interest-earning assets** | | **872 217** | **44 408** | **10.10** | 809 319 | 38 478 | 9.43 |
| **INTEREST-BEARING LIABILITIES** | | | | | | | |
| **Average JIBAR** | | | | **7.35** | | | 6.23 |
| Deposits due to customers | 2 | **(545 108)** | **(12 563)** | **4.57** | (492 373) | (9 327) | 3.76 |
| Group Treasury funding | | **(301 629)** | **(10 213)** | **6.72** | (283 874) | (8 443) | 5.90 |
| **Interest-bearing liabilities** | | **(846 737)** | **(22 776)** | **5.34** | (776 247) | (17 770) | 4.54 |
| **ENDOWMENT AND TRADING BOOK** | | | | | | | |
| Other assets* | | **215 412** | **–** | **–** | 208 651 | – | – |
| Other liabilities** | | **(125 444)** | **–** | **–** | (140 615) | – | – |
| NCNR preference shareholders | | **(4 519)** | **–** | **–** | (4 519) | – | – |
| Equity | | **(110 929)** | **–** | **–** | (96 589) | – | – |
| **Endowment and trading book** | | **(25 480)** | **1 611** | **(12.54)** | (33 072) | 115 | (0.69) |
| **Total interest-bearing liabilities, endowment and trading book** | | **(872 217)** | **(21 165)** | **4.81** | (809 319) | (17 655) | 4.33 |
| **Net interest margin on average interest-earning assets** | | **872 217** | **23 243** | **5.29** | 809 319 | 20 823 | 5.10 |

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

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

** *Includes trading liabilities.*

# *Includes level 1 HQLA and level 2 HQLA and corporate bonds not qualifying as HQLA.*

† *2015 numbers have been restated due to the Africa segmentation process which was finalised in the second half of the previous financial year.*

*NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS*

| | December 2016 | | December 2015# | |
|---|---|---|---|---|
| *R million* | Average balance | Average margin % | Average balance | Average margin % |
| **Average prime rate (RSA)** | | **10.50** | | 9.53 |
| **ADVANCES** | | | | |
| **Retail – secured** | **340 977** | **2.83** | 329 991 | 2.93 |
| Residential mortgages | **189 949** | **1.62** | 183 317 | 1.79 |
| VAF | **151 028** | **4.35** | 146 674 | 4.36 |
| **Retail – unsecured** | **66 111** | **12.48** | 58 729 | 12.47 |
| Card | **22 512** | **9.43** | 20 443 | 9.31 |
| Personal loans | **29 032** | **16.60** | 25 106 | 16.98 |
| – FNB loans | **16 569** | **14.68** | 14 653 | 15.09 |
| – WesBank loans | **12 463** | **19.15** | 10 453 | 19.63 |
| Retail other | **14 567** | **8.99** | 13 180 | 8.77 |
| **Corporate and commercial** | **279 212** | **2.27** | 255 639 | 2.35 |
| FNB commercial | **77 752** | **3.39** | 68 595 | 3.55 |
| – Mortgages | **18 475** | **2.34** | 16 274 | 2.60 |
| – Overdrafts | **28 838** | **4.32** | 25 062 | 4.51 |
| – Term loans | **30 439** | **3.15** | 27 259 | 3.24 |
| WesBank corporate | **31 712** | **2.47** | 31 641 | 2.62 |
| RMB investment banking* | **136 550** | **1.65** | 122 951 | 1.70 |
| RMB corporate banking | **33 198** | **1.95** | 32 452 | 1.98 |
| **FNB Africa**** | **42 572** | **3.69** | 37 601 | 4.11 |
| **Total advances** | **728 872** | **3.54** | 681 960 | 3.60 |

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

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

** *Includes FNB operations in Africa and India.*

# *2015 numbers have been restated due to the Africa segmentation process which was finalised in the second half of the previous financial year.*

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*

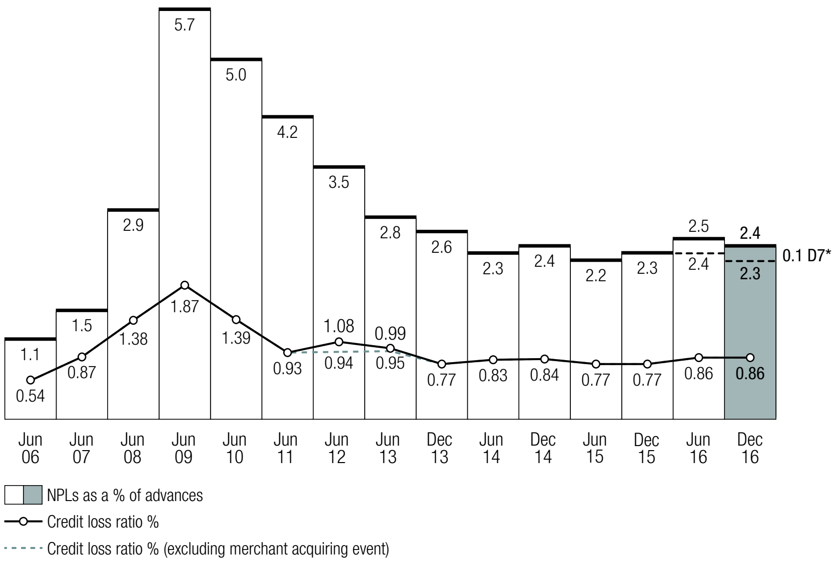
| | December 2016 | | December 2015** | |
|---|---|---|---|---|
| *R million* | Average balance | Average margin % | Average balance | Average margin % |
| **Average prime rate (RSA)** | | **10.50** | | 9.53 |
| **DEPOSITS** | | | | |
| **Retail** | **170 335** | **2.97** | 150 472 | 2.95 |
| Current and savings | **54 938** | **6.77** | 52 161 | 6.04 |
| Call | **44 084** | **1.39** | 36 548 | 1.68 |
| Term | **71 313** | **1.01** | 61 763 | 1.09 |
| **Commercial** | **171 899** | **2.92** | 157 443 | 2.73 |
| Current and savings | **63 495** | **6.09** | 59 767 | 5.24 |
| Call | **66 580** | **1.48** | 59 379 | 1.64 |
| Term | **41 824** | **0.40** | 38 297 | 0.49 |
| **Corporate and investment banking** | **166 588** | **1.00** | 150 153 | 0.94 |
| Current and savings | **64 126** | **1.29** | 58 731 | 1.25 |
| Call | **58 842** | **1.21** | 54 657 | 1.04 |
| Term | **43 620** | **0.28** | 36 765 | 0.30 |
| **FNB Africa*** | **36 286** | **4.15** | 34 305 | 3.14 |
| **Total deposits** | **545 108** | **2.43** | 492 373 | 2.28 |

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

** Includes FNB operations in Africa and India.*
*** 2015 numbers have been restated due to the Africa segmentation process which was finalised in the second half of the previous financial year.*

## CREDIT HIGHLIGHTS

*NPLs AND IMPAIRMENT HISTORY*

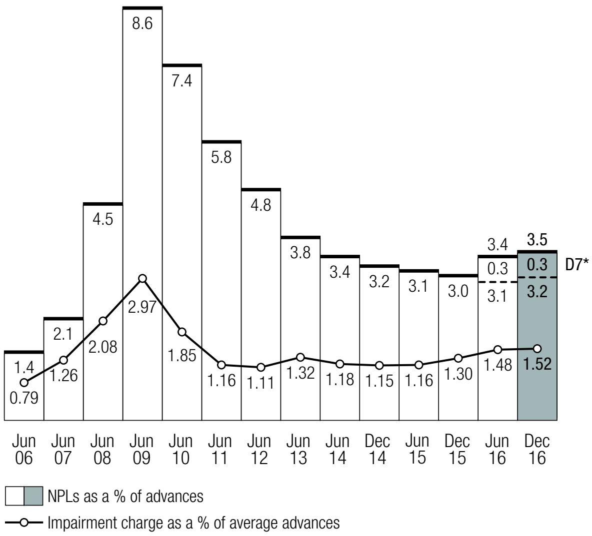



* *Further information is on pages 46 and 47.*

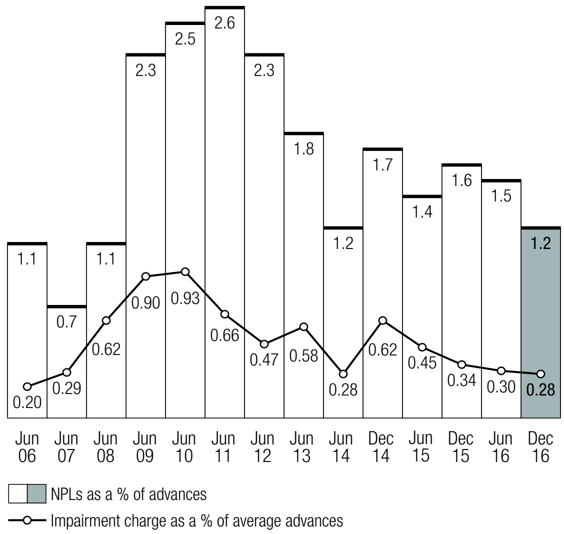
| R million | Six months ended 31 December 2016 | Six months ended 31 December 2015 | % change | Year ended 30 June 2016 |
|---|---|---|---|---|
| Total gross advances | **880 742** | 844 691 | 4 | 867 982 |
| NPLs | **20 851** | 19 409 | 7 | 21 282 |
| NPLs as a % of advances | **2.37** | 2.30 | | 2.45 |
| Impairment charge | **3 741** | 3 145 | 19 | 7 159 |
| Credit loss ratio (%) | **0.86** | 0.77 | | 0.86 |
| Total impairments | **16 571** | 16 158 | 3 | 16 577 |
| – Portfolio impairments | **8 589** | 7 988 | 8 | 8 359 |
| – Specific impairments | **7 982** | 8 170 | (2) | 8 218 |
| Specific coverage ratio (%)* | **38.3** | 42.1 | | 38.6 |
| Total impairments coverage ratio (%)** | **79.5** | 83.3 | | 77.9 |
| Performing book coverage ratio (%)# | **1.00** | 0.97 | | 0.99 |

* *Specific impairments as a percentage of NPLs.*
** *Total impairments 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 19%, with the credit loss ratio increasing from 77 bps in December 2015 to 86 bps (June 2016: 86 bps), reflecting the deteriorating macroeconomic environment in South Africa and significant macro headwinds in various markets in the rest of Africa. This resulted in an increase in specific impairments in certain portfolios and the creation of additional portfolio impairments during the period. Operational NPLs, excluding the impact of distressed debt reclassifications in FNB amounting to R1.1 billion (refer pages 46 and 47), increased 2%. At 31 December 2016, restructured debt review NPLs constituted more than 20% of total group NPLs.

The total impairment coverage ratio reduced from 83.3% at December 2015 (June 2016: 77.9%) to 79.5%, reflecting the impact of paying debt review customers and the work-out and write-off of certain large corporate exposures and a partial central overlay release.

The 8% increase in portfolio impairments was driven by book growth as well as the deteriorating macro environment in South Africa. The improvement in commodity prices over the last 12 months, however, resulted in a significant reduction of impairments raised in RMB against its mining, and oil and gas lending portfolio.

## KEY DRIVERS

- Retail NPLs as a % of advances increased to 3.45% (December 2015: 2.96%; June 2016: 3.36%), impacted by:
  - A marginal increase of R192 million in residential mortgage NPLs since December 2015, due to the R364 million reclassification from the D7 definition change. The turn of the cycle, resulting in lower cure rates and an increase in new NPL formation across the portfolio is expected to continue.
  - An increase of 77% in FNB loans and 53% increase in card, reflecting the worsening macro environment, new business strain and the impact of the implementation of D7. Excluding D7, NPLs increased 36% and 16%, respectively, in these portfolios. On a rolling six-month basis, NPL formation in these portfolios moderated to 16% and 7%, reflecting the impact of more conservative credit origination over the last 12 months.
- Retail SA VAF and WesBank personal loans NPLs increased 19% and 22%, respectively. An increase in the proportion of restructured debt review accounts as well as the worsening credit cycle adversely impacted NPL formation.
- NPLs in MotoNovo (UK) increased 36% (GBP +87%), reflecting the maturing of the book and was expected given the strong book growth experienced over the last three financial years.
- Corporate NPLs decreased 40% (32% since June 2016). The decrease was specifically due to the work-out and write-off of certain large resource-related NPLs in the RMB investment banking advances book as well as certain WesBank corporate exposures which originated in previous reporting periods.
- FNB Commercial NPLs increased 34% reflecting strong book growth, an increase in agric NPLs as a result of the continued drought conditions, and an increase in specialised finance NPLs.
- The rest of Africa encountered significant headwinds characterised by high inflation, rising interest rates, currency devaluation, scarce liquidity, drought conditions, regulatory intervention and a general slowdown in economic growth. This resulted in a 20% increase in NPLs, with the most significant increases emanating from Mozambique and Zambia.
- Post write-off recoveries remained robust at R1.067 billion (December 2015: R956 million; June 2016: R1.883 billion) driven by card, the unsecured retail lending portfolios and retail SA VAF.

### SARB Directive 7 – Restructured debt review

As previously communicated, following the implementation of *SARB Directive 7* (D7) during the second half of the 2016 financial year, the group took the opportunity to align FNB to WesBank's classification of unsecured lending restructured debt review customers as NPLs, which is even more stringent than the SARB requirements. As a result, the current period reflects all restructured FNB unsecured debt review customers as NPLs.

WesBank classifies all retail SA VAF restructured debt review clients as NPLs. For residential mortgages (secured loans), from the 2016 financial year, all performing (i.e. no instalment in arrears under the original contract) debt review customers are classified as arrears and debt review customers who are two months in arrears are relegated to NPLs when classified as debt review.

The consequence of this change in classification is minimal on the actual impairment charge. Debt review NPLs across all FNB retail portfolios, however, increased to R1 090 million period-on-period (R953 million at 30 June 2016).

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

The group continues to adopt the policy of not rescheduling paying debt review customers to performing status irrespective of payment behaviour under debt review requirements. This is more conservative than the allowed treatment under D7 curing requirements which allow paying customers to be reclassified to performing once at least six consecutive payments have been received.

The table below reflects the impact on NPLs in the current reporting period across the affected FNB portfolios and for the group in total.

| *R million* | Operational NPLs | Reclassified NPLs | Total NPLs | Total NPLs % increase | Operational NPLs % change |
|---|---|---|---|---|---|
| Residential mortgages | 4 098 | 364 | 4 462 | 4 | (4) |
| Card | 618 | 196 | 814 | 53 | 16 |
| Personal loans | 882 | 344 | 1 226 | 77 | 28 |
| Retail other | 533 | 186 | 719 | 31 | (3) |
| **FNB Retail NPLs** | 6 131 | 1 090 | 7 221 | 20 | 1 |
| **Total NPLs** | 19 761 | 1 090 | 20 851 | 7 | 2 |

The table below provides an analysis of coverage ratios between debt-review and non-debt review NPLs.

| | Debt review coverage | | | Non-debt review coverage | | | Total NPL coverage | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| *Coverage ratio (%)* | Dec 2016 | Jun 2016 | Dec 2015* | Dec 2016 | Jun 2016 | Dec 2015* | Dec 2016 | Jun 2016 | Dec 2015* | Change |
| FNB credit card | **42.2** | 43.0 | – | **75.7** | 76.0 | 71.8 | **67.6** | 67.3 | 71.8 | ↓ |
| FNB retail other | **43.4** | 43.0 | – | **79.8** | 75.6 | 78.3 | **71.6** | 70.4 | 78.3 | ↓ |
| FNB loans# | **71.5** | 66.7 | – | **70.1** | 70.1 | 77.3 | **70.5** | 71.3 | 77.3 | ↓ |
| WesBank loans** | **31.4** | 32.6 | 38.6 | **69.1** | 70.2 | 87.4 | **39.4** | 41.2 | 51.6 | ↓ |
| SA VAF** | **17.0** | 18.3 | 21.5 | **40.9** | 40.5 | 46.1 | **28.5** | 29.5 | 33.4 | ↓ |

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

** *The debt review coverage reduced due to the increasing proportion of older paying debt review accounts.*

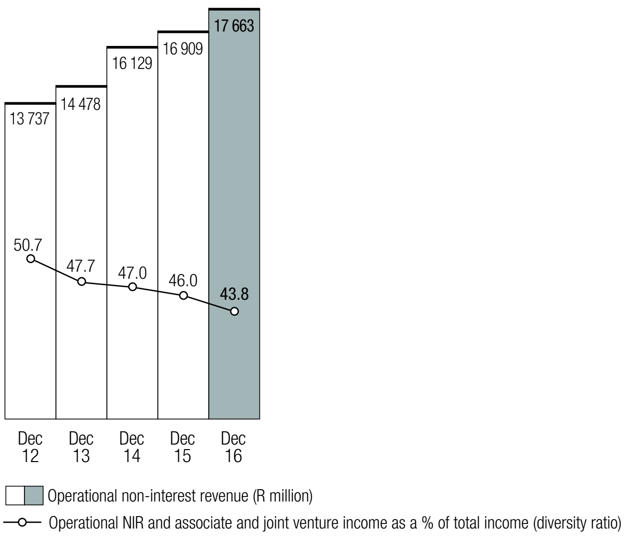
\# *A revised debt review model is being recalibrated and will result in lower coverage in the loans portfolio.*

## TOTAL NON-INTEREST REVENUE – UP 2%

### Operational non-interest revenue – up 4%

*OPERATIONAL NON-INTEREST REVENUE AND DIVERSITY RATIO*

Operational NIR CAGR 6%




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

*ANALYSIS OF OPERATIONAL NON-INTEREST REVENUE*

| | | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|---|
| R million | Notes | 2016 | 2015 | % change | 2016 |
| Fee and commission income | 1 | **14 713** | 13 583 | 8 | 27 681 |
| Markets, client and other fair value income | 2 | **1 664** | 1 530 | 9 | 3 361 |
| Investment income | 3 | **89** | 668 | (87) | 1 364 |
| Other non-interest revenue | 4 | **1 197** | 1 128 | 6 | 2 583 |
| – Consolidated private equity income | | **93** | 172 | (46) | 518 |
| – Other | | **1 104** | 956 | 15 | 2 065 |
| **Operational non-interest revenue** | | **17 663** | 16 909 | 4 | 34 989 |

NIR growth was satisfactory given the difficult macroeconomic environment and the non-recurrence of large private equity realisations recorded in the prior period.

Fee and commission income growth benefited from robust volume growth, specifically in electronic channels, combined with solid growth in customer numbers. Fee and commission income represents 83% (December 2015: 80%) of operational NIR.

The downward trend in the diversity ratio, despite NIR growth over the past five years, results from strong deposit growth, the positive endowment impact, specific credit strategies, including change in mix in retail advances and repricing strategies and, in the current period specifically, the non-recurrence of large private equity realisations.

*NOTE 1 – FEE AND COMMISSION INCOME – UP 8%*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| Bank commissions and fee income | **12 972** | 12 090 | 7 | 24 515 |
| – Card commissions | **1 959** | 1 707 | 15 | 3 480 |
| – Cash deposit fees | **981** | 1 057 | (7) | 2 070 |
| – Commissions on bills, drafts and cheques* | **1 136** | 1 025 | 11 | 2 216 |
| – Bank charges*,** | **8 896** | 8 301 | 7 | 16 749 |
| Knowledge-based fees | **734** | 625 | 17 | 1 429 |
| Management and fiduciary fees | **943** | 935 | 1 | 1 901 |
| Insurance income | **1 905** | 1 547 | 23 | 3 241 |
| Other non-bank commissions | **413** | 400 | 3 | 824 |
| Gross fee and commission income | **16 967** | 15 597 | 9 | 31 910 |
| Fee and commission expenditure | **(2 254)** | (2 014) | 12 | (4 229) |
| **Total fee and commission income** | **14 713** | 13 583 | 8 | 27 681 |

* *Bank charges which better relate to commissions on bills, drafts and cheques have been reallocated in prior periods.*

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

## KEY DRIVERS

- FNB grew NIR 6%, driven by increased cross-sell into the client base, as well as growth in the main-banked client base, specifically in Premium (+8%) and Business (+15%). There was a negative impact on total fee income growth from a reduction in cash deposit fees and higher reward costs linked to the e-migration and cross-sell strategy.
- The strategy of migrating customers out of branches to electronic channels remains successful, but impacted absolute NIR growth negatively through lower fee levels. In addition, through the simplification of the product offering and pricing strategies in the consumer segment, fee income growth was curtailed by c.R250 million.
- Transaction volume growth remained robust at 11%. Electronic volumes increased 12%, whilst manual volumes only grew 2%.

| | Increase in transaction volumes % |
|---|---|
| Mobile (excluding prepaid) | **26** |
| Internet banking | **11** |
| Cheque card | **10** |
| Banking app | **80** |
| ADT/ATM cash deposits | **18** |

- Insurance revenues grew 23% driven by volume growth in funeral and credit products in FNB, further augmented by the MMI book transfer effective October 2016. WesBank insurance income grew 13%, positively impacted by the MotoVantage acquisition in November 2015.
- Knowledge-based fees remained robust, underpinned by key lending transactions and underwriting mandates.
- The group's management and fiduciary fee income growth of 1% reflects declining brokerage fees due to subdued activity and volatility in the market, despite growth of 12% in AUM period-on-period.

*NOTE 2 – MARKETS, CLIENT AND OTHER FAIR VALUE INCOME – UP 9%*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| Client | **1 051** | 834 | 26 | 1 591 |
| Markets | **609** | 632 | (4) | 1 833 |
| Other | **4** | 64 | (94) | (63) |
| **Total** | **1 664** | 1 530 | 9 | 3 361 |

## KEY DRIVERS

- Client revenues remained resilient, benefitting from positive fair value adjustments on high yield investments, offset by regulatory changes in certain jurisdictions which partly impacted client revenues.
- The structuring business posted a strong performance, benefiting from notable client-driven structuring solutions, as well as the non-repeat of a specific credit event related to a client impacted by the foreign exchange volatility in the comparative period.
- Flow trading and residual risk activities delivered a balanced performance across asset classes relative to the previous reporting period that was impacted by heightened levels of volatility in foreign exchange, fixed-income and credit-trading markets. This was coupled with a strong commodities performance which benefitted from increased prices and sustained demand.
- The decrease in other fair value income is primarily due to mark-to-market losses on seed capital investments in certain Ashburton Investments funds. This was offset by an increase in the net TRS fair value income (impacted by the R8.33 increase in the group's share price during the current period compared to the R10.95 decrease in the prior period, the number of shares hedged through the TRS, and the grant values and vesting of the various schemes).

*NOTE 3 – INVESTMENT INCOME – DOWN 87%*

| R million | Six months ended 31 December 2016 | Six months ended 31 December 2015 | % change | Year ended 30 June 2016 |
|---|---|---|---|---|
| **Private equity realisations and dividends received** | **60** | 697 | (91) | 1 212 |
| – Profit on realisation of private equity investments | **53** | 654 | (92) | 1 159 |
| – Dividends received | **–** | 35 | (100) | 36 |
| – Other private equity income | **7** | 8 | (13) | 17 |
| **Other investment income** | **29** | (29) | (>100) | 152 |
| – Profit on assets held against employee liabilities | **(47)** | 40 | (>100) | 133 |
| – RMB Resources | **12** | (119) | (>100) | (96) |
| – Other investment income | **64** | 50 | 28 | 115 |
| **Total investment income** | **89** | 668 | (87) | 1 364 |

## KEY DRIVERS

- The non-repeat of the c.R1 billion profit on realisation of private equity investments in the prior period, a portion of which was reflected as equity-accounted income (refer page 52), significantly impacted investment income in the current period.
- The RMB Resources portfolio curtailed losses due to the recovery of commodity prices.
- The group's ELI asset portfolio's performance trended down due to the 3% decrease in the ALSI (December 2015: 1% increase), declining inflation-linked bond yields and increased number of beneficiaries of the post-retirement medical scheme as more employees covered by the scheme reach retirement age.

*NOTE 4 – OTHER NON-INTEREST INCOME – UP 6%*

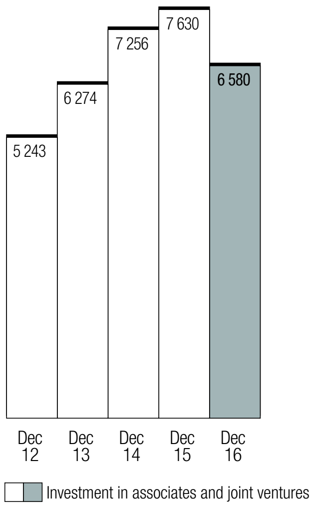
## KEY DRIVERS

- Consolidated private equity income is down period-on-period due to disposals in the second half of the previous financial year.
- The most significant other non-interest income items relate to various rental income streams and reinsurance income. Rental income in WesBank and FNB showed strong growth, with WesBank in particular showing strong growth in full maintenance lease new business.

## Share of profits from associates and joint ventures – down 42%

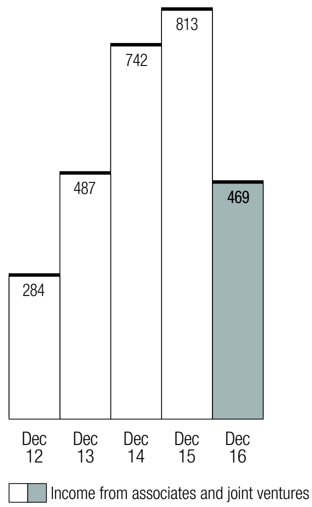
*INVESTMENT IN ASSOCIATES AND JOINT VENTURES*

*R million*




*SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES*

*R million*




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

*SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| **Private equity associates and joint ventures** | **307** | 679 | (55) | 1 380 |
| – Profit for the period | **314** | 705 | (55) | 1 488 |
| – Impairments | **(7)** | (26) | (73) | (108) |
| **WesBank associates** | **214** | 153 | 40 | 303 |
| – Toyota Financial Services (Pty) Ltd | **117** | 98 | 19 | 194 |
| – Other | **97** | 55 | 76 | 109 |
| **Other operational associates and joint ventures** | **124** | 201 | (38) | 261 |
| – RMB Morgan Stanley (Pty) Ltd | **101** | 126 | (20) | 191 |
| – Other | **23** | 75 | (69) | 70 |
| **Share of profits from associates and joint ventures before tax** | **645** | 1 033 | (38) | 1 944 |
| Tax on profits from associates and joint ventures | **(176)** | (220) | (20) | (491) |
| **Share of profits from associates and joint ventures after tax** | **469** | 813 | (42) | 1 453 |

## KEY DRIVERS

- The operational annuity income from the RMB Private Equity portfolio remained pleasing in the current period. Excluding the impact of realisations in the prior period of c.R400 million (June 2016: c.R460 million), total equity-accounted earnings after tax increased more than 10%.
- WesBank's associates produced a strong performance due to higher average book size, improved margins and was negatively impacted in the prior period by model recalibrations.
- RMB Morgan Stanley's performance benefited from a sustained equity performance, buoyed by higher market volumes. This was offset by the non-repeat of significant fees in the prior period.

### Total income from private equity activities (Private Equity division and other private equity-related activities)

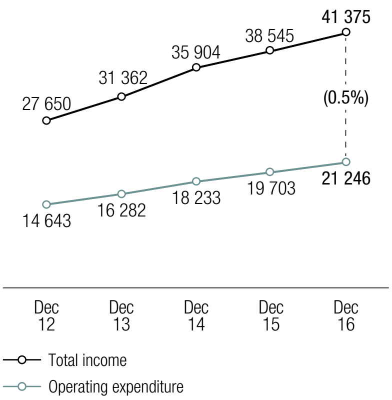
RMB earns private equity related income primarily from its Private Equity division. However, other divisions within RMB also engage in or hold private equity related investments (as defined in *Circular 02/2015 Headline Earnings*), which are not reported as part of the division's results. The underlying nature of the various private equity related income streams are reflected below.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015† | % change | 2016 |
| **RMB Private Equity division** | **460** | 1 548 | (70) | 3 110 |
| Income from associates and joint ventures | **307** | 679 | (55) | 1 380 |
| – Equity-accounted income* | **314** | 705 | (55) | 1 488 |
| – Impairments* | **(7)** | (26) | (73) | (108) |
| Realisations and dividends** | **53** | 689 | (92) | 1 195 |
| Other investment property income** | **7** | 8 | (13) | 17 |
| Consolidated private equity income# | **93** | 172 | (46) | 518 |
| **Other business units** | **62** | 64 | (3) | 99 |
| Income from associates and joint ventures | **41** | 58 | (29) | 83 |
| – Equity-accounted income* | **43** | 23 | 87 | 162 |
| – (Impairments)/reversals of impairments* | **(2)** | 35 | (>100) | (79) |
| Other investment income** | **21** | 6 | >100 | 16 |
| **Private equity activities before tax** | **522** | 1 612 | (68) | 3 209 |
| Tax on equity-accounted private equity investments | **(86)** | (136) | (37) | (338) |
| **Private equity activities after tax** | **436** | 1 476 | (70) | 2 871 |

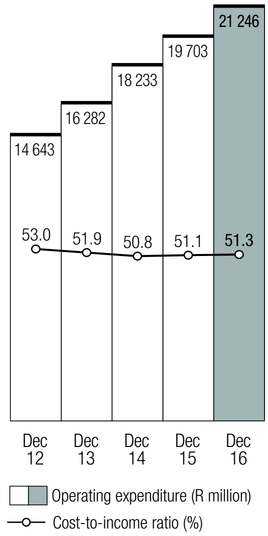
* *Refer to analysis of income from associates and joint ventures on page 52.*
** *Refer to investment income analysis on page 51.*
# *Refer to operational non-interest revenue analysis on page 48.*
† *Includes private equity realisations of more than c.R1 billion (December 2016: c.R50 million).*

## OPERATING EXPENSES – UP 8%

*OPERATING JAWS*
*R million*




*OPERATING EFFICIENCY*




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

*OPERATING EXPENSES*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| Staff expenditure | **12 313** | 11 673 | 5 | 24 314 |
| – Direct staff expenditure* | **8 665** | 7 864 | 10 | 16 103 |
| – Other staff-related expenditure* | **3 648** | 3 809 | (4) | 8 211 |
| Depreciation of property and equipment | **1 313** | 1 107 | 19 | 2 307 |
| Amortisation of intangible assets | **77** | 45 | 71 | 104 |
| Advertising and marketing | **916** | 756 | 21 | 1 545 |
| Insurance | **76** | 47 | 62 | 107 |
| Lease charges | **832** | 726 | 15 | 1 524 |
| Professional fees | **909** | 849 | 7 | 1 799 |
| Audit fees | **151** | 172 | (12) | 356 |
| Computer expenses | **1 119** | 931 | 20 | 1 830 |
| Repairs and maintenance | **609** | 540 | 13 | 1 186 |
| Telecommunications | **205** | 188 | 9 | 388 |
| Cooperation agreements and joint ventures | **291** | 354 | (18) | 606 |
| Property | **486** | 456 | 7 | 915 |
| Business travel | **217** | 229 | (5) | 444 |
| Other expenditure | **1 732** | 1 630 | 6 | 3 517 |
| **Total operating expenses** | **21 246** | 19 703 | 8 | 40 942 |

* *Prior period numbers are restated to reflect the change in the treatment of retirement benefit contributions due to amended legislation.*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| Core | **20 701** | 19 192 | 8 | 38 322 |
| Investments/expansion and platforms | **737** | 511 | 44 | 1 997 |
| Currency depreciation impact* | **(192)** | – | – | 623 |
| **Total operating expenses** | **21 246** | 19 703 | 8 | 40 942 |

* *Difference between 2016 foreign denominated costs translated at actual rates versus 2016 foreign denominated costs translated at average rates for 2015, explaining part of the movement in operating expenses period-on-period, i.e. 2015 as the base.*

## 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*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015* | % change | 2016* |
| IT-related staff cost | **1 631** | 1 486 | 10 | 2 732 |
| Non-staff IT-related costs | **2 278** | 1 936 | 18 | 4 013 |
| – Computer expenses | **1 119** | 931 | 20 | 1 830 |
| – Professional fees | **344** | 323 | 7 | 747 |
| – Repairs and maintenance | **221** | 169 | 31 | 278 |
| – Other | **102** | 117 | (13) | 312 |
| – Depreciation | **418** | 352 | 19 | 744 |
| – Amortisation and software | **74** | 44 | 68 | 102 |
| **Total spend** | **3 909** | 3 422 | 14 | 6 745 |

* *Numbers within the functional categories have been restated due to a refinement of the process.*

## KEY DRIVERS

- Cost growth slowed to 8%, primarily driven by lower increases in staff costs linked to lower levels of income generation in the current period.

| | % change | Reasons |
|---|---|---|
| Direct staff costs | **10** | Impacted by unionised increases at an average of 7.8% in August 2016 and a 5% increase in staff complement across the group. Local operations increased headcount by 3% as a result of new growth initiatives such as insurance and asset management. The remainder of the headcount increase relates to expansion initiatives in the rest of Africa and MotoNovo (UK). |
| Other staff-related expenditure | **(4)** | The decrease is driven by a reduction in variable staff costs related to lower levels of profitability and NIACC in the current period. Normalised share-based payment expenses increased marginally given the increase in the group's share price. |

- The 19% increase in depreciation was driven by strong growth in WesBank's full maintenance lease book, continuing investment in infrastructure (e.g. ATMs/ADTs), ongoing investment in electronic platforms and commissioning of new premises over the previous three financial years.
- The 7% growth in professional fees and 20% growth in computer expenses reflect continued spend on licensing fees, projects related to various electronic platforms and infrastructure upgrades, both domestically and in the rest of Africa, as well as additional compliance-related projects.
- Advertising and marketing costs increased substantially due to market segment-focused advertising campaigns on TV, radio and the internet across the franchises, most significantly in FNB.
- The increase in maintenance costs relates mainly to the growth in WesBank's full maintenance lease business and ongoing increased spend on footprint expansion in the rest of Africa.
- Growth in lease charges was driven by increased property and equipment rental.
- An increase of 14% in IT spend resulted from the ongoing migration and build-out of electronic transaction channels and infrastructure.

# balance sheet analysis and financial resource management

*pg 60 – 99*

# ECONOMIC VIEW OF THE BALANCE SHEET

The structure of the balance sheet reflects the group's long-term strategy 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 (39%), retail unsecured (7%), corporate and commercial (45%) and rest of Africa and other (9%) with 91% of advances rated B or better. Total NPLs were R20 851 million (2.37% as a percentage of advances) with a credit loss ratio of 0.86%.

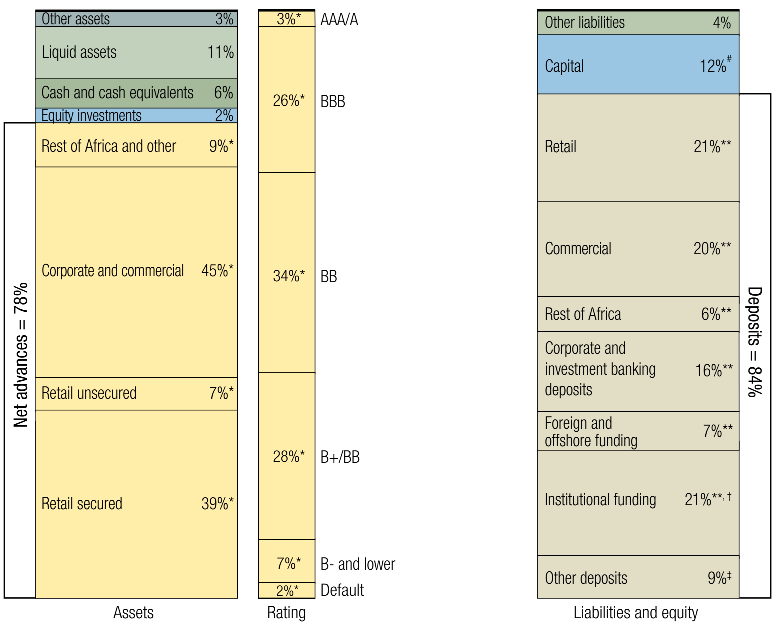
Cash and cash equivalents, and liquid assets represent 6% and 11%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private 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 improve its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the group's institutional funding was 32 months at 31 December 2016 (December 2015: 33 months).

The group's capital ratios remained strong with the CET1 ratio 14.1%, Tier 1 ratio 14.8% and total capital adequacy ratio 17.3%. Gearing decreased slightly to 11.5 times (December 2015: 11.8 times).

*ECONOMIC VIEW OF THE BALANCE SHEET*

*%*



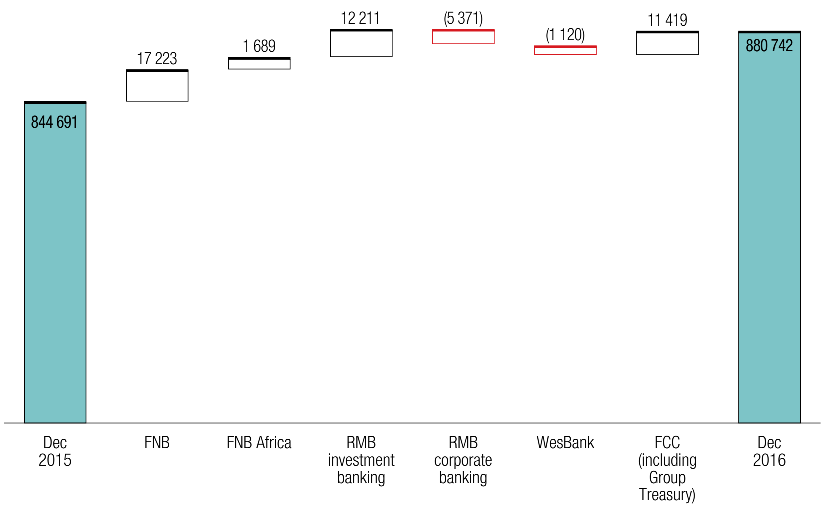

* *As a proportion of loans and advances.*
** *As a proportion of deposit franchise.*
\# *Ordinary equity and non-controlling interests (10%) and NCNR preference shares and Tier 2 liabilities (2%).*
† *Includes CIB institutional funding and foreign branch platform.*
‡ *Consists of liabilities relating to conduits and securitisation.*

*Notes:*
*Non-recourse assets have been netted off against deposits.*
*Derivative-, securities lending- and short trading position assets and liabilities have been netted off.*
*Disclosures relating to the deposit split were previously based on a risk counterparty view. This has been refined to align to a finance product and segment view. The "other" category previously included FRIHL deposits and other group adjustments, which are now shown in the relevant segments. "Other" now comprises collateral received and repurchase agreements.*

# ADVANCES – UP 4%

*GROSS ADVANCES GROWTH BY FRANCHISE*

*R million*




*ADVANCES*

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Gross advances | **880 742** | 844 691 | 4 | 867 982 |
| Impairment of advances | **(16 571)** | (16 158) | 3 | (16 577) |
| **Normalised net advances** | **864 171** | 828 533 | 4 | 851 405 |

Advances growth slowed to 4% during the reporting period from the 9% for the year ended 30 June 2016. This was partly driven by the strengthening of the rand against the US dollar and British pound period-on-period. On a constant-currency basis, the group achieved 7% advances growth.

Growth rates moderated across all retail portfolios compared to the comparative period as well as on a rolling six-month basis, reflecting the impact of the continued deterioration in the South African macroeconomic environment as well as higher interest rates and the group's resultant reduced risk appetite.

The constrained macroeconomic environment, higher financing costs and disciplined financial resource allocation continues to place pressure on the corporate portfolio. Despite this, the portfolio produced solid balance sheet growth during the reporting period.

Rand growth rates in the MotoNovo (UK) and RMB cross-border advances books were negatively impacted by the appreciation of the rand against the US dollar and British pound period-on-period.

Advances growth in the FNB Africa portfolio was constrained, hampered by currency depreciation and adverse macros, especially in Zambia and Mozambique.

## Advances *continued*

| PORTFOLIO/ PRODUCT | % CHANGE | KEY DRIVERS |
|---|---|---|
| **FNB retail** | **4** | |
| Residential mortgages | 3 | ➲ 2% growth in FNB HomeLoans, reflecting a slowdown in nominal house price inflation and lower demand.<br>➲ Satisfactory growth of 10% in secured affordable housing on the back of client demand. |
| Card | 8 | ➲ Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation in the premium segment. Growth in consumer card has been marginally negative given reduced risk appetite. |
| Personal loans | 6 | ➲ Growth slowed markedly from 19% in the six months to December 2015 reflecting a more conservative origination appetite since November 2015. On a rolling six-month basis, book growth has been flat. |
| Retail other | 9 | ➲ Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating from the prior period, reflecting lower risk appetite and slowing customer cross-sell levels. |
| **FNB Africa** | **4** | |
| Namibia | 10 | ➲ Primarily driven by growth of 7% in residential mortgages, and >20% in commercial property finance, card and term loans. |
| Botswana | 7 | ➲ Benefiting from good growth in residential mortgages and unsecured lending. Overall growth in pula terms was 17%. |
| Swaziland | 11 | ➲ Underpinned by 22% growth in residential mortgage advances. |
| **FNB commercial** | **11** | ➲ Reflecting targeted new client acquisition in the business segment, resulting in growth of 16% in agric, 12% in commercial property finance and 9% in leveraged finance advances. |
| **RMB CIB core** | **7** | ➲ Growth from the SA core advances book was solid in spite of the constrained macroeconomic environment and competitive pressures. Cross-border growth was up 17% in USD terms (flat since June 2016), impacted by drawdowns of pre-existing facilities and targeted new credit extension. In rand terms, the cross-border book increased 2% period-on-period.<br>➲ RMB's HQLA (from an LCR perspective) grew 23% period-on-period and is managed by the Group Treasurer. |
| **WesBank** | **(1)** | ➲ WesBank's advances grew 9% in constant-currency terms.<br>➲ Strong growth of 27% in GBP terms in new business volumes in MotoNovo (UK) (18% in rand), driven by increased volumes, new products and increased footprint. Growth rates moderated towards the end of the reporting period reflecting tightening of credit criteria in higher risk origination buckets.<br>➲ Overall growth in advances was negatively impacted by slower new business volumes of 3% in retail SA VAF, impacted by the 11% decrease in new vehicle sales and an increase of 9% in new business volumes in WesBank loans, reflecting a reduction in risk appetite in light of the macroeconomic environment. In addition, the appreciation of the rand against the British pound negatively impacted overall advances growth levels.<br>➲ Corporate new business volumes contracted 13%, reflecting the difficult macroeconomic environment. |

# CREDIT

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

## CREDIT HIGHLIGHTS AT A GLANCE

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

| | | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|---|
| *R million* | Notes | **2016** | 2015 | % change | 2016 |
| Total gross advances | 1 | **880 742** | 844 691 | 4 | 867 982 |
| NPLs | 2 | **20 851** | 19 409 | 7 | 21 282 |
| NPLs as a % of advances | 2 | **2.37** | 2.30 | | 2.45 |
| Impairment charge | 3 | **3 741** | 3 145 | 19 | 7 159 |
| Credit loss ratio (%) | 3 | **0.86** | 0.77 | | 0.86 |
| Total impairments | 4 | **16 571** | 16 158 | 3 | 16 577 |
| – Portfolio impairments | 4 | **8 589** | 7 988 | 8 | 8 359 |
| – Specific impairments | 4 | **7 982** | 8 170 | (2) | 8 218 |
| Specific coverage ratio (%)* | 4 | **38.3** | 42.1 | | 38.6 |
| Total impairments coverage ratio (%)** | 4 | **79.5** | 83.3 | | 77.9 |
| Performing book coverage ratio (%)# | | **1.00** | 0.97 | | 0.99 |

* *Specific impairments as a percentage of NPLs.*
** *Total impairments as a percentage of NPLs.*
\# *Portfolio impairments as a percentage of the performing book.*

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

## NOTE 1: ANALYSIS OF ADVANCES

*SEGMENTAL ANALYSIS OF ADVANCES*

| | Advances | | | | |
|---|---|---|---|---|---|
| | As at 31 December | | | % composition | As at 30 June |
| *R million* | 2016 | 2015 | % change | 2016 | 2016 |
| **Retail** | **403 437** | 392 639 | 3 | **46** | 402 003 |
| **Retail – secured** | **339 132** | 333 194 | 2 | **39** | 339 378 |
| Residential mortgages | **191 693** | 186 217 | 3 | **22** | 189 453 |
| VAF | **147 439** | 146 977 | – | **17** | 149 925 |
| – SA | **99 323** | 98 530 | 1 | **11** | 99 702 |
| – MotoNovo (UK)* | **48 116** | 48 447 | (1) | **6** | 50 223 |
| **Retail – unsecured** | **64 305** | 59 445 | 8 | **7** | 62 625 |
| Card | **22 495** | 20 855 | 8 | **2** | 21 968 |
| Personal loans | **26 899** | 24 901 | 8 | **3** | 26 313 |
| – FNB | **14 431** | 13 630 | 6 | **2** | 14 443 |
| – WesBank | **12 468** | 11 271 | 11 | **1** | 11 870 |
| Retail other | **14 911** | 13 689 | 9 | **2** | 14 344 |
| **Corporate and commercial** | **397 261** | 381 752 | 4 | **45** | 387 125 |
| FNB commercial | **80 364** | 72 280 | 11 | **9** | 77 957 |
| WesBank corporate | **28 525** | 31 277 | (9) | **3** | 29 210 |
| RMB investment banking** | **230 852** | 219 018 | 5 | **26** | 225 219 |
| RMB corporate banking** | **38 658** | 43 897 | (12) | **5** | 34 442 |
| HQLA corporate advances# | **18 862** | 15 280 | 23 | **2** | 20 297 |
| **Rest of Africa†** | **57 778** | 55 871 | 3 | **7** | 57 643 |
| FNB | **43 583** | 41 894 | 4 | **5** | 43 609 |
| WesBank | **8 305** | 8 332 | – | **1** | 8 292 |
| RMB (corporate and investment banking) | **5 890** | 5 645 | 4 | **1** | 5 742 |
| **FCC (including Group Treasury)** | **22 266** | 14 429 | 54 | **2** | 21 211 |
| Securitisation notes | **17 812** | 9 879 | 80 | **2** | 14 641 |
| Other | **4 454** | 4 550 | (2) | **–** | 6 570 |
| **Total advances** | **880 742** | 844 691 | 4 | **100** | 867 982 |
| Of which: | | | | | |
| Accrual book | **633 021** | 610 294 | 4 | **72** | 615 893 |
| Fair value book‡ | **247 721** | 234 397 | 6 | **28** | 252 089 |

* *MotoNovo (UK) book GBP2.85 billion (+37%) (June 2016: GBP2.55 billion).*
** *Includes cross-border lending.*
# *Managed by the Group Treasurer.*
† *Includes activities in FNB India and represents in-country balance sheet.*
‡ *Including advances classified as available-for-sale.*

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

| | Advances | | | | |
|---|---|---|---|---|---|
| | As at 31 December | | | % composition | As at 30 June |
| *R million* | **2016** | 2015 | % change | **2016** | 2016 |
| **Corporate and investment banking advances*** | **275 400** | 268 560 | 3 | **100** | 265 403 |
| Less: assets under agreements to resell | **(30 246)** | (39 439) | (23) | **(11)** | (40 818) |
| **RMB advances net of assets under agreements to resell** | **245 154** | 229 121 | 7 | **89** | 224 585 |

* *Includes rest of Africa.*

## *SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES*

| | Advances | | | | |
|---|---|---|---|---|---|
| | As at 31 December | | | % composition | As at 30 June |
| *R million* | **2016** | 2015 | % change | **2016** | 2016 |
| Gross advances | **882 655** | 846 336 | 4 | **100** | 869 668 |
| Less: interest in suspense | **(1 913)** | (1 645) | 16 | **–** | (1 686) |
| **Advances net of interest in suspense** | **880 742** | 844 691 | 4 | **100** | 867 982 |
| **Sector analysis** | | | | | |
| Agriculture | **32 369** | 29 465 | 10 | **4** | 31 351 |
| Banks | **5 431** | 11 079 | (51) | **1** | 11 294 |
| Financial institutions | **104 480** | 94 826 | 10 | **12** | 103 584 |
| Building and property development | **53 295** | 41 815 | 27 | **6** | 45 323 |
| Government, Land Bank and public authorities | **24 524** | 21 644 | 13 | **3** | 21 799 |
| Individuals | **403 197** | 404 305 | – | **45** | 417 637 |
| Manufacturing and commerce | **104 260** | 107 662 | (3) | **12** | 100 085 |
| Mining | **19 097** | 26 419 | (28) | **2** | 19 756 |
| Transport and communication | **19 221** | 21 554 | (11) | **2** | 21 435 |
| Other services | **114 868** | 85 922 | 34 | **13** | 95 718 |
| **Total advances** | **880 742** | 844 691 | 4 | **100** | 867 982 |
| **Geographic analysis** | | | | | |
| South Africa | **731 126** | 695 013 | 5 | **82** | 716 078 |
| Other Africa | **83 942** | 85 291 | (2) | **10** | 83 579 |
| UK | **52 072** | 52 920 | (2) | **6** | 53 616 |
| Other Europe | **4 773** | 5 743 | (17) | **1** | 6 206 |
| North America | **2 413** | 560 | >100 | **–** | 549 |
| South America | **16** | 1 156 | (99) | **–** | 952 |
| Australasia | **1 840** | 1 271 | 45 | **–** | 2 407 |
| Asia | **4 560** | 2 737 | 67 | **1** | 4 595 |
| **Total advances** | **880 742** | 844 691 | 4 | **100** | 867 982 |

## NOTE 2: ANALYSIS OF NPLs

### *SEGMENTAL ANALYSIS OF NPLs*

Please refer to pages 46 and 47 for additional information on the impact of the implementation of D7 on NPL formation.

| | NPLs | | | | | NPLs as a % of advances | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | % composition | As at 30 June | As at 31 December | | As at 30 June |
| *R million* | **2016** | 2015 | % change | **2016** | 2016 | **2016** | 2015 | 2016 |
| **Retail** | **13 909** | 11 618 | 20 | **67** | 13 526 | **3.45** | 2.96 | 3.36 |
| **Retail – secured** | **9 912** | 8 829 | 12 | **48** | 9 793 | **2.92** | 2.65 | 2.89 |
| Residential mortgages | **4 462** | 4 270 | 4 | **22** | 4 664 | **2.33** | 2.29 | 2.46 |
| VAF | **5 450** | 4 559 | 20 | **26** | 5 129 | **3.70** | 3.10 | 3.42 |
| – SA | **5 158** | 4 345 | 19 | **25** | 4 882 | **5.19** | 4.41 | 4.90 |
| – MotoNovo (UK)* | **292** | 214 | 36 | **1** | 247 | **0.61** | 0.44 | 0.49 |
| **Retail – unsecured** | **3 997** | 2 789 | 43 | **19** | 3 733 | **6.22** | 4.69 | 5.96 |
| Card | **814** | 531 | 53 | **4** | 759 | **3.62** | 2.55 | 3.46 |
| Personal loans | **2 464** | 1 709 | 44 | **12** | 2 187 | **9.16** | 6.86 | 8.31 |
| – FNB | **1 226** | 691 | 77 | **6** | 1 059 | **8.50** | 5.07 | 7.33 |
| – WesBank | **1 238** | 1 018 | 22 | **6** | 1 128 | **9.93** | 9.03 | 9.50 |
| Retail other | **719** | 549 | 31 | **3** | 787 | **4.82** | 4.01 | 5.49 |
| **Corporate and commercial** | **4 861** | 6 062 | (20) | **23** | 5 800 | **1.22** | 1.59 | 1.50 |
| FNB commercial | **2 235** | 1 663 | 34 | **11** | 1 941 | **2.78** | 2.30 | 2.49 |
| WesBank corporate | **267** | 385 | (31) | **1** | 303 | **0.94** | 1.23 | 1.04 |
| RMB investment banking | **2 288** | 3 881 | (41) | **11** | 3 440 | **0.99** | 1.77 | 1.53 |
| RMB corporate banking | **71** | 133 | (47) | **–** | 116 | **0.18** | 0.30 | 0.34 |
| HQLA corporate advances** | **–** | – | – | **–** | – | **–** | – | – |
| **Rest of Africa#** | **2 081** | 1 729 | 20 | **10** | 1 956 | **3.60** | 3.09 | 3.39 |
| FNB | **1 900** | 1 576 | 21 | **9** | 1 763 | **4.36** | 3.76 | 4.04 |
| WesBank | **181** | 149 | 21 | **1** | 179 | **2.18** | 1.79 | 2.16 |
| RMB (corporate and investment banking) | **–** | 4 | (100) | **–** | 14 | **–** | 0.07 | 0.24 |
| **FCC (including Group Treasury)** | **–** | – | – | **–** | – | **–** | – | – |
| Securitisation notes | **–** | – | – | **–** | – | **–** | – | – |
| Other | **–** | – | – | **–** | – | **–** | – | – |
| **Total NPLs** | **20 851** | 19 409 | 7 | **100** | 21 282 | **2.37** | 2.30 | 2.45 |
| Of which: | | | | | | | | |
| Accrual book | **19 293** | 16 266 | 19 | **93** | 18 650 | **3.05** | 2.67 | 3.03 |
| Fair value book | **1 558** | 3 143 | (50) | **7** | 2 632 | **0.63** | 1.34 | 1.04 |

* *MotoNovo (UK) NPLs of GBP17 million (+87%) (June 2016: GBP13 million).*
** *Managed by the Group Treasurer.*
# *Includes activities in FNB India and represents in-country balance sheet.*

*SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs*

| | NPLs | | | | | NPLs as a % of advances | | |
|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | | % composition | As at 30 June | As at 31 December | | As at 30 June |
| *R million* | **2016** | 2015 | % change | **2016** | 2016 | **2016** | 2015 | 2016 |
| **Sector analysis** | | | | | | | | |
| Agriculture | **676** | 445 | 52 | **3** | 574 | **2.09** | 1.51 | 1.83 |
| Banks | **–** | – | – | **–** | 45 | **–** | – | 0.40 |
| Financial institutions | **122** | 115 | 6 | **1** | 92 | **0.12** | 0.12 | 0.09 |
| Building and property development | **1 518** | 1 624 | (7) | **7** | 1 454 | **2.85** | 3.88 | 3.21 |
| Government, Land Bank and public authorities | **14** | 8 | 75 | **–** | 12 | **0.06** | 0.04 | 0.06 |
| Individuals | **13 628** | 11 728 | 16 | **65** | 13 671 | **3.38** | 2.90 | 3.27 |
| Manufacturing and commerce | **1 794** | 1 354 | 32 | **9** | 1 554 | **1.72** | 1.26 | 1.55 |
| Mining | **987** | 2 516 | (61) | **5** | 2 024 | **5.17** | 9.52 | 10.24 |
| Transport and communication | **285** | 339 | (16) | **1** | 288 | **1.48** | 1.57 | 1.34 |
| Other services | **1 827** | 1 280 | 43 | **9** | 1 568 | **1.59** | 1.49 | 1.64 |
| **Total NPLs** | **20 851** | 19 409 | 7 | **100** | 21 282 | **2.37** | 2.30 | 2.45 |
| **Geographic analysis** | | | | | | | | |
| South Africa | **17 560** | 16 158 | 9 | **85** | 17 111 | **2.40** | 2.32 | 2.39 |
| Other Africa | **2 715** | 2 474 | 10 | **13** | 3 569 | **3.23** | 2.90 | 4.27 |
| UK | **292** | 215 | 36 | **1** | 247 | **0.56** | 0.41 | 0.46 |
| Other Europe | **64** | 118 | (46) | **–** | 113 | **1.34** | 2.05 | 1.82 |
| North America | **86** | 113 | (24) | **–** | 99 | **3.56** | 20.18 | 18.03 |
| South America | **–** | 231 | (100) | **–** | – | **–** | 19.98 | – |
| Australasia | **1** | 1 | – | **–** | 1 | **0.05** | 0.08 | 0.04 |
| Asia | **133** | 99 | 34 | **1** | 142 | **2.92** | 3.62 | 3.09 |
| **Total NPLs** | **20 851** | 19 409 | 7 | **100** | 21 282 | **2.37** | 2.30 | 2.45 |

*SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO*

| | **As at 31 December 2016** | | | As at 31 December 2015 | | | As at 30 June 2016 | | |
|---|---|---|---|---|---|---|---|---|---|
| *R million* | **NPLs** | **Security held and expected recoveries** | **Specific impairment** | NPLs | Security held and expected recoveries | Specific impairment | NPLs | Security held and expected recoveries | Specific impairment |
| **Retail** | **13 909** | **8 857** | **5 052** | 11 618 | 7 232 | 4 386 | 13 526 | 8 632 | 4 894 |
| **Retail – secured** | **9 912** | **7 277** | **2 635** | 8 829 | 6 313 | 2 516 | 9 793 | 7 184 | 2 609 |
| Residential mortgages | **4 462** | **3 474** | **988** | 4 270 | 3 335 | 935 | 4 664 | 3 647 | 1 017 |
| VAF | **5 450** | **3 803** | **1 647** | 4 559 | 2 978 | 1 581 | 5 129 | 3 537 | 1 592 |
| – SA | **5 158** | **3 686** | **1 472** | 4 345 | 2 892 | 1 453 | 4 882 | 3 440 | 1 442 |
| – MotoNovo (UK) | **292** | **117** | **175** | 214 | 86 | 128 | 247 | 97 | 150 |
| **Retail – unsecured** | **3 997** | **1 580** | **2 417** | 2 789 | 919 | 1 870 | 3 733 | 1 448 | 2 285 |
| Card | **814** | **264** | **550** | 531 | 150 | 381 | 759 | 248 | 511 |
| Personal loans | **2 464** | **1 112** | **1 352** | 1 709 | 650 | 1 059 | 2 187 | 967 | 1 220 |
| – FNB | **1 226** | **362** | **864** | 691 | 157 | 534 | 1 059 | 304 | 755 |
| – WesBank | **1 238** | **750** | **488** | 1 018 | 493 | 525 | 1 128 | 663 | 465 |
| Retail other | **719** | **204** | **515** | 549 | 119 | 430 | 787 | 233 | 554 |
| **Corporate and commercial** | **4 861** | **2 730** | **2 131** | 6 062 | 2 824 | 3 238 | 5 800 | 3 183 | 2 617 |
| FNB commercial | **2 235** | **1 213** | **1 022** | 1 663 | 671 | 992 | 1 941 | 993 | 948 |
| WesBank corporate | **267** | **105** | **162** | 385 | 148 | 237 | 303 | 129 | 174 |
| RMB investment banking | **2 288** | **1 376** | **912** | 3 881 | 1 942 | 1 939 | 3 440 | 1 990 | 1 450 |
| RMB corporate banking | **71** | **36** | **35** | 133 | 63 | 70 | 116 | 71 | 45 |
| HQLA corporate advances* | **–** | **–** | **–** | – | – | – | – | – | – |
| **Rest of Africa**** | **2 081** | **1 282** | **799** | 1 729 | 1 183 | 546 | 1 956 | 1 249 | 707 |
| FNB | **1 900** | **1 211** | **689** | 1 576 | 1 108 | 468 | 1 763 | 1 157 | 606 |
| WesBank | **181** | **71** | **110** | 149 | 73 | 76 | 179 | 85 | 94 |
| RMB (corporate and investment banking) | **–** | **–** | **–** | 4 | 2 | 2 | 14 | 7 | 7 |
| **FCC (including Group Treasury)** | **–** | **–** | **–** | – | – | – | – | – | – |
| Securitisation notes | **–** | **–** | **–** | – | – | – | – | – | – |
| Other | **–** | **–** | **–** | – | – | – | – | – | – |
| **Total** | **20 851** | **12 869** | **7 982** | 19 409 | 11 239 | 8 170 | 21 282 | 13 064 | 8 218 |

* *Managed by the Group Treasurer.*
** *Includes activities in FNB India and represents in-country balance sheet.*

## NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

*INCOME STATEMENT IMPAIRMENTS*

The bad debt charge increased from 77 bps at December 2015 to 86 bps at December 2016.

| | Total impairment charge | | | | As a % of average advances# | | | |
|---|---|---|---|---|---|---|---|---|
| | Six months ended 31 December | | | Year ended 30 June | Six months ended 31 December | | Year ended 30 June | 6 months ended 30 June |
| *R million* | **2016** | 2015 | % change | 2016 | **2016** | 2015 | 2016 | 2016 |
| **Retail** | **3 054** | 2 469 | 24 | 5 708 | **1.52** | 1.30 | 1.48 | 1.63 |
| **Retail – secured** | **1 185** | 1 010 | 17 | 2 362 | **0.70** | 0.62 | 0.72 | 0.80 |
| Residential mortgages | **132** | 159 | (17) | 414 | **0.14** | 0.17 | 0.22 | 0.27 |
| VAF | **1 053** | 851 | 24 | 1 948 | **1.42** | 1.22 | 1.38 | 1.48 |
| – SA | **709** | 631 | 12 | 1 377 | **1.42** | 1.28 | 1.39 | 1.51 |
| – MotoNovo (UK) | **344** | 220 | 56 | 571 | **1.40** | 1.06 | 1.35 | 1.42 |
| **Retail – unsecured** | **1 869** | 1 459 | 28 | 3 346 | **5.89** | 5.12 | 5.71 | 6.18 |
| Card | **289** | 220 | 31 | 565 | **2.60** | 2.18 | 2.73 | 3.22 |
| Personal loans | **1 070** | 893 | 20 | 2 026 | **8.04** | 7.48 | 8.24 | 8.85 |
| – FNB | **565** | 440 | 28 | 1 051 | **7.83** | 6.77 | 7.84 | 8.71 |
| – WesBank | **505** | 453 | 11 | 975 | **8.30** | 8.33 | 8.73 | 9.02 |
| Retail other | **510** | 346 | 47 | 755 | **6.97** | 5.32 | 5.66 | 5.84 |
| **Corporate and commercial** | **544** | 621 | (12) | 1 123 | **0.28** | 0.34 | 0.30 | 0.26 |
| FNB commercial | **262** | 202 | 30 | 390 | **0.66** | 0.58 | 0.53 | 0.50 |
| WesBank corporate | **25** | 34 | (26) | 31 | **0.17** | 0.22 | 0.10 | (0.02) |
| RMB investment banking | **220** | 350 | (37) | 540 | **0.19** | 0.32 | 0.24 | 0.17 |
| RMB corporate banking | **37** | 35 | 6 | 162 | **0.20** | 0.18 | 0.48 | 0.65 |
| HQLA corporate advances* | **–** | – | – | – | **–** | – | – | – |
| **Rest of Africa**** | **393** | 220 | 79 | 623 | **1.36** | 0.84 | 1.17 | 1.42 |
| FNB | **332** | 210 | 58 | 553 | **1.52** | 1.07 | 1.38 | 1.60 |
| WesBank | **46** | 13 | >100 | 59 | **1.11** | 0.33 | 0.75 | 1.11 |
| RMB (corporate and investment banking) | **15** | (3) | (>100) | 11 | **0.52** | (0.11) | 0.20 | 0.49 |
| **FCC (including Group Treasury)** | **(250)** | (165) | 52 | (295) | **(0.06)** | (0.04) | (0.04) | (0.03) |
| Securitisation notes | **–** | – | – | – | **–** | – | – | – |
| Other | **(250)** | (165) | 52 | (295) | **(0.06)** | (0.04) | (0.04) | (0.03) |
| **Total impairment charge** | **3 741** | 3 145 | 19 | 7 159 | **0.86** | 0.77 | 0.86 | 0.94 |
| Of which: | | | | | | | | |
| Portfolio impairment charge | **303** | 137 | >100 | 772 | **0.07** | 0.03 | 0.09 | 0.15 |
| Specific impairment charge | **3 438** | 3 008 | 14 | 6 387 | **0.79** | 0.74 | 0.77 | 0.79 |

* *Managed by the Group Treasurer.*
** *Includes activities in FNB India and represents in-country balance sheet.*
\# *Percentages calculated on total average advances.*

## NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

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

*IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS*

| | Balance sheet impairments | | | | Coverage ratios (% of NPLs) | | |
|---|---|---|---|---|---|---|---|
| | As at 31 December | | | As at 30 June | As at 31 December | | As at 30 June |
| *R million* | **2016** | 2015 | % change | 2016 | **2016** | 2015 | 2016 |
| **Specific impairments** | | | | | | | |
| **Retail** | **5 052** | 4 386 | 15 | 4 894 | **36.3** | 37.8 | 36.2 |
| **Retail – secured** | **2 635** | 2 516 | 5 | 2 609 | **26.6** | 28.5 | 26.6 |
| Residential mortgages | **988** | 935 | 6 | 1 017 | **22.1** | 21.9 | 21.8 |
| VAF* | **1 647** | 1 581 | 4 | 1 592 | **30.2** | 34.7 | 31.0 |
| – SA* | **1 472** | 1 453 | 1 | 1 442 | **28.5** | 33.4 | 29.5 |
| – MotoNovo (UK) | **175** | 128 | 37 | 150 | **59.9** | 59.8 | 60.7 |
| **Retail – unsecured** | **2 417** | 1 870 | 29 | 2 285 | **60.5** | 67.0 | 61.2 |
| Card* | **550** | 381 | 44 | 511 | **67.6** | 71.8 | 67.3 |
| Personal loans* | **1 352** | 1 059 | 28 | 1 220 | **54.9** | 62.0 | 55.8 |
| – FNB | **864** | 534 | 62 | 755 | **70.5** | 77.3 | 71.3 |
| – WesBank | **488** | 525 | (7) | 465 | **39.4** | 51.6 | 41.2 |
| Retail other* | **515** | 430 | 20 | 554 | **71.6** | 78.3 | 70.4 |
| **Corporate and commercial** | **2 131** | 3 238 | (34) | 2 617 | **43.8** | 53.4 | 45.1 |
| FNB commercial | **1 022** | 992 | 3 | 948 | **45.7** | 59.7 | 48.8 |
| WesBank corporate | **162** | 237 | (32) | 174 | **60.7** | 61.6 | 57.4 |
| RMB investment banking | **912** | 1 939 | (53) | 1 450 | **39.9** | 50.0 | 42.2 |
| RMB corporate banking | **35** | 70 | (50) | 45 | **49.3** | 52.7 | 38.8 |
| HQLA corporate advances** | **–** | – | – | – | **–** | – | – |
| **Rest of Africa#** | **799** | 546 | 46 | 707 | **38.4** | 31.6 | 36.1 |
| FNB | **689** | 468 | 47 | 606 | **36.3** | 29.7 | 34.4 |
| WesBank | **110** | 76 | 45 | 94 | **60.8** | 51.0 | 52.5 |
| RMB (corporate and investment banking) | **–** | 2 | (100) | 7 | **–** | 50.0 | 50.0 |
| **FCC (including Group Treasury)** | **–** | – | – | – | **–** | – | – |
| Securitisation notes | **–** | – | – | – | **–** | – | – |
| Other | **–** | – | – | – | **–** | – | – |
| **Total specific impairments/specific coverage ratio†** | **7 982** | 8 170 | (2) | 8 218 | **38.3** | 42.1 | 38.6 |
| **Portfolio impairments/performing book coverage ratio‡** | **8 589** | 7 988 | 8 | 8 359 | **41.2** | 41.2 | 39.3 |
| **Total impairments/total impairments coverage ratio^** | **16 571** | 16 158 | 3 | 16 577 | **79.5** | 83.3 | 77.9 |

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

** *Managed by the Group Treasurer.*

\# *Includes FNB's activities in India and represents the in-country balance sheet.*

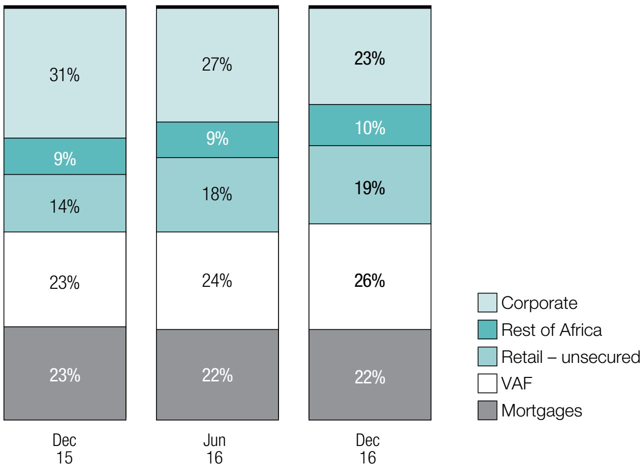
† *Specific impairments as a percentage of NPLs.*

‡ *Portfolio impairments as a percentage of NPLs.*

^ *Total impairments as a percentage of NPLs.*

The graph below provides the NPL distribution across all portfolios, showing decreases in the proportion of corporate and residential mortgages and an increase in VAF, unsecured lending and rest of Africa NPLs over the last three reporting periods.

*NPL DISTRIBUTION*




## RECONCILIATION OF IMPAIRMENTS

The following table provides an analysis of the balance sheet impairments.

*BALANCE SHEET IMPAIRMENTS*

| | Amortised cost book | | | Fair value book | | | Total book | | |
|---|---|---|---|---|---|---|---|---|---|
| | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June | As at 31 December | | As at 30 June |
| *R million* | **2016** | 2015 | 2016 | **2016** | 2015 | 2016 | **2016** | 2015 | 2016 |
| Non-performing book | **7 435** | 6 674 | 7 152 | **547** | 1 496 | 1 066 | **7 982** | 8 170 | 8 218 |
| Performing book | **6 069** | 5 485 | 5 866 | **2 520** | 2 503 | 2 493 | **8 589** | 7 988 | 8 359 |
| **Total impairments** | **13 504** | 12 159 | 13 018 | **3 067** | 3 999 | 3 559 | **16 571** | 16 158 | 16 577 |

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

*BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST*

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Opening balance | **7 152** | 5 867 | 22 | 5 867 |
| Reclassifications and transfers | **5** | 27 | (81) | 143 |
| Acquisitions | **–** | – | – | (31) |
| Exchange rate difference | **(68)** | 92 | (>100) | 35 |
| Unwinding and discounted present value on NPLs | **(57)** | (56) | 2 | (84) |
| Bad debts written off | **(4 045)** | (3 025) | 34 | (6 963) |
| Net new impairments created | **4 448** | 3 769 | 18 | 8 185 |
| **Closing balance** | **7 435** | 6 674 | 11 | 7 152 |

The group's income statement charge continues to benefit from increased post write-off recoveries in the retail book.

*INCOME STATEMENT IMPAIRMENTS*

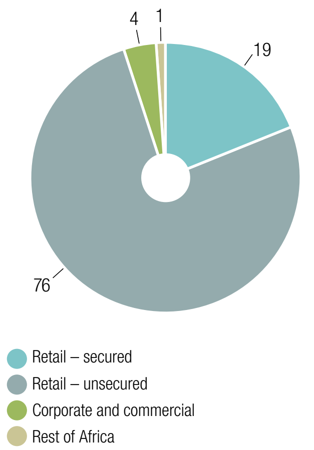
The following table provides an analysis of the income statement impact of the impairment charge.

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Specific impairment charge | **4 448** | 3 769 | 18 | 8 185 |
| Recoveries of bad debts written off | **(1 067)** | (956) | 12 | (1 883) |
| Net specific impairment charge (amortised cost) | **3 381** | 2 813 | 20 | 6 302 |
| Portfolio impairment charge (amortised cost) | **261** | 57 | >100 | 600 |
| Credit fair value adjustments | **99** | 275 | (64) | 257 |
| – Non-performing book | **56** | 195 | (71) | 85 |
| – Performing book | **43** | 80 | (46) | 172 |
| **Total impairments** | **3 741** | 3 145 | 19 | 7 159 |

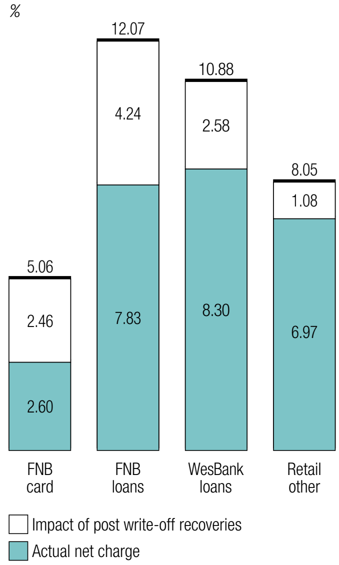
## IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R1 067 million (December 2015: R956 million), primarily emanating from the unsecured retail lending portfolio, specifically FNB loans and FNB card.

*POST WRITE-OFF RECOVERIES SPLIT*




*RETAIL UNSECURED CREDIT LOSS RATIOS AND RECOVERIES*

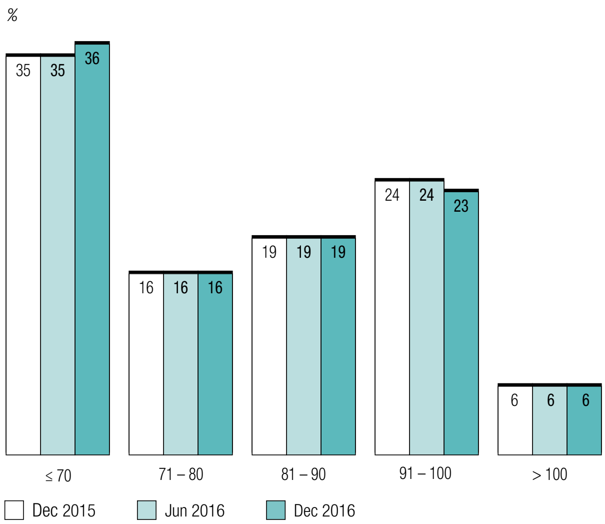


## RISK ANALYSES

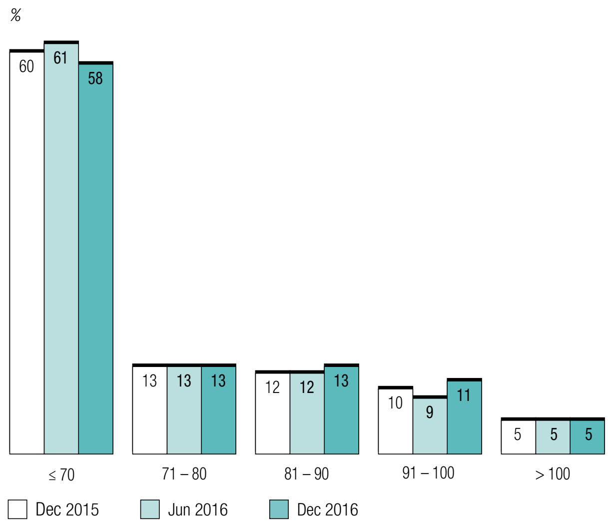
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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 as opposed to relying only on the underlying security.

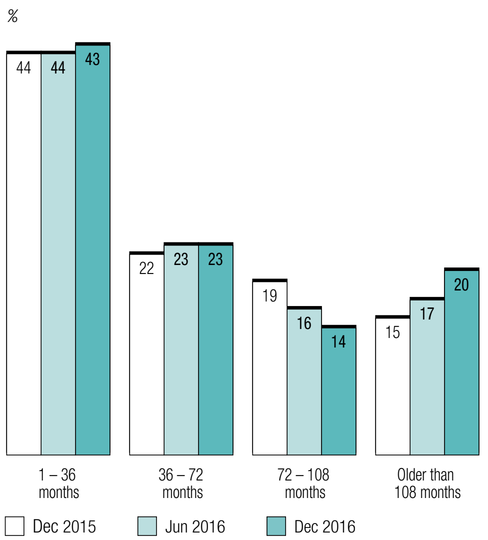
*RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE*




*RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE*




*RESIDENTIAL MORTGAGES AGE DISTRIBUTION*



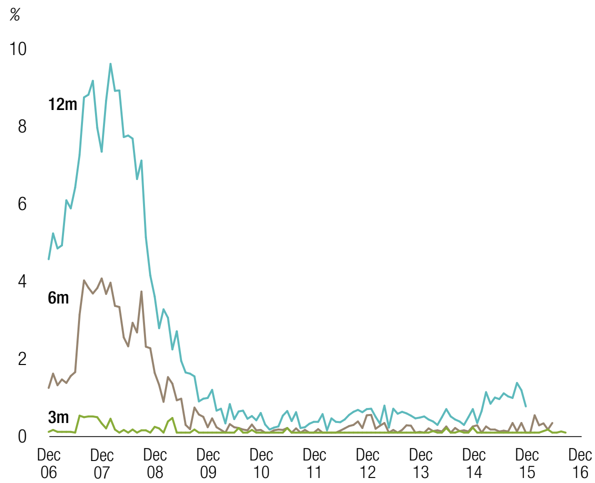
The following graph shows arrears in the FNB HomeLoans portfolio. It includes arrears where more than one full payment is in arrears expressed as a percentage of total advances. The increase over the previous 12 month period reflects the reclassification of restructured debt review as explained on pages 46 to 47.

*FNB HOMELOANS ARREARS*


The following graphs provide the vintage analyses for FNB HomeLoans, retail SA VAF, FNB card, FNB loans and WesBank personal loans. Vintage graphs reflect the default experience three, six and twelve months after each origination date as well as the impact of origination strategies and the macroeconomic environment on portfolio performance. It does not take into account the impact of cures or subsequent recoveries. As such, vintage graphs are not indicative of the actual credit impairment charge of a product.

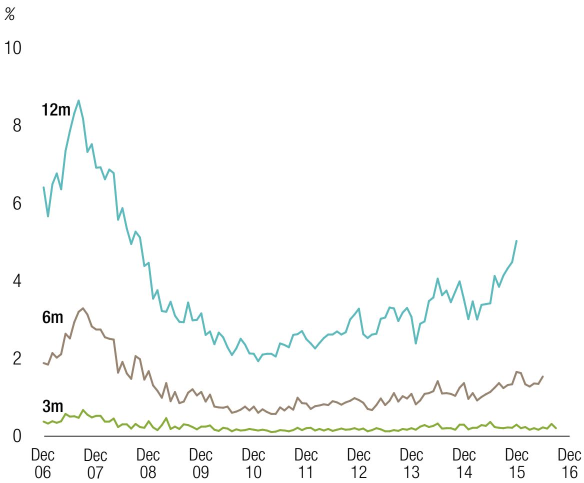
Vintages in FNB HomeLoans have increased marginally from previous record low levels. The increase is attributed to the interest rate hiking cycle and resultant impact on consumers. Coupled with job losses and other challenges in the macroeconomic environment, this has caused a slight increase in the vintages.

*FNB HOMELOANS VINTAGE ANALYSIS*



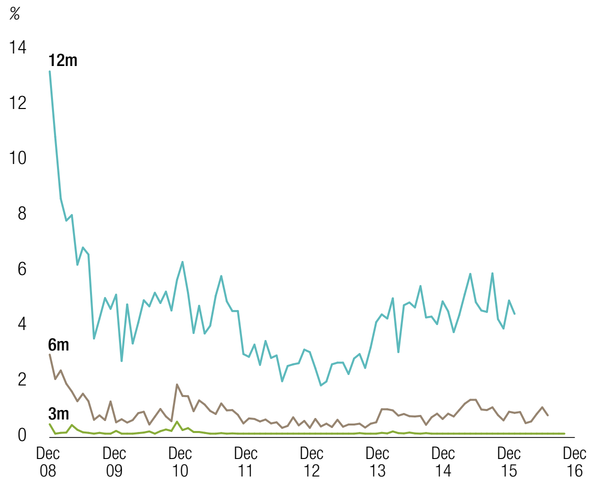
The retail SA VAF cumulative vintage analysis remained well below 2007 levels. More recently, vintages are reflecting continued increases as expected given the challenging macroeconomic environment. Risk appetite has been adjusted, with a continued focus on originating a portfolio weighted towards quality, low-risk business. Vintage deterioration is closely monitored and credit parameters adjusted to ensure that performance remains in line with expectations when considering the credit cycle.

*WESBANK RETAIL SA VAF VINTAGE ANALYSIS*




FNB card default rates remain at low levels, even on a through-the-cycle basis. Risk appetite has increased slightly since October 2013, which resulted in more business written in the lower end of the consumer segment at slightly higher default rates. This was subsequently reviewed and adjusted downwards again.

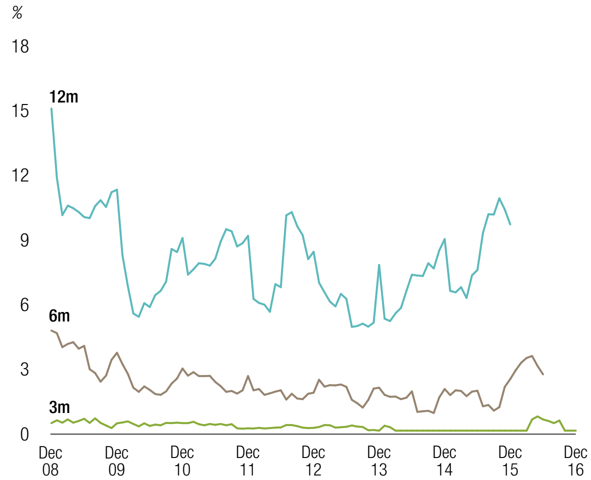
*FNB CARD VINTAGE ANALYSIS*



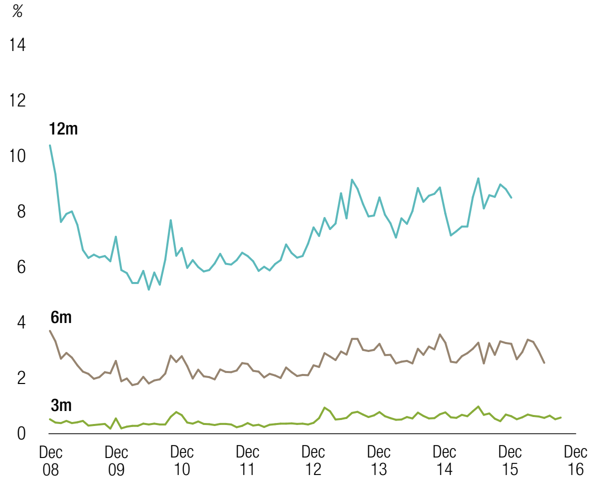
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite. There is continued action to ensure these portfolios remain within risk appetite. As expected, defaults in FNB personal loans have trended upwards from historical low levels as a result of the macroeconomic conditions and strong book growth over the past three years.

WesBank personal loans vintages show a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications. To counter this, credit parameters are continuously adjusted to ensure performance remains in line with expectations. Recent adjustments to credit appetite are proving effective and have assisted in countering macroeconomic conditions.

*FNB PERSONAL LOANS VINTAGE ANALYSIS*

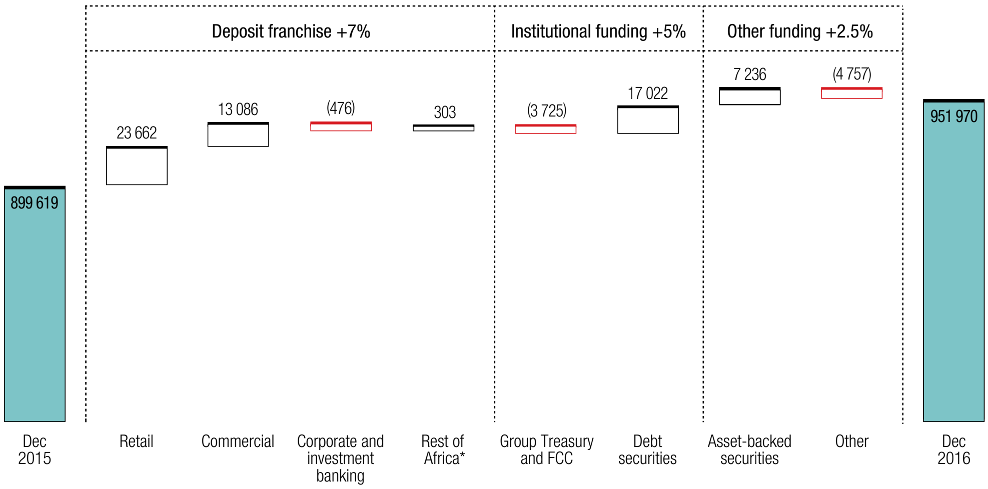



*WESBANK PERSONAL LOANS VINTAGE ANALYSIS*



# DEPOSITS – UP 6%

*FUNDING PORTFOLIO PERIOD-ON-PERIOD GROWTH*
*R million*




* *Includes FNB and RMB Africa.*

## KEY DRIVERS

- FNB's deposits increased 10%, with 11% growth recorded in FNB SA.
  - Retail deposit growth of 14% was supported by ongoing product innovation, with particularly strong growth of 18% from the premium segment; and
  - Commercial deposit growth of 8% was driven by new client acquisition and cross-sell.
- RMB corporate banking grew average daily operational deposits 9%, driven by leveraging of platforms and growth in the client bases. Actual deposits were marginally down period-on-period due to larger cyclical withdrawals.
- FirstRand is dependent on institutional funding in the form of Group Treasury deposits and debt securities which grew 5%. This was impacted by:
  - foreign currency funding and structured issuances in the domestic market. Absolute growth was affected by rand appreciation during the year; and
  - an increase in debt securities which was driven by an increase in funding from the institutional funding market in the form of NCDs and floating rate notes from low levels in December 2015 as a result of market disruptions.
- The increase in asset-backed securities was driven by securitisation of WesBank assets, including MotoNovo (UK) assets.

# FUNDING AND LIQUIDITY

## INTRODUCTION AND OBJECTIVES

The group strives to fund its activities in a sustainable, diversified, efficient and flexible manner, underpinned by strong counterparty relationships within prudential limits and requirements. The objective is to maintain natural market share and 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 ratios influences the group's funding strategy, in particular as it seeks to restore the correct risk-adjusted pricing of liquidity. 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.

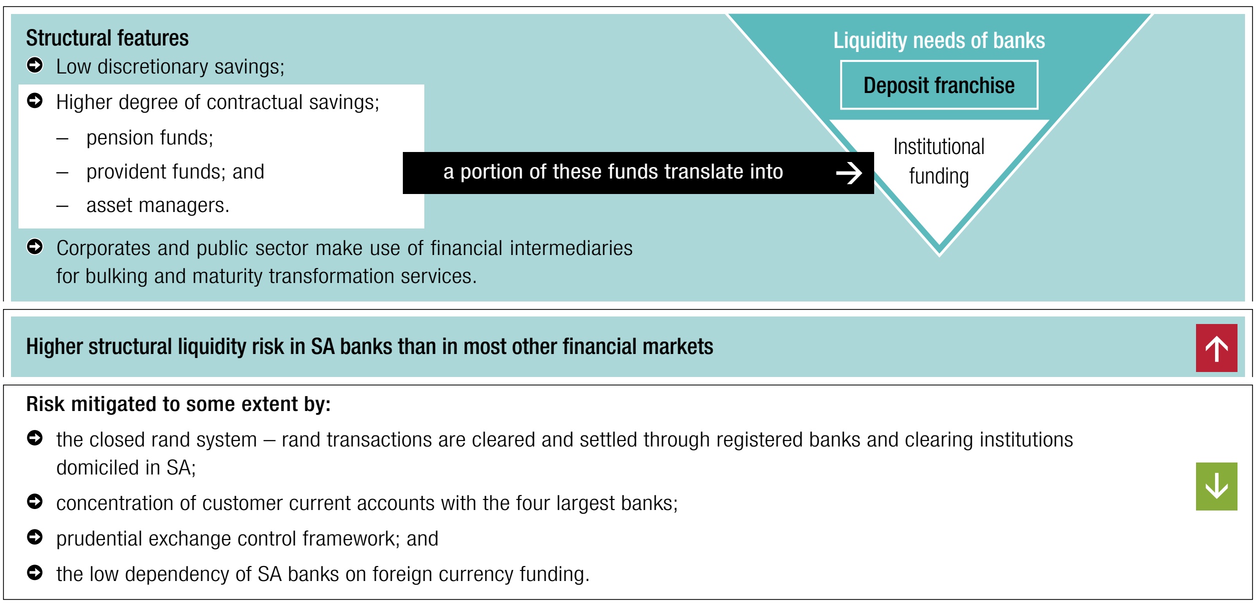
Given market conditions and the regulatory environment, the group increased its holdings of available liquidity in line with risk appetite over the period. The group utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase available liquidity holdings.

At 31 December 2016, the group exceeded the 70% minimum LCR requirement with an LCR measurement of 95% (December 2015: 71%; June 2016: 96%). The bank's LCR was 104% (December 2015: 74%: June 2016: 102%).

At 31 December 2016, the group's available HQLA sources of liquidity per the LCR amounted to R173 billion, with an additional R9 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.



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

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

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

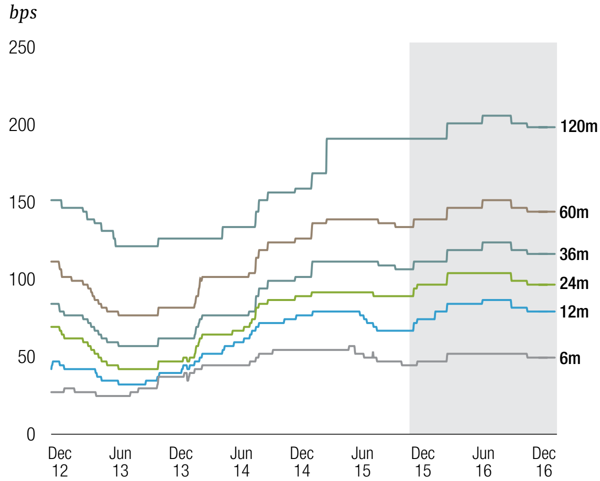
The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-traded money market instrument issued by banks, namely 12-month NCDs. The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

*12-MONTH FLOATING RATE NOTE MID-MARKET SPREAD*


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

The following graph shows that long-term funding spreads remain elevated from a historical perspective and still appear to be reflecting a high liquidity premium. The liquidity spreads for instruments with maturities less than 12 months in particular are still high.

*LONG-TERM FUNDING SPREADS*




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

## Funding measurement and activity

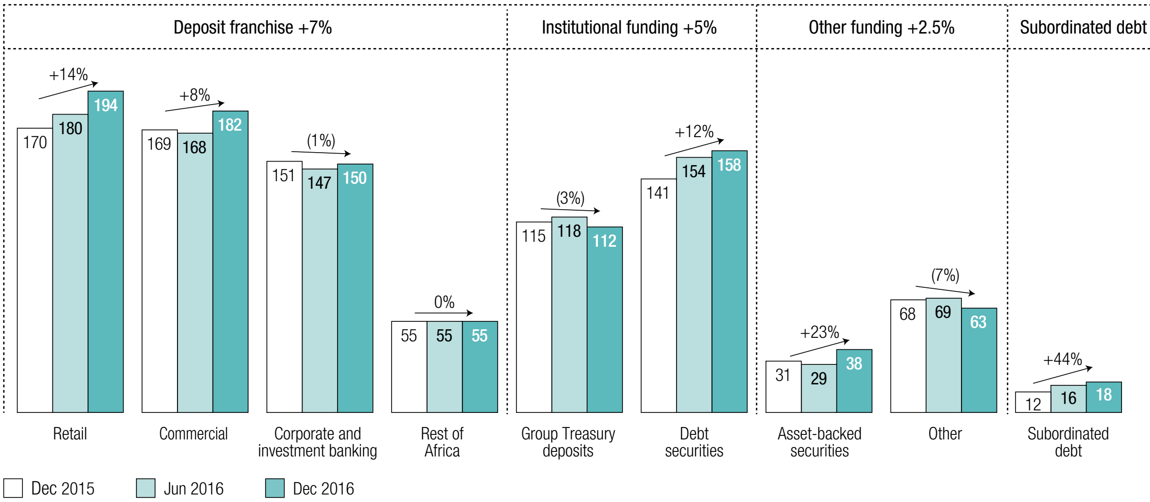
FirstRand Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously.

The group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise is the most efficient source of funding and represented 60% of total group funding liabilities as at 31 December 2016 (December 2015: 60%; June 2016: 59%). The group continued to focus on growing its deposit franchise across all segments, with increasing emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the group accesses the domestic money markets daily and, from time to time, capital markets. The group issues 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. Given elevated domestic funding spreads, the group has not actively sought to issue senior securities in benchmark size.

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

*FUNDING PORTFOLIO GROWTH*

*R billion*

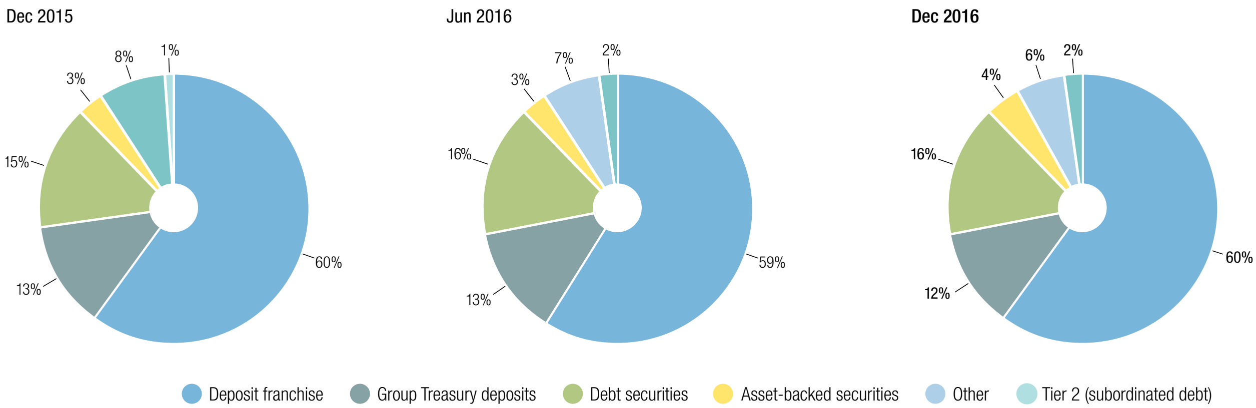



*Note 1: Percentage growth is based on actual, not rounded numbers shown in the bar graphs.*

*Note 2: The above graph is completed using the group segmental reporting split based on the funding product type. As a result, this differs from the pure segment view reported. Additionally, the deposit franchise as reported in the above finance segment and product view differs from the risk counterparty view on page 78 which is segment and product agnostic. These views highlight primarily the group's strength in raising deposits through the segments, as well as the diversification of the bank's funding from a counterparty perspective.*

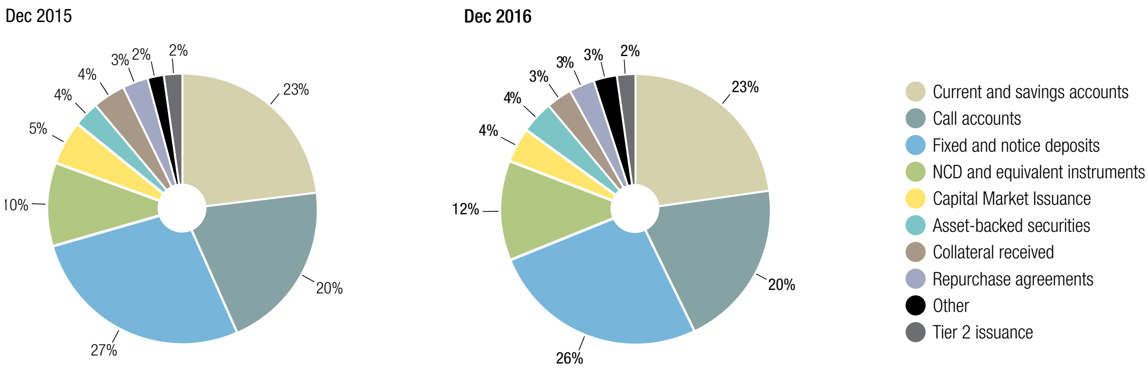
The graphs below show that the group's funding mix has remained stable over the last 12 months.

*FUNDING MIX*



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

*GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE*




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 table below provides an analysis of the bank's funding sources per counterparty type as apposed to the FirstRand segment view.

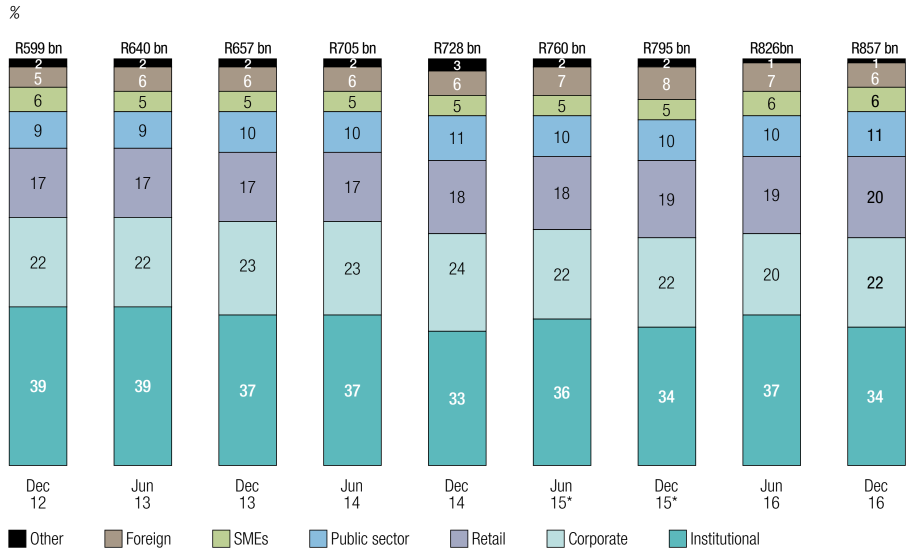
*FUNDING SOURCES OF FIRSTRAND BANK (EXCLUDING FOREIGN BRANCHES)*

| | As at December 2016 | | | | As at December 2015 | As at June 2016 |
|---|---|---|---|---|---|---|
| *% of funding liabilities* | **Total** | **Short term** | **Medium term** | **Long term** | Total | Total |
| **Institutional funding** | **34.2** | **11.8** | **6.4** | **16.0** | 33.2 | 37.0 |
| **Deposit franchise** | **65.8** | **50.5** | **8.4** | **6.9** | 66.8 | 63.0 |
| Corporate | **22.4** | **19.1** | **2.2** | **1.1** | 22.2 | 20.1 |
| Retail | **19.9** | **15.0** | **3.2** | **1.7** | 19.1 | 19.2 |
| SME | **5.5** | **4.5** | **0.7** | **0.3** | 5.4 | 5.5 |
| Government and parastatals | **10.5** | **8.5** | **1.1** | **0.9** | 9.5 | 10.2 |
| Foreign | **6.3** | **3.3** | **1.2** | **1.8** | 7.8 | 6.9 |
| Other | **1.2** | **0.1** | **–** | **1.1** | 2.8 | 1.1 |
| **Total** | **100.0** | **62.3** | **14.8** | **22.9** | 100.0 | 100.0 |

*Source: BA900 for FirstRand Bank South Africa.*

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

*FUNDING ANALYSIS BY SOURCE OF FIRSTRAND BANK (EXCLUDING FOREIGN BRANCHES)*

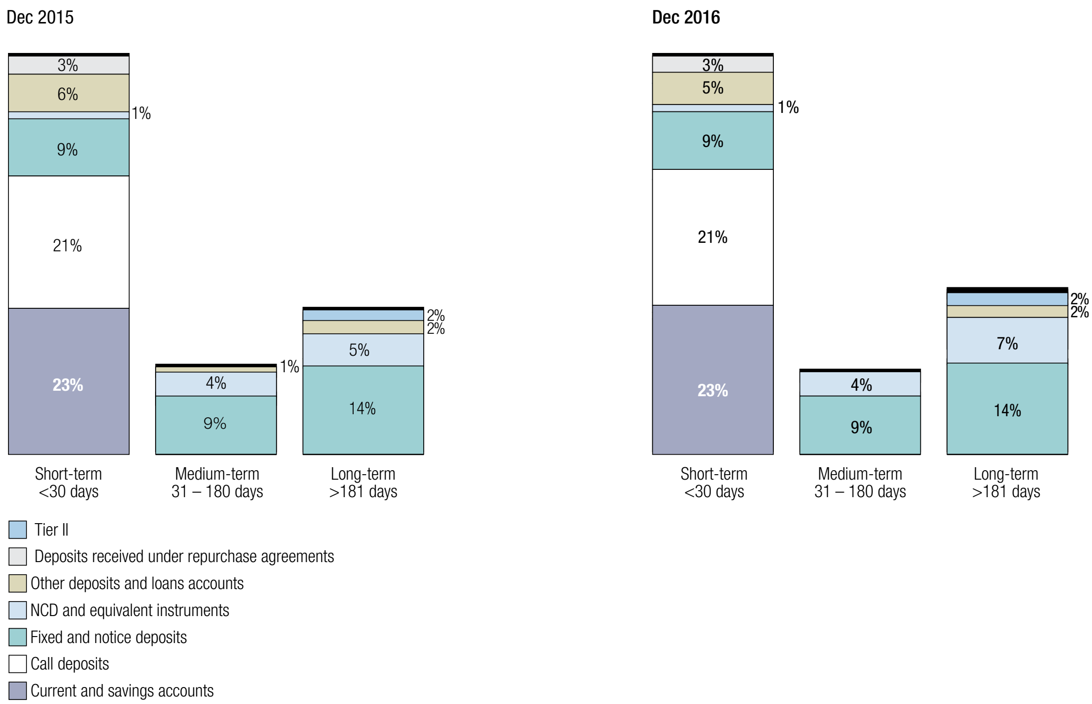



*Source: SARB BA900 returns.*

* *Restated to account for adjustments made to BA900 reporting.*

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

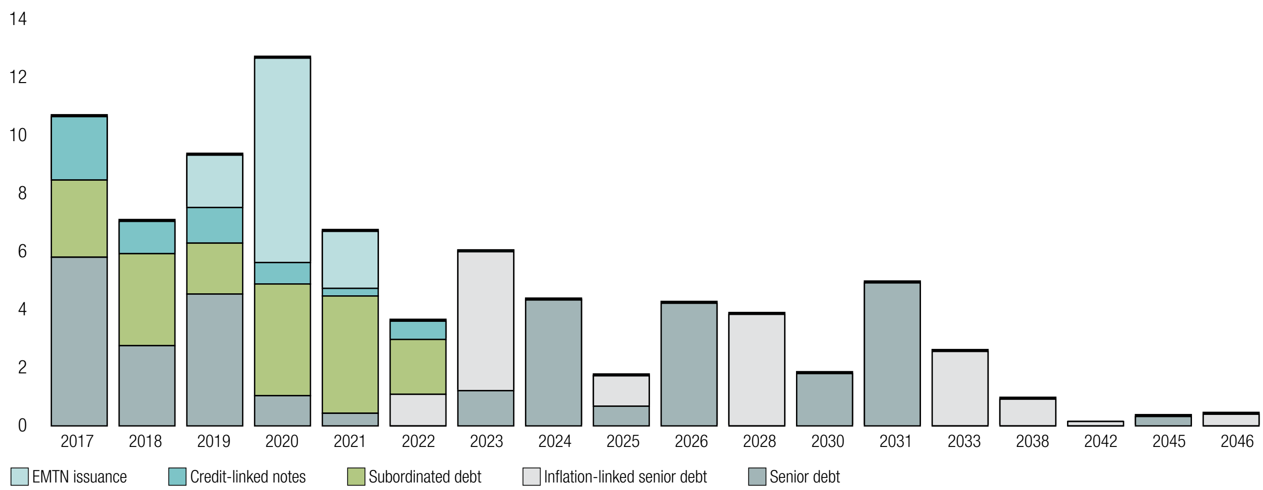
*GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM*



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

*MATURITY PROFILE OF CAPITAL MARKET INSTRUMENTS OF THE BANK (EXCLUDING FOREIGN BRANCHES)*

*R billion*




## Funds transfer pricing

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

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

## FOREIGN CURRENCY BALANCE SHEET

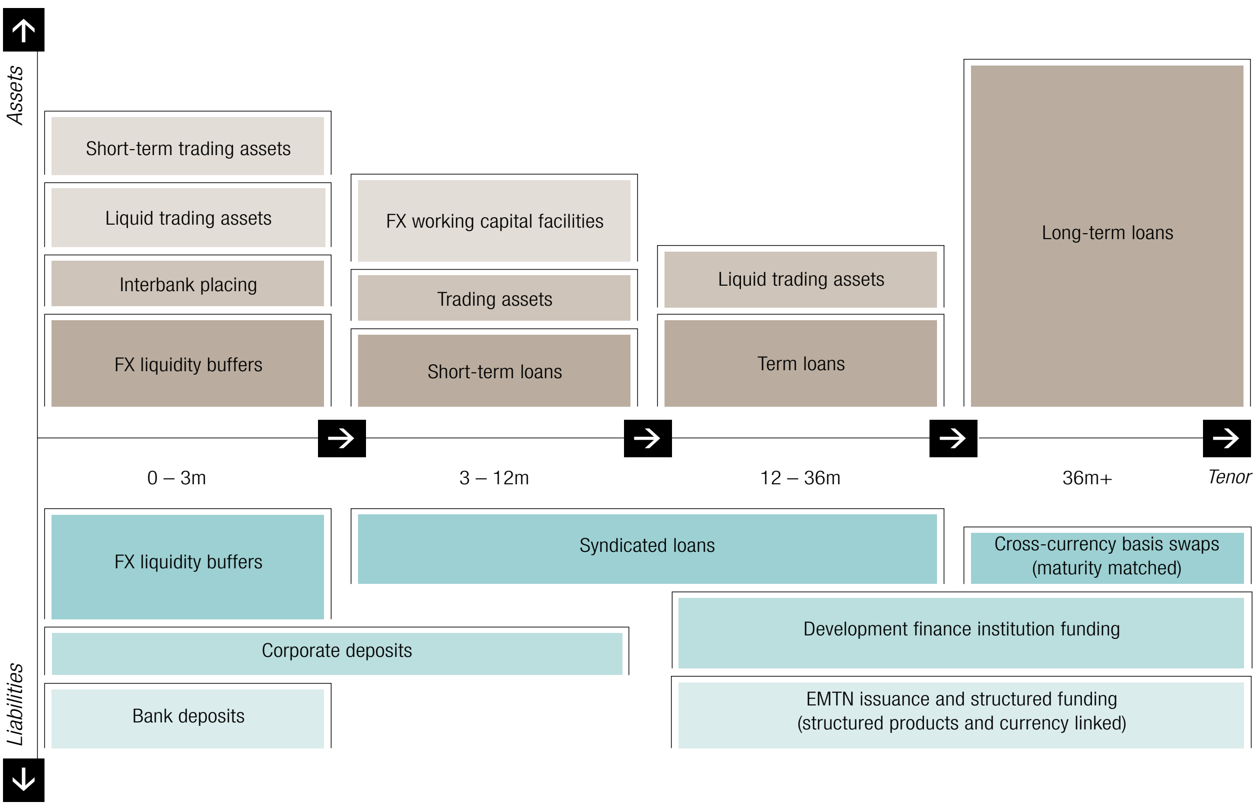
Given that the group continues to grow its businesses in the rest of Africa, and given the size of MotoNovo (UK), the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk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

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

### Philosophy on foreign currency external debt

A key determinant in an institution's ability to fund and refinance in currencies other than its domestic currency is the sovereign risk and associated external financing requirement. The group's framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, and the macroeconomic vulnerabilities of South Africa. To determine South Africa's foreign currency funding capacity, the group considers the external debt of all South African entities (private and public sector, financial institutions) as all these entities utilise the South African system's capacity, namely, confidence and export receipts. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations.

*GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET*



## REGULATORY UPDATE

### BASEL III LIQUIDITY RATIOS

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

- LCR – addresses short-term liquidity risk; and
- Net stable funding ratio (NSFR) – addresses the structural liquidity risk of the balance sheet.

### LIQUIDITY COVERAGE RATIO

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

The SARB issued *Guidance Note 6/2016* significantly increasing the cost for contracting a CLF. The group remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the SA market.

### DISCLOSURE REQUIREMENTS

The BCBS published the liquidity coverage ratio disclosure standards in March 2014 with the objective to reduce market uncertainty around liquidity positions. The standardised templates are completed semi-annually.

These disclosures reveal industry reporting inconsistencies which are being addressed via the Banking Association South Africa, with SARB and the South African Institute of Chartered Accountants (SAICA).

### NET STABLE FUNDING RATIO

The NSFR is considered as a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding.

In line with *Directive 4/2016*, banks have been submitting a monthly NSFR monitoring template since August 2016 to enable the SARB to assess the readiness of banks to comply with the 100% NSFR requirement from 1 January 2018. Banks have been engaging on a bilateral basis on interpretive matters relating to this form. Additionally, the industry is seeking guidance in terms of group NSFR requirements and whether assets eligible for the committed liquidity facility for LCR purposes will receive differentiated treatment for the NSFR.

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

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

### RESOLUTION FRAMEWORK

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

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

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

## LIQUIDITY RISK POSITION

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

*GROUP LIQUID ASSETS COMPOSITION*

| | Marketable assets | HQLA Basel III view after haircut* | | | | | Management view after haircuts | | |
|---|---|---|---|---|---|---|---|---|---|
| *R billion* | **Total Dec 2016** | **Level 1** | **Level 2** | **Total Dec 2016** | Total Dec 2015 | Total Jun 2016 | **Total Dec 2016** | Total Dec 2015 | Total Jun 2016 |
| Cash and deposits with central banks | **37** | **34** | **–** | **34** | 32 | 32 | **34** | 32 | 32 |
| Government bonds and bills | **112** | **108** | **–** | **108** | 73 | 83 | **108** | 80 | 89 |
| Other liquid assets | **53** | **–** | **31** | **31** | 33 | 42 | **40** | 38 | 53 |
| **Total** | **202** | **142** | **31** | **173** | 138 | 157 | **182** | 150 | 174 |

* *The surplus HQLA holdings by subsidiaries and foreign branches in excess of the minimum required LCR of 70% (December 2015: 60%), have been excluded in the calculation of the consolidated group LCR.*

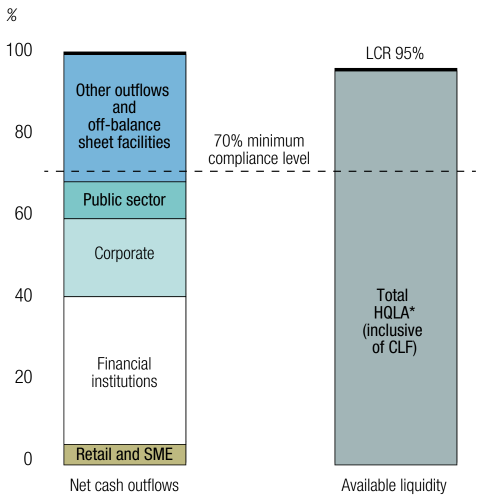
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity-at-risk and the market liquidity 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 activity.

The group's LCR increased due to an increase in HQLA holdings of R35 billion and a reduction in net cash outflows of R12 billion. This is as a result of targeted strategies to raise more funding from stable sources and increase liquid asset holdings. In addition, certain components of the LCR have now been clarified by the SARB and industry working groups, which has allowed FirstRand to align its methodology with other sector players, resulting in a structural uplift in its LCR.

The following graph illustrates the group's LCR position of 95% as at 31 December 2016 (December 2015: 71%) and demonstrates the group's compliance with the 70% minimum requirement. FirstRand Bank's LCR was 104% at 31 December 2016 (December 2015: 74%).

Funding from institutional clients is a significant contributor to the group's net cash outflows as measured under the LCR. Other significant contributors to cash outflows include corporate funding and off-balance sheet facilities granted to clients. The group has strategies in place to increase funding sourced through its deposit franchise and to reduce reliance on less efficient institutional funding sources, as well as to offer facilities more efficiently.

*GROUP LCR*




* *HQLA held by subsidiaries and foreign branches in excess of the required LCR minimum of 70% have been excluded on consolidation as per Directive 11/2014.*

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

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

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

## PERIOD UNDER REVIEW

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

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

FirstRand comfortably operated above its capital and leverage targets during the period under review. The table below summarises the group's capital and leverage ratios as at 31 December 2016.

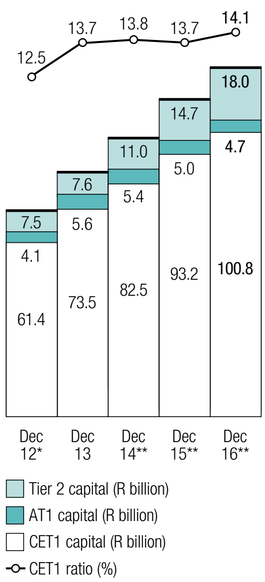
*CAPITAL ADEQUACY AND LEVERAGE POSITION*

| | Capital | | | Leverage |
|---|---|---|---|---|
| % | **CET1** | **Tier 1** | **Total** | **Total** |
| Regulatory minimum* | 6.9 | 8.1 | 10.4 | 4.0 |
| Internal target | 10.0 – 11.0 | >12.0 | >14.0 | >5.0 |
| **Actual** | | | | |
| **Including unappropriated profits** | **14.1** | **14.8** | **17.3** | **8.4** |
| Excluding unappropriated profits | 11.9 | 12.6 | 15.1 | 7.2 |

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

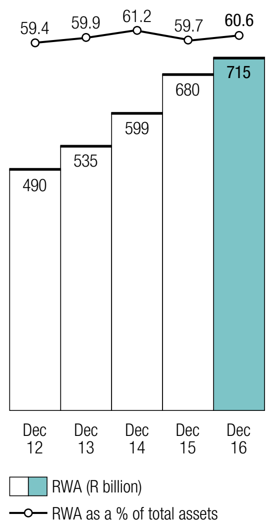
The graphs below show the historical overview of capital adequacy, RWA and leverage for FirstRand.

*CAPITAL ADEQUACY*

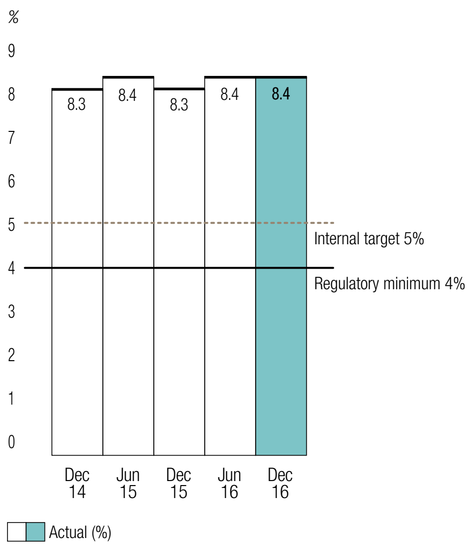



* 2012 is on a Basel II basis, 2013 onwards is on a Basel III basis.
** Includes unappropriated profits.

*RWA HISTORY*




*LEVERAGE**

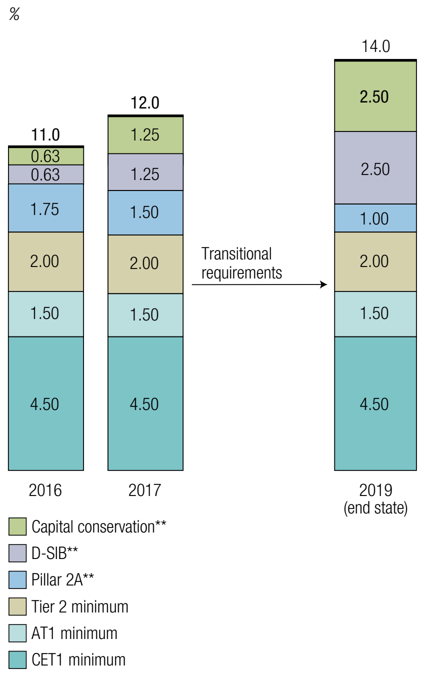



* Includes unappropriated profits.

## REGULATORY UPDATE

Effective 1 January 2016, the SARB minimum capital requirement was adjusted for the capital conservation buffer, add-on for domestic systemically important banks (D-SIB) and the countercyclical buffer. Currently the SARB has not implemented any countercyclical buffer requirement for South African exposures. The capital conservation buffer and D-SIB add-on will be phased in until 1 January 2019.

*TRANSITIONAL MINIMUM REQUIREMENTS**




* *Assuming a maximum D-SIB add-on.*
** *Pillar 2A and D-SIB met with all capital types; capital conservation buffer met solely with CET1 capital.*

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

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

The SARB has delayed the implementation of the following Basel standards:

- Standardised approach for measuring counterparty credit risk exposures (SA-CCR);
- Bank exposures to central counterparties;
- Margin requirements for non-centrally cleared derivatives; and
- Capital requirements for banks' equity investments in funds.

## COMPOSITION OF CAPITAL

### Supply of capital

The tables below summarise FirstRand's qualifying capital components and related movements.

*COMPOSITION OF CAPITAL ANALYSIS*

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| *R million* | **2016** | 2015 | 2016 |
| **Including unappropriated profits** | | | |
| – CET1 | **100 844** | 93 168 | 97 283 |
| – Tier 1 | **105 556** | 98 189 | 101 970 |
| – Total qualifying capital | **123 546** | 112 849 | 117 811 |
| **Excluding unappropriated profits** | | | |
| – CET1 | **85 322** | 83 883 | 86 954 |
| – Tier 1 | **90 034** | 88 904 | 91 641 |
| – Total qualifying capital | **108 024** | 103 564 | 107 482 |

| Movement: December 2016 vs December 2015 | | |
|---|---|---|
| **CET1** | **AT1** | **Tier 2** |
| ↑ | ↓ | ↑ |
| • Internal capital generation through earnings. | • Additional 10% haircut on NCNR preference shares not compliant with Basel III, partly offset by movements in third-party capital. | • Issuance of Basel III-compliant subordinated debt instruments totalling R4.9 billion:<br>– FRB18, FRB19 and FRB20 issued in April 2016: R2.6 billion;<br>– FRB21 issued in November 2016: R1 billion; and<br>– FRB22 issued in December 2016: R1.25 billion.<br>• Redemption of FRB08 in June 2016: R100 million.<br>• Additional 10% haircut applied to instruments not compliant with Basel III. |

## DEMAND FOR CAPITAL

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

*RWA ANALYSIS*

| *R million* | As at 31 December 2016 | As at 31 December 2015 | As at 30 June 2016 | KEY DRIVERS |
|---|---|---|---|---|
| Credit risk | **491 776** | 469 549 | 479 731 | ↑ Organic growth, model recalibrations and regulatory refinement. |
| Counterparty credit risk | **17 002** | 20 341 | 21 378 | ↓ Volumes, mark-to-market movements and increased collateralisation. |
| Operational risk | **114 437** | 103 911 | 110 143 | ↑ Higher risk scenario values for certain portfolios subject to the advanced measurement approach. Increase in gross income for entities on the standardised approach. |
| Market risk | **22 463** | 16 615 | 17 402 | ↑ Volume and mark-to-market movements. |
| Equity investment risk* | **35 977** | 40 046 | 36 846 | ↓ Disposals of investments, partly offset by investment in African Bank Holdings Limited. |
| Other assets* | **33 585** | 29 938 | 33 232 | ↑ Increase in deferred tax assets relating to temporary differences. Increase in property and equipment. |
| **Total RWA** | **715 240** | 680 400 | 698 732 | |

* *For December 2015, investment in financial, banking and insurance entities risk weighted at 250% were reclassified from other assets to equity investment risk.*

## CAPITAL ADEQUACY POSITION FOR THE GROUP, ITS REGULATED SUBSIDIARIES AND THE BANK'S FOREIGN BRANCHES

The group's registered banking subsidiaries 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. No restrictions were experienced on the repayment of such dividends or profits to the group during the period.

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*

| | As at 31 December | | | | As at 30 June |
|---|---|---|---|---|---|
| | **2016** | | | 2015 | 2016 |
| | **RWA R million** | **Tier 1 %** | **Total capital adequacy %** | Total capital adequacy % | Total capital adequacy % |
| **Basel III** | | | | | |
| FirstRand* | **715 240** | **14.8** | **17.3** | 16.6 | 16.9 |
| FirstRand Bank South Africa* | **537 830** | **14.5** | **17.5** | 16.6 | 16.9 |
| FirstRand Bank London | **32 677** | **12.1** | **20.2** | 16.1 | 17.4 |
| FirstRand Bank India | **2 737** | **24.3** | **24.7** | 29.9 | 24.3 |
| FirstRand Bank Guernsey** | **68** | **36.2** | **36.2** | 43.5 | 43.9 |
| **Basel II (local regulations)** | | | | | |
| FNB Namibia | **24 881** | **13.5** | **17.2** | 15.8 | 17.8 |
| FNB Mozambique | **2 550** | **11.8** | **12.3** | 11.3 | 14.6 |
| RMB Nigeria | **1 721** | **54.6** | **54.6** | 75.2 | 91.7 |
| FNB Botswana# | **20 711** | **14.3** | **18.5** | 20.2 | 16.4 |
| **Basel I (local regulations)** | | | | | |
| FNB Swaziland | **3 006** | **26.2** | **27.3** | 21.9 | 25.0 |
| FNB Lesotho | **1 034** | **12.3** | **15.5** | 15.4 | 16.9 |
| FNB Zambia | **4 255** | **17.8** | **22.8** | 20.4 | 19.2 |
| FNB Tanzania | **1 229** | **52.0** | **52.0** | 78.4 | 66.1 |
| First National Bank Ghana | **210** | **>100** | **>100** | >100 | >100 |

* *Includes unappropriated profits.*
** *Trading as FNB Channel Islands.*
\# *Basel II implemented on 1 January 2016.*

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

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

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

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

# PERFORMANCE MEASUREMENT

The group aims to deliver sustainable returns to its shareholders and each business unit is evaluated on shareholder value created. This is measured through ROE and the group's specific benchmark of economic profit, net income after cost of capital (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 the business units and capital is allocated to each business unit based on its risk profile. The capital allocation process is based on internal assessment of the capital requirements as well as Basel III.

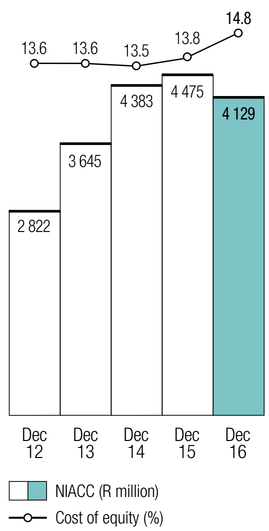
Growth in normalised earnings was offset by an increase in the cost and level of equity, resulting in a decrease in NIACC, as illustrated in the table below.

*NIACC AND ROE*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Normalised earnings attributable to ordinary shareholders | **11 646** | 10 915 | 7 | 22 855 |
| Capital charge* | **(7 517)** | (6 440) | 17 | (13 769) |
| **NIACC**** | **4 129#** | 4 475 | (8) | 9 086 |
| Average ordinary shareholders' equity and reserves | **101 588** | 93 328 | 9 | 95 286 |
| ROE (%) | **22.9** | 23.4 | | 24.0 |
| Cost of equity (%) | **14.80** | 13.80 | | 14.45 |
| Return on average RWA (%) | **3.29** | 3.32 | | 3.43 |

* *Capital charge based on cost of equity.*
** *NIACC = normalised earnings less (cost of equity x average ordinary shareholders' equity and reserves).*
\# *NIACC based on the 2015 cost of equity would have shown an increase of 4% to R4 636 million.*

*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 higher levels of capital and the increase in cost of equity.

Decomposition of the ROE indicates that the reduction in ROE was largely driven by the decrease in gearing, as illustrated in the table below.

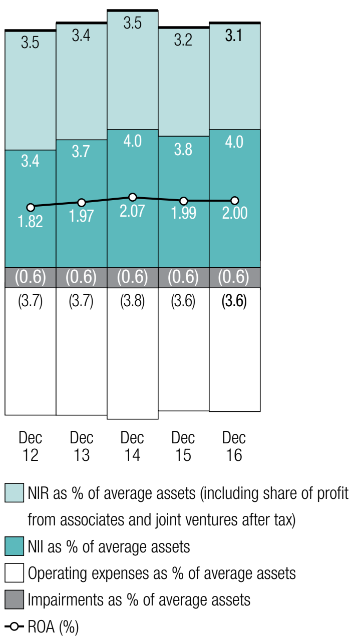
*HISTORICAL ANALYSIS OF ROA, GEARING AND ROE*

| | Six months ended 31 December | | | | | Year ended 30 June |
|---|---|---|---|---|---|---|
| | **2016** | 2015 | 2014 | 2013 | 2012 | 2016 |
| ROA (%) | **2.00** | 1.99 | 2.07 | 1.97 | 1.82 | 2.07 |
| Gearing (times)* | **11.5** | 11.8 | 11.5 | 11.9 | 12.2 | 11.6 |
| ROE (%) | **22.9** | 23.4 | 24.0 | 23.4 | 22.3 | 24.0 |

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

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

*ROA ANALYSIS*




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

## FRANCHISE PERFORMANCE AND ROE

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*

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | **2016** | | 2015^ | 2016^ |
| *R million* | **Normalised earnings‡** | **ROE %** | ROE % | ROE % |
| **FNB*** | **6 513** | **38.5** | 40.0 | 38.4 |
| **RMB**** | **2 820** | **21.3** | 22.2 | 25.2 |
| **WesBank**** | **1 913** | **19.9** | 20.5 | 21.9 |
| **FCC (including Group Treasury)#** | **400** | **3.3** | 1.1 | 2.1 |
| **FirstRand group** | **11 646** | **22.9** | 23.4 | 24.0 |
| **Rest of Africa total†** | **664** | **14.0** | 15.5 | 14.2 |

* *Includes FNB Africa and FNB's activities in India.*
** *Includes RMB Africa and WesBank Africa, respectively.*
\# *Includes Ashburton Investments as well as the unallocated surplus capital.*
† *Reflects the franchises' combined operations in the legal entities in the rest of Africa.*
‡ *Includes the return on capital in rest of Africa operations and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings in the segment report on pages 22 to 33.*
^ *The comparative ROEs have been restated for segmentation changes.*

# 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'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, exposing 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 currently issued from FirstRand.

*CREDIT RATINGS AS AT 8 MARCH 2017*

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

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

## South Africa sovereign rating

**Moody's Investor Service (Moody's)**

Ratings were affirmed on 25 November 2016. The outlook remains negative.

**S&P Global Ratings (S&P)**

Foreign currency and national scale ratings were affirmed on 2 December 2016 respectively. Long-term local currency rating was lowered to BBB from BBB+ and the short-term rating of A-2 was affirmed. The outlook remains negative.

The above rating actions are primarily driven by South Africa's weakening credit profile, and challenging economic and operating environment. The impact of these ratings on FirstRand and FirstRand Bank are outlined below.

## FirstRand and FirstRand Bank

**Moody's**

On 16 November 2016, Moody's affirmed FirstRand Bank's long- and short-term foreign and local currency deposit ratings. The outlook remains negative based on the South African sovereign outlook.

**S&P**

On 8 December 2016, S&P affirmed its long- and short-term counterparty credit and national scale ratings for both FirstRand and FirstRand Bank. The outlook remains negative based on the South African sovereign outlook.

# IFRS information

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# PRESENTATION

## BASIS OF PRESENTATION

FirstRand prepares its condensed consolidated interim results in accordance with:

- the requirements of *IAS 34 Interim Financial Reporting*;
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee; and
- requirements of the Companies Act, no 71 of 2008, applicable to summary financial statements.

The condensed consolidated interim results for the six months ended 31 December 2016 have not been audited or independently reviewed by the group's external auditors.

## ACCOUNTING POLICIES

The accounting policies applied in the preparation of these condensed consolidated financial statements are in terms of IFRS and 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.

The group has voluntarily changed the manner in which it presents certain items of NII and NIR as well as the classification of certain credit investments. The change in presentation has had no impact on the profit or loss or net asset value of the group, and only affects the classification of items on the income statement and statement of financial position. The impact on previously reported results is set out on pages 121 and 122.

Other than the change in presentation described above, the accounting policies are consistent with those applied for the year ended 30 June 2016. There were no other new or revised standards adopted for the six months ended 31 December 2016 that have an effect on the group's reported earnings, financial position or reserves, or a material impact on the accounting policies.

## DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

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 Listing Requirements, constitute *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.

### Consolidated private equity subsidiaries

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

### FirstRand shares held for client trading activities

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

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

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

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

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

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

## Margin-related items included in fair value income

In terms of IFRS, the group is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income in NIR. This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in NII in the normalised results.

The amount reclassified to NII from NIR includes the following items:

- net interest income on the wholesale advances book in RMB;
- fair value gains on derivatives used as interest rate hedges but which do not qualify for hedge accounting; and
- currency translations and associated costs inherent in the USD funding and liquidity pool.

Previously this adjustment was shown as three separate normalised adjustments, being economic interest rate hedges, fair value annuity income and USD liquidity funding.

## Classification of impairment on restructured advance

Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment. The restructure resulted in the group having significant influence over the counterparty and an investment in an associate was recognised. The group believes that the circumstances that led to the impairment arose prior to the restructure. For normalised reporting, the group retained the gross advance and impairment. This amount is classified in advances rather than investments in associates as this more accurately reflects the economic nature of the transaction.

## 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. To the extent, therefore, 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 2/2015 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 for the specific reporting period to the period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group.

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

## Headline earnings adjustments

All adjustments required by *Circular 2/2015 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 110.

# CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

| *R million* | Six months ended 31 December 2016 | Six months ended 31 December 2015* | % change | Year ended 30 June 2016* |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | **22 200** | 20 020 | 11 | 42 041 |
| Impairment charge | **(3 741)** | (3 145) | 19 | (7 159) |
| **Net interest income after impairment of advances** | **18 459** | 16 875 | 9 | 34 882 |
| Non-interest revenue | **19 514** | 17 141 | 14 | 36 934 |
| **Income from operations** | **37 973** | 34 016 | 12 | 71 816 |
| Operating expenses | **(21 708)** | (19 756) | 10 | (41 657) |
| **Net income from operations** | **16 265** | 14 260 | 14 | 30 159 |
| Share of profit of associates after tax | **340** | 349 | (3) | 930 |
| Share of profit of joint ventures after tax | **127** | 453 | (72) | 526 |
| **Income before tax** | **16 732** | 15 062 | 11 | 31 615 |
| Indirect tax | **(573)** | (427) | 34 | (928) |
| **Profit before tax** | **16 159** | 14 635 | 10 | 30 687 |
| Income tax expense | **(3 596)** | (3 357) | 7 | (6 612) |
| **Profit for the period** | **12 563** | 11 278 | 11 | 24 075 |
| **Attributable to** | | | | |
| Ordinary equityholders | **11 889** | 10 480 | 13 | 22 563 |
| NCNR preference shareholders | **181** | 164 | 10 | 342 |
| **Equityholders of the group** | **12 070** | 10 644 | 13 | 22 905 |
| Non-controlling interests | **493** | 634 | (22) | 1 170 |
| **Normalised earnings attributable to ordinary equityholders of the group** | **12 563** | 11 278 | 11 | 24 075 |
| **Earnings per share (cents)** | | | | |
| – Basic | **212.0** | 186.9 | 13 | 402.4 |
| – Diluted | **212.0** | 186.9 | 13 | 402.4 |
| **Headline earnings per share (cents)** | | | | |
| – Basic | **211.5** | 185.4 | 14 | 399.2 |
| – Diluted | **211.5** | 185.4 | 14 | 399.2 |

* *Restated, refer to page 121 and 122 for more detailed information.*

# CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – IFRS

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| **Profit for the period** | **12 563** | 11 278 | 11 | 24 075 |
| **Items that may subsequently be reclassified to profit or loss** | | | | |
| **Cash flow hedges** | **45** | 528 | (91) | 118 |
| Gains arising during the period | **116** | 717 | (84) | 144 |
| Reclassification adjustments for amounts included in profit or loss | **(53)** | 16 | (>100) | 20 |
| Deferred income tax | **(18)** | (205) | (91) | (46) |
| **Available-for-sale financial assets** | **(210)** | (684) | (69) | (504) |
| Losses arising during the period | **(199)** | (966) | (79) | (671) |
| Reclassification adjustments for amounts included in profit or loss | **(64)** | 2 | (>100) | (6) |
| Deferred income tax | **53** | 280 | (81) | 173 |
| **Exchange differences on translating foreign operations** | **(1 437)** | 2 521 | (>100) | 567 |
| (Losses)/gains arising during the period | **(1 437)** | 2 521 | (>100) | 567 |
| **Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests** | **(60)** | 63 | (>100) | 87 |
| **Items that may not subsequently be reclassified to profit or loss** | | | | |
| **Remeasurements on defined benefit post-employment plans** | **(82)** | (64) | 28 | (139) |
| Losses arising during the period | **(113)** | (89) | 27 | (194) |
| Deferred income tax | **31** | 25 | 24 | 55 |
| **Other comprehensive (loss)/income for the period** | **(1 744)** | 2 364 | (>100) | 129 |
| **Total comprehensive income for the period** | **10 819** | 13 642 | (21) | 24 204 |
| **Attributable to** | | | | |
| Ordinary equityholders | **10 213** | 12 742 | (20) | 22 665 |
| NCNR preference shareholders | **181** | 164 | 10 | 342 |
| **Equityholders of the group** | **10 394** | 12 906 | (19) | 23 007 |
| Non-controlling interests | **425** | 736 | (42) | 1 197 |
| **Total comprehensive income for the period** | **10 819** | 13 642 | (21) | 24 204 |

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| *R million* | **2016** | 2015** | 2016** |
| **ASSETS** | | | |
| Cash and cash equivalents | **65 983** | 61 120 | 64 303 |
| Derivative financial instruments | **35 721** | 69 001 | 40 551 |
| Commodities | **9 110** | 10 779 | 12 514 |
| Investment securities | **166 245** | 130 867 | 142 648 |
| Advances | **864 171** | 828 533 | 851 405 |
| – Advances to customers | **821 384** | 794 428 | 808 699 |
| – Marketable advances | **42 787** | 34 105 | 42 706 |
| Accounts receivable | **9 514** | 9 509 | 10 152 |
| Current tax asset | **509** | 1 321 | 428 |
| Non-current assets and disposal groups held for sale | **833** | 181 | 193 |
| Reinsurance assets | **81** | 587 | 36 |
| Investments in associates | **5 173** | 6 242 | 4 964 |
| Investments in joint ventures | **1 458** | 1 424 | 1 344 |
| Property, plant and equipment | **17 591** | 17 032 | 16 909 |
| Intangible assets | **1 689** | 1 574 | 1 569 |
| Investment properties | **399** | 416 | 386 |
| Defined benefit post-employment asset | **8** | 4 | 9 |
| Deferred income tax asset | **2 003** | 918 | 1 866 |
| **Total assets** | **1 180 488** | 1 139 508 | 1 149 277 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | **13 874** | 6 069 | 14 263 |
| Derivative financial instruments | **45 499** | 82 014 | 50 782 |
| Creditors, accruals and provisions* | **16 890** | 15 232 | 17 285 |
| Current tax liability | **536** | 375 | 270 |
| Liabilities directly associated with disposal groups held for sale | **508** | 207 | 141 |
| Deposits | **951 970** | 899 619 | 919 930 |
| – Deposits from customers | **693 053** | 660 203 | 667 995 |
| – Debt securities | **157 522** | 140 500 | 153 727 |
| – Asset-backed securities | **38 382** | 31 146 | 29 305 |
| – Other | **63 013** | 67 770 | 68 903 |
| Employee liabilities | **7 316** | 6 963 | 9 771 |
| Other liabilities | **7 674** | 7 492 | 8 311 |
| Policyholder liabilities | **3 296** | 1 236 | 1 402 |
| Tier 2 liabilities | **20 146** | 15 554 | 18 004 |
| Deferred income tax liability | **1 005** | 956 | 1 053 |
| **Total liabilities** | **1 068 714** | 1 035 717 | 1 041 212 |
| **Equity** | | | |
| Ordinary shares | **56** | 56 | 56 |
| Share premium | **8 034** | 7 980 | 7 952 |
| Reserves | **95 317** | 87 825 | 91 737 |
| **Capital and reserves attributable to ordinary equityholders** | **103 407** | 95 861 | 99 745 |
| NCNR preference shares | **4 519** | 4 519 | 4 519 |
| **Capital and reserves attributable to equityholders of the group** | **107 926** | 100 380 | 104 264 |
| Non-controlling interests | **3 848** | 3 411 | 3 801 |
| **Total equity** | **111 774** | 103 791 | 108 065 |
| **Total equity and liabilities** | **1 180 488** | 1 139 508 | 1 149 277 |

* *In December 2015, provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*
** *Restated, refer to page 121 and 122 for more detailed information.*

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS

| | Six months ended 31 December | | Year ended 30 June |
|---|---|---|---|
| *R million* | **2016** | 2015** | 2016** |
| **Cash generated from operating activities** | | | |
| Interest and fee commission receipts | **53 326** | 45 042 | 95 004 |
| Trading and other income | **1 378** | 1 868 | 4 167 |
| Interest payments | **(17 308)** | (13 580) | (28 884) |
| Other operating expenses | **(18 183)** | (16 612) | (33 417) |
| Dividends received | **2 441** | 3 327 | 6 544 |
| Dividends paid | **(6 800)** | (6 727) | (12 950) |
| Dividends paid to non-controlling interests | **(480)** | (583) | (761) |
| **Cash generated from operating activities** | **14 374** | 12 735 | 29 703 |
| **Movement in operating assets and liabilities** | | | |
| Liquid assets and trading securities | **(23 372)** | 7 112 | (4 009) |
| Advances | **(21 869)** | (37 904) | (69 673) |
| Deposits | **37 909** | 19 276 | 44 739 |
| Creditors (net of debtors) | **543** | (4 601) | (3 495) |
| Employee liabilities | **(4 956)** | (4 902) | (5 350) |
| Other liabilities | **4 323** | 4 635 | 8 245 |
| Taxation paid | **(3 891)** | (4 152) | (7 793) |
| **Net cash generated from/(utilised by) operating activities** | **3 061** | (7 801) | (7 633) |
| **Cash flows from investing activities** | | | |
| Acquisition of investments in associates | **(88)** | (138) | (187) |
| Proceeds on disposal of investments in associates | **1** | 3 | 1 932 |
| Acquisition of investments in joint ventures | **(44)** | (30) | – |
| Proceeds on disposal of investments in joint ventures | **16** | – | – |
| Acquisition of investments in subsidiaries | **–** | – | (1 071) |
| Proceeds on disposal of investments in subsidiaries | **–** | – | 621 |
| Acquisition of property and equipment | **(2 585)** | (1 887) | (4 135) |
| Proceeds on disposal of property and equipment | **198** | 402 | 1 170 |
| Acquisition of intangible assets and investment properties | **(237)** | (146) | (294) |
| Proceeds on disposal of intangible assets and investment properties | **(8)** | 45 | 45 |
| Proceeds on disposal of non-current assets held for sale | **246** | 373 | 1 017 |
| **Net cash outflow from investing activities** | **(2 501)** | (1 378) | (902) |
| **Cash flows from financing activities** | | | |
| (Redemption)/issue of other liabilities | **(232)** | 440 | 1 587 |
| Proceeds from the issue of Tier 2 liabilities | **2 153** | 3 029 | 5 486 |
| (Acquisition)/disposal of additional interest in subsidiaries from non-controlling interests | **(43)** | 107 | (1 357) |
| Issue of share of additional interest in subsidiaries from non-controlling interests | **129** | 30 | 39 |
| **Net cash inflow from financing activities** | **2 007** | 3 606 | 5 755 |
| **Net increase/(decrease) in cash and cash equivalents** | **2 567** | (5 573) | (2 780) |
| Cash and cash equivalents at the beginning of the period | **64 303** | 65 567 | 65 567 |
| Cash and cash equivalents acquired through the acquisition of subsidiaries | **–** | – | 890 |
| Cash and cash equivalents impacted by the disposal of subsidiaries | **–** | (1) | (33) |
| Effect of exchange rate changes on cash and cash equivalents | **(767)** | 1 127 | 663 |
| Transfer to non-current assets held for sale | **(120)** | – | (4) |
| **Cash and cash equivalents at the end of the period** | **65 983** | 61 120 | 64 303 |
| **Mandatory reserve balances included above*** | **24 048** | 21 762 | 22 959 |

* *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.*

** *Restated.*

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – IFRS

*for the six months ended 31 December*

| | Ordinary share capital and ordinary equityholders' funds | | | | | |
|---|---|---|---|---|---|---|
| *R million* | Share capital | Share premium | **Share capital and share premium** | Defined benefit post-employment reserve | Cash flow hedge reserve | |
| **Balance as at 1 July 2015** | 56 | 7 997 | **8 053** | (791) | 190 | |
| Issue of share capital and premium | – | – | **–** | – | – | |
| Proceeds from the issue of share capital | – | – | **–** | – | – | |
| Share issue expenses | – | – | **–** | – | – | |
| 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 | – | (17) | **(17)** | – | – | |
| Total comprehensive income for the period | – | – | **–** | (64) | 528 | |
| Vesting of share-based payments | – | – | **–** | – | – | |
| **Balance as at 31 December 2015** | 56 | 7 980 | **8 036** | (855) | 718 | |
| **Balance as at 1 July 2016** | 56 | 7 952 | **8 008** | (930) | 308 | |
| Issue of share capital and premium | – | – | **–** | – | – | |
| Proceeds from the issue of share capital | – | – | **–** | – | – | |
| Share issue expenses | – | – | **–** | – | – | |
| 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 | – | 82 | **82** | – | – | |
| Total comprehensive income for the period | – | – | **–** | (82) | 45 | |
| Vesting of share-based payments | – | – | **–** | – | – | |
| **Balance as at 31 December 2016** | 56 | 8 034 | **8 090** | (1 012) | 353 | |

| 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 |
| 21 | 64 | 2 757 | 261 | 80 223 | **82 725** | **4 519** | **3 307** | **98 604** |
| – | – | – | – | – | **–** | **–** | **30** | **30** |
| – | – | – | – | – | **–** | **–** | **30** | **30** |
| – | – | – | – | – | **–** | **–** | **–** | **–** |
| – | – | – | – | – | **–** | **–** | **(81)** | **(81)** |
| – | – | – | (1) | (4) | **(5)** | **–** | **2** | **(3)** |
| – | – | – | – | (6 563) | **(6 563)** | **–** | **(583)** | **(7 146)** |
| – | – | – | – | – | **–** | **(164)** | **–** | **(164)** |
| – | – | – | 12 | (12) | **–** | **–** | **–** | **–** |
| – | – | – | – | (1 077) | **(1 077)** | **–** | **–** | **(1 077)** |
| – | – | – | – | – | **–** | **–** | **–** | **(17)** |
| – | (667) | 2 421 | 44 | 10 480 | **12 742** | **164** | **736** | **13 642** |
| – | – | – | – | 3 | **3** | **–** | **–** | **3** |
| 21 | (603) | 5 178 | 316 | 83 050 | **87 825** | **4 519** | **3 411** | **103 791** |
| 9 | (441) | 3 310 | 374 | 89 107 | **91 737** | **4 519** | **3 801** | **108 065** |
| – | – | – | – | – | **–** | **–** | **129** | **129** |
| – | – | – | – | – | **–** | **–** | **130** | **130** |
| – | – | – | – | – | **–** | **–** | **(1)** | **(1)** |
| – | – | – | – | – | **–** | **–** | **–** | **–** |
| 2 | – | – | 54 | (44) | **12** | **–** | **(10)** | **2** |
| – | – | – | – | (6 619) | **(6 619)** | **–** | **(480)** | **(7 099)** |
| – | – | – | – | – | **–** | **(181)** | **–** | **(181)** |
| – | – | – | 7 | (7) | **–** | **–** | **–** | **–** |
| – | – | – | – | (26) | **(26)** | **–** | **(17)** | **(43)** |
| – | – | – | – | – | **–** | **–** | **–** | **82** |
| – | (197) | (1 395) | (47) | 11 889 | **10 213** | **181** | **425** | **10 819** |
| – | – | – | – | – | **–** | **–** | **–** | **–** |
| 11 | (638) | 1 915 | 388 | 94 300 | **95 317** | **4 519** | **3 848** | **111 774** |

## STATEMENT OF HEADLINE EARNINGS

| *R million* | Six months ended 31 December 2016 | Six months ended 31 December 2015 | % change | Year ended 30 June 2016 |
|---|---|---|---|---|
| Profit for the period (refer page 104) | **12 563** | 11 278 | 11 | 24 075 |
| Non-controlling interests | **(493)** | (634) | (22) | (1 170) |
| NCNR preference shareholders | **(181)** | (164) | 10 | (342) |
| **Earnings attributable to ordinary equityholders** | **11 889** | 10 480 | 13 | 22 563 |
| Adjusted for | **(30)** | (81) | (63) | (176) |
| Loss on disposal of investment securities and other investments of a capital nature | **–** | (5) | | (5) |
| (Gain)/loss on disposal of available-for-sale assets | **(64)** | 2 | | (6) |
| Loss on disposal of investments in associates | **4** | – | | – |
| Loss on disposal of investments in subsidiaries | **6** | (1) | | (82) |
| Loss/(gain) on disposal of property and equipment | **9** | (78) | | (148) |
| Fair value movement on investment properties | **–** | – | | 22 |
| Impairment of goodwill | **–** | – | | 8 |
| Impairment of assets in terms of IAS 36 | **1** | – | | 47 |
| Other | **(1)** | – | | – |
| Tax effects of adjustments | **15** | 1 | | (20) |
| Non-controlling interests adjustments | **–** | – | | 8 |
| **Headline earnings** | **11 859** | 10 399 | 14 | 22 387 |

# RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| **Headline earnings** | **11 859** | 10 399 | 14 | 22 387 |
| Adjusted for | **(213)** | 516 | (>100) | 468 |
| TRS and IFRS 2 liability remeasurement* | **(166)** | 569 | | 494 |
| Treasury shares** | **7** | (1) | | (6) |
| IAS 19 adjustment | **(54)** | (53) | | (102) |
| Private equity subsidiary realisations | **–** | 1 | | 82 |
| **Normalised earnings** | **11 646** | 10 915 | 7 | 22 855 |

* *The group uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive schemes.*
*The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.*
*In the current period, FirstRand's share price increased R8.33 and during the prior period decreased R10.95.*
*This resulted in a significant mark-to-market fair value profit in the current period (compared to a loss in the prior period) being included in the group's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 102 and 103.*

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

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

*for the six months ended 31 December 2016*

| *R million* | Normalised | Private equity expenses | Treasury shares* | Margin related items included in fair value income |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | **23 243** | – | – | (1 043) |
| Impairment charge | **(3 741)** | – | – | – |
| **Net interest income after impairment of advances** | **19 502** | – | – | (1 043) |
| Non-interest revenue | **17 663** | 282 | (8) | 1 043 |
| **Income from operations** | **37 165** | 282 | (8) | – |
| Operating expenses | **(21 246)** | (282) | – | – |
| **Net income from operations** | **15 919** | – | (8) | – |
| Share of profit of associates and joint ventures after tax | **469** | – | 1 | – |
| **Income before tax** | **16 388** | – | (7) | – |
| Indirect tax | **(573)** | – | – | – |
| **Profit before tax** | **15 815** | – | (7) | – |
| Income tax expense | **(3 495)** | – | – | – |
| **Profit for the period** | **12 320** | – | (7) | – |
| **Attributable to** | | | | |
| Non-controlling interests | **(493)** | – | – | – |
| NCNR preference shareholders | **(181)** | – | – | – |
| **Ordinary equityholders of the group** | **11 646** | – | (7) | – |
| Headline and normalised earnings adjustments | **–** | – | 7 | |
| **Normalised earnings attributable to ordinary equityholders of the group** | **11 646** | – | – | – |

* *FirstRand shares held for client trading activities.*

| IAS 19 adjustment | Private equity subsidiary realisations | Other headline earnings adjustments | TRS and IFRS 2 liability remeasure-ment | IFRS |
|---|---|---|---|---|
| – | – | – | – | **22 200** |
| – | – | – | – | **(3 741)** |
| – | – | – | – | **18 459** |
| – | – | 49 | 485 | **19 514** |
| – | – | 49 | 485 | **37 973** |
| 75 | – | (1) | (254) | **(21 708)** |
| 75 | – | 48 | 231 | **16 265** |
| – | – | (3) | – | **467** |
| 75 | – | 45 | 231 | **16 732** |
| – | – | – | – | **(573)** |
| 75 | – | 45 | 231 | **16 159** |
| (21) | – | (15) | (65) | **(3 596)** |
| 54 | – | 30 | 166 | **12 563** |
| | | | | |
| – | – | – | – | **(493)** |
| – | – | – | – | **(181)** |
| 54 | – | 30 | 166 | **11 889** |
| (54) | – | (30) | (166) | **(243)** |
| – | – | – | – | **11 646** |

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

*Six months ended 31 December 2015*

| *R million* | Normalised | Private equity expenses | Treasury shares* | Margin related items included in fair value income |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | 20 823 | – | – | (803) |
| Impairment charge | (3 145) | – | – | – |
| **Net interest income after impairment of advances** | 17 678 | – | – | (803) |
| Non-interest revenue | 16 909 | 473 | 12 | 803 |
| **Income from operations** | 34 587 | 473 | 12 | – |
| Operating expenses | (19 703) | (473) | – | – |
| **Net income from operations** | 14 884 | – | 12 | – |
| Share of profit of associates and joint ventures after tax | 813 | – | (11) | – |
| **Income before tax** | 15 697 | – | 1 | – |
| Indirect tax | (427) | – | – | – |
| **Profit before tax** | 15 270 | – | 1 | – |
| Income tax expense | (3 557) | – | – | – |
| **Profit for the period** | 11 713 | – | 1 | – |
| **Attributable to** | | | | |
| Non-controlling interests | (634) | – | – | – |
| NCNR preference shareholders | (164) | – | – | – |
| **Ordinary equityholders of the group** | 10 915 | – | 1 | – |
| Headline and normalised earnings adjustments | – | – | (1) | – |
| **Normalised earnings attributable to ordinary equityholders of the group** | 10 915 | – | – | – |

* *FirstRand shares held for client trading activities.*

| | IAS 19 adjustment | Private equity subsidiary realisations | Other headline earnings adjustments | TRS and IFRS 2 liability remeasure-ment | IFRS |
|---|---|---|---|---|---|
| | – | – | – | – | 20 020 |
| | – | – | – | – | (3 145) |
| | – | – | – | – | 16 875 |
| | – | (1) | 82 | (1 137) | 17 141 |
| | – | (1) | 82 | (1 137) | 34 016 |
| | 73 | – | – | 347 | (19 756) |
| | 73 | (1) | 82 | (790) | 14 260 |
| | – | – | – | – | 802 |
| | 73 | (1) | 82 | (790) | 15 062 |
| | – | – | – | – | (427) |
| | 73 | (1) | 82 | (790) | 14 635 |
| | (20) | – | (1) | 221 | (3 357) |
| | 53 | (1) | 81 | (569) | 11 278 |
| | | | | | |
| | – | – | – | – | (634) |
| | – | – | – | – | (164) |
| | 53 | (1) | 81 | (569) | 10 480 |
| | (53) | 1 | (81) | 569 | 435 |
| | – | – | – | – | 10 915 |

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

*Year ended 30 June 2016*

| *R million* | Normalised | Private equity expenses | Treasury shares* | Margin related items included in fair value income |
|---|---|---|---|---|
| **Net interest income before impairment of advances** | 43 730 | – | – | (1 689) |
| Impairment charge | (7 159) | – | – | – |
| **Net interest income after impairment of advances** | 36 571 | – | – | (1 689) |
| Non-interest revenue | 34 989 | 1 032 | 3 | 1 689 |
| **Income from operations** | 71 560 | 1 032 | 3 | – |
| Operating expenses | (40 942) | (1 032) | – | – |
| **Net income from operations** | 30 618 | – | 3 | – |
| Share of profit of associates and joint ventures after tax | 1 453 | – | 3 | – |
| **Income before tax** | 32 071 | – | 6 | – |
| Indirect tax | (928) | – | – | – |
| **Profit before tax** | 31 143 | – | 6 | – |
| Income tax expense | (6 784) | – | – | – |
| **Profit for the period** | 24 359 | – | 6 | – |
| **Attributable to** | | | | |
| Non-controlling interests | (1 162) | – | – | – |
| NCNR preference shareholders | (342) | – | – | – |
| **Ordinary equityholders of the group** | 22 855 | – | 6 | – |
| Headline and normalised earnings adjustments | – | – | (6) | – |
| **Normalised earnings attributable to ordinary equityholders of the group** | 22 855 | – | – | – |

* *FirstRand shares held for client trading activities.*

| IAS 19 adjustment | Private equity subsidiary realisations | Other headline earnings adjustments | TRS and IFRS 2 liability remeasure-ment | IFRS |
|---|---|---|---|---|
| – | – | – | – | 42 041 |
| – | – | – | – | (7 159) |
| – | – | – | – | 34 882 |
| – | (82) | 219 | (916) | 36 934 |
| – | (82) | 219 | (916) | 71 816 |
| 142 | – | (55) | 230 | (41 657) |
| 142 | (82) | 164 | (686) | 30 159 |
| – | – | – | – | 1 456 |
| 142 | (82) | 164 | (686) | 31 615 |
| – | – | – | – | (928) |
| 142 | (82) | 164 | (686) | 30 687 |
| (40) | – | 20 | 192 | (6 612) |
| 102 | (82) | 184 | (494) | 24 075 |
| | | | | |
| – | – | (8) | – | (1 170) |
| – | – | – | – | (342) |
| 102 | (82) | 176 | (494) | 22 563 |
| (102) | 82 | (176) | 494 | 292 |
| – | – | – | – | 22 855 |

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 31 December 2016*

| *R million* | Normalised | Treasury shares* | IFRS |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | **65 983** | – | **65 983** |
| Derivative financial instruments | **35 721** | – | **35 721** |
| Commodities | **9 110** | – | **9 110** |
| Investment securities | **166 270** | (25) | **166 245** |
| Advances | **864 171** | – | **864 171** |
| – Advances to customers | **821 384** | – | **821 384** |
| – Marketable advances | **42 787** | – | **42 787** |
| Accounts receivable | **9 514** | – | **9 514** |
| Current tax asset | **509** | – | **509** |
| Non-current assets and disposal groups held for sale | **833** | – | **833** |
| Reinsurance assets | **81** | – | **81** |
| Investments in associates | **5 173** | – | **5 173** |
| Investments in joint ventures | **1 407** | 51 | **1 458** |
| Property, plant and equipment | **17 591** | – | **17 591** |
| Intangible assets | **1 689** | – | **1 689** |
| Investment properties | **399** | – | **399** |
| Defined benefit post-employment asset | **8** | – | **8** |
| Deferred income tax asset | **2 003** | – | **2 003** |
| **Total assets** | **1 180 462** | 26 | **1 180 488** |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | **13 874** | – | **13 874** |
| Derivative financial instruments | **45 499** | – | **45 499** |
| Creditors, accruals and provisions | **16 890** | – | **16 890** |
| Current tax liability | **536** | – | **536** |
| Liabilities directly associated with disposal groups held for sale | **508** | – | **508** |
| Deposits | **951 970** | – | **951 970** |
| – Deposits from customers | **693 053** | – | **693 053** |
| – Debt securities | **157 522** | – | **157 522** |
| – Asset-backed securities | **38 382** | – | **38 382** |
| – Other | **63 013** | – | **63 013** |
| Employee liabilities | **7 316** | – | **7 316** |
| Other liabilities | **7 674** | – | **7 674** |
| Policyholder liabilities | **3 296** | – | **3 296** |
| Tier 2 liabilities | **20 146** | – | **20 146** |
| Deferred income tax liability | **1 005** | – | **1 005** |
| **Total liabilities** | **1 068 714** | – | **1 068 714** |
| **Equity** | | | |
| Ordinary shares | **56** | – | **56** |
| Share premium | **8 056** | (22) | **8 034** |
| Reserves | **95 269** | 48 | **95 317** |
| **Capital and reserves attributable to ordinary equityholders** | **103 381** | 26 | **103 407** |
| NCNR preference shares | **4 519** | – | **4 519** |
| **Capital and reserves attributable to equityholders of the group** | **107 900** | 26 | **107 926** |
| Non-controlling interests | **3 848** | – | **3 848** |
| **Total equity** | **111 748** | 26 | **111 774** |
| **Total equity and liabilities** | **1 180 462** | 26 | **1 180 488** |

* *FirstRand shares held for client trading activities.*

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 31 December 2015*

| *R million* | Normalised | Treasury shares* | IFRS** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 61 120 | – | 61 120 |
| Derivative financial instruments | 69 001 | – | 69 001 |
| Commodities | 10 779 | – | 10 779 |
| Investment securities | 130 940 | (73) | 130 867 |
| Advances | 828 533 | – | 828 533 |
| – Advances to customers | 794 428 | – | 794 428 |
| – Marketable advances | 34 105 | – | 34 105 |
| Accounts receivable | 9 487 | 22 | 9 509 |
| Current tax asset | 1 321 | – | 1 321 |
| Non-current assets and disposal groups held for sale | 181 | – | 181 |
| Reinsurance assets | 587 | – | 587 |
| Investments in associates | 6 242 | – | 6 242 |
| Investments in joint ventures | 1 388 | 36 | 1 424 |
| Property, plant and equipment | 17 032 | – | 17 032 |
| Intangible assets | 1 574 | – | 1 574 |
| Investment properties | 416 | – | 416 |
| Defined benefit post-employment asset | 4 | – | 4 |
| Deferred income tax asset | 918 | – | 918 |
| **Total assets** | 1 139 523 | (15) | 1 139 508 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | 6 069 | – | 6 069 |
| Derivative financial instruments | 82 014 | – | 82 014 |
| Creditors, accruals and provisions | 15 232 | – | 15 232 |
| Current tax liability | 373 | 2 | 375 |
| Liabilities directly associated with disposal groups held for sale | 207 | – | 207 |
| Deposits | 899 619 | – | 899 619 |
| – Deposits from customers | 660 203 | – | 660 203 |
| – Debt securities | 140 500 | – | 140 500 |
| – Asset-backed securities | 31 146 | – | 31 146 |
| – Other | 67 770 | – | 67 770 |
| Employee liabilities | 6 963 | – | 6 963 |
| Other liabilities | 7 492 | – | 7 492 |
| Policyholder liabilities | 1 236 | – | 1 236 |
| Tier 2 liabilities | 15 554 | – | 15 554 |
| Deferred income tax liability | 956 | – | 956 |
| **Total liabilities** | 1 035 715 | 2 | 1 035 717 |
| **Equity** | | | |
| Ordinary shares | 56 | – | 56 |
| Share premium | 8 056 | (76) | 7 980 |
| Reserves | 87 766 | 59 | 87 825 |
| **Capital and reserves attributable to ordinary equityholders** | 95 878 | (17) | 95 861 |
| NCNR preference shares | 4 519 | – | 4 519 |
| **Capital and reserves attributable to equityholders of the group** | 100 397 | (17) | 100 380 |
| Non-controlling interests | 3 411 | – | 3 411 |
| **Total equity** | 103 808 | (17) | 103 791 |
| **Total equity and liabilities** | 1 139 523 | (15) | 1 139 508 |

* *FirstRand shares held for client trading activities.*
** *Restated, refer to pages 121 and 122 for more detailed information..*

# RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

*as at 30 June 2016*

| *R million* | Normalised | Treasury shares* | IFRS** |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash equivalents | 64 303 | – | 64 303 |
| Derivative financial instruments | 40 551 | – | 40 551 |
| Commodities | 12 514 | – | 12 514 |
| Investment securities | 142 747 | (99) | 142 648 |
| Advances | 851 405 | – | 851 405 |
| – Advances to customers | 808 699 | – | 808 699 |
| – Marketable advances | 42 706 | – | 42 706 |
| Accounts receivable | 10 152 | – | 10 152 |
| Current tax asset | 428 | – | 428 |
| Non-current assets and disposal groups held for sale | 193 | – | 193 |
| Reinsurance assets | 36 | – | 36 |
| Investments in associates | 4 964 | – | 4 964 |
| Investments in joint ventures | 1 294 | 50 | 1 344 |
| Property, plant and equipment | 16 909 | – | 16 909 |
| Intangible assets | 1 569 | – | 1 569 |
| Investment properties | 386 | – | 386 |
| Defined benefit post-employment asset | 9 | – | 9 |
| Deferred income tax asset | 1 866 | – | 1 866 |
| **Total assets** | 1 149 326 | (49) | 1 149 277 |
| **EQUITY AND LIABILITIES** | | | |
| **Liabilities** | | | |
| Short trading positions | 14 263 | – | 14 263 |
| Derivative financial instruments | 50 782 | – | 50 782 |
| Creditors, accruals and provisions | 17 285 | – | 17 285 |
| Current tax liability | 270 | – | 270 |
| Liabilities directly associated with disposal groups held for sale | 141 | – | 141 |
| Deposits | 919 930 | – | 919 930 |
| – Deposits from customers | 667 995 | – | 667 995 |
| – Debt securities | 153 727 | – | 153 727 |
| – Asset-backed securities | 29 305 | – | 29 305 |
| – Other | 68 903 | – | 68 903 |
| Employee liabilities | 9 771 | – | 9 771 |
| Other liabilities | 8 311 | – | 8 311 |
| Policyholder liabilities | 1 402 | – | 1 402 |
| Tier 2 liabilities | 18 004 | – | 18 004 |
| Deferred income tax liability | 1 053 | – | 1 053 |
| **Total liabilities** | 1 041 212 | – | 1 041 212 |
| **Equity** | | | |
| Ordinary shares | 56 | – | 56 |
| Share premium | 8 056 | (104) | 7 952 |
| Reserves | 91 682 | 55 | 91 737 |
| **Capital and reserves attributable to ordinary equityholders** | 99 794 | (49) | 99 745 |
| NCNR preference shares | 4 519 | – | 4 519 |
| **Capital and reserves attributable to equityholders of the group** | 104 313 | (49) | 104 264 |
| Non-controlling interests | 3 801 | – | 3 801 |
| **Total equity** | 108 114 | (49) | 108 065 |
| **Total equity and liabilities** | 1 149 326 | (49) | 1 149 277 |

* *FirstRand shares held for client trading activities.*
** *Restated, refer to pages 121 and 122 for more detailed information.*

# RESTATEMENT OF PRIOR YEAR NUMBERS

## DESCRIPTION OF RESTATEMENTS

The group has made the following changes to the presentation of NII, NIR and advances.

### Fair value of credit adjustments

The group has historically included all fair value gains and losses on advances measured at fair value through profit or loss (including interest and fair value credit adjustments) in NIR. The group's presentation has been changed to include the credit valuation adjustment on fair value advances with impairments in the income statement rather than as part of NIR. The movement in the credit valuation adjustment on fair value advances is separately disclosed in the impairment of advances note.

### Credit-based investments included in advances

The group's classification of debt investment securities qualifying as HQLA that are under the control of the Group Treasurer and corporate bonds held by RMB IBD was changed to advances rather than investment securities. These instruments, given their specific nature, are included as a separate category of advances, namely marketable advances, in a sub-total on the face of the statement of financial position.

The changes in presentation had no impact on the profit or loss or net asset value of the group and only affect the classification of items on the income statement and statement of financial position. The changes in presentation have reduced the number of adjustments between IFRS and normalised results.

## RESTATED CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

| | Six months ended 31 December 2015 | | | Year ended 30 June 2016 | | |
|---|---|---|---|---|---|---|
| *R million* | As previously reported | Credit valuation adjustment | Restated | As previously reported | Credit valuation adjustment | Restated |
| **Net interest income before impairment of advances** | 20 020 | – | 20 020 | 42 041 | – | 42 041 |
| Impairment charge | (2 870) | (275) | (3 145) | (6 902) | (257) | (7 159) |
| **Net interest income after impairment of advances** | 17 150 | (275) | 16 875 | 35 139 | (257) | 34 882 |
| Non-interest revenue | 16 866 | 275 | 17 141 | 36 677 | 257 | 36 934 |
| **Income from operations** | 34 016 | – | 34 016 | 71 816 | – | 71 816 |
| Operating expenses | (19 756) | – | (19 756) | (41 657) | – | (41 657) |
| **Net income from operations** | 14 260 | – | 14 260 | 30 159 | – | 30 159 |
| Share of profit of associates after tax | 349 | – | 349 | 930 | – | 930 |
| Share of profit of joint ventures after tax | 453 | – | 453 | 526 | – | 526 |
| **Income before tax** | 15 062 | – | 15 062 | 31 615 | – | 31 615 |
| Indirect tax | (427) | – | (427) | (928) | – | (928) |
| **Profit before tax** | 14 635 | – | 14 635 | 30 687 | – | 30 687 |
| Income tax expense | (3 357) | – | (3 357) | (6 612) | – | (6 612) |
| **Profit for the period** | 11 278 | – | 11 278 | 24 075 | – | 24 075 |
| **Attributable to** | | | | | | |
| Ordinary equityholders | 10 480 | – | 10 480 | 22 563 | – | 22 563 |
| NCNR preference shareholders | 164 | – | 164 | 342 | – | 342 |
| **Equityholders of the group** | 10 644 | – | 10 644 | 22 905 | – | 22 905 |
| Non-controlling interests | 634 | – | 634 | 1 170 | – | 1 170 |
| **Normalised earnings attributable to ordinary equityholders of the group** | 11 278 | – | 11 278 | 24 075 | – | 24 075 |

Restatement of prior year numbers *continued*

## RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

| *R million* | As at 31 December 2015 As previously reported | Reallocation of credit investments | Restated | As at 30 June 2016 As previously reported | Reallocation of credit investments | Restated |
|---|---|---|---|---|---|---|
| **ASSETS** | | | | | | |
| Cash and cash equivalents | 61 120 | – | 61 120 | 64 303 | – | 64 303 |
| Derivative financial instruments | 69 001 | – | 69 001 | 40 551 | – | 40 551 |
| Commodities | 10 779 | – | 10 779 | 12 514 | – | 12 514 |
| Investment securities | 164 972 | (34 105) | 130 867 | 185 354 | (42 706) | 142 648 |
| Advances | 794 428 | 34 105 | 828 533 | 808 699 | 42 706 | 851 405 |
| – Advances to customers | 794 428 | – | 794 428 | 808 699 | – | 808 699 |
| – Marketable advances | – | 34 105 | 34 105 | – | 42 706 | 42 706 |
| Accounts receivable | 9 509 | – | 9 509 | 10 152 | – | 10 152 |
| Current tax asset | 1 321 | – | 1 321 | 428 | – | 428 |
| Non-current assets and disposal groups held for sale | 181 | – | 181 | 193 | – | 193 |
| Reinsurance assets | 587 | – | 587 | 36 | – | 36 |
| Investments in associates | 6 242 | – | 6 242 | 4 964 | – | 4 964 |
| Investments in joint ventures | 1 424 | – | 1 424 | 1 344 | – | 1 344 |
| Property plant and equipment | 17 032 | – | 17 032 | 16 909 | – | 16 909 |
| Intangible assets | 1 574 | – | 1 574 | 1 569 | – | 1 569 |
| Investment properties | 416 | – | 416 | 386 | – | 386 |
| Defined benefit post-employment asset | 4 | – | 4 | 9 | – | 9 |
| Deferred income tax asset | 918 | – | 918 | 1 866 | – | 1 866 |
| **Total assets** | 1 139 508 | – | 1 139 508 | 1 149 277 | – | 1 149 277 |
| **EQUITY AND LIABILITIES** | | | | | | |
| **Liabilities** | | | | | | |
| Short trading positions | 6 069 | – | 6 069 | 14 263 | – | 14 263 |
| Derivative financial instruments | 82 014 | – | 82 014 | 50 782 | – | 50 782 |
| Creditors, accruals and provisions | 15 232 | – | 15 232 | 17 285 | – | 17 285 |
| Current tax liability | 375 | – | 375 | 270 | – | 270 |
| Liabilities directly associated with disposal groups held for sale | 207 | – | 207 | 141 | – | 141 |
| Deposits | 899 619 | – | 899 619 | 919 930 | – | 919 930 |
| – Deposits from customers | 660 203 | – | 660 203 | 667 995 | – | 667 995 |
| – Debt securities | 140 500 | – | 140 500 | 153 727 | – | 153 727 |
| – Asset-backed securities | 31 146 | – | 31 146 | 29 305 | – | 29 305 |
| – Other | 67 770 | – | 67 770 | 68 903 | – | 68 903 |
| Employee liabilities | 6 963 | – | 6 963 | 9 771 | – | 9 771 |
| Other liabilities | 7 492 | – | 7 492 | 8 311 | – | 8 311 |
| Policyholder liabilities | 1 236 | – | 1 236 | 1 402 | – | 1 402 |
| Tier 2 liabilities | 15 554 | – | 15 554 | 18 004 | – | 18 004 |
| Deferred income tax liability | 956 | – | 956 | 1 053 | – | 1 053 |
| **Total liabilities** | 1 035 717 | – | 1 035 717 | 1 041 212 | – | 1 041 212 |
| **Equity** | | | | | | |
| Ordinary shares | 56 | – | 56 | 56 | – | 56 |
| Share premium | 7 980 | – | 7 980 | 7 952 | – | 7 952 |
| Reserves | 87 825 | – | 87 825 | 91 737 | – | 91 737 |
| **Capital and reserves attributable to ordinary equityholders** | 95 861 | – | 95 861 | 99 745 | – | 99 745 |
| NCNR preference shares | 4 519 | – | 4 519 | 4 519 | – | 4 519 |
| **Capital and reserves attributable to equityholders of the group** | 100 380 | – | 100 380 | 104 264 | – | 104 264 |
| Non-controlling interests | 3 411 | – | 3 411 | 3 801 | – | 3 801 |
| **Total equity** | 103 791 | – | 103 791 | 108 065 | – | 108 065 |
| **Total equities and liabilities** | 1 139 508 | – | 1 139 508 | 1 149 277 | – | 1 149 277 |

# FAIR VALUE MEASUREMENTS

## VALUATION METHODOLOGY

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

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, i.e. an exit price. Fair value is, therefore, a market-based measurement and, when measuring fair value, the 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.

### Financial instruments measured at fair value

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 the quoted price for the transfer of an identical or similar liability is used. Where this is not available, and an identical item is held by another party as an asset, the fair value of the liability is measured using the quoted price in an active market of the identical item, if that price is available, or using observable inputs (such as the quoted price in an inactive market for the identical item) or use 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.

### Financial instruments not measured at fair value

This category includes financial 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 the JSE Debt Market, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 138, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

## FAIR VALUE 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 fora;
- where a model has been developed in-house, it is based on appropriate assumptions, which have been assessed and challenged by suitably qualified parties independent of the development process;
- formal change control procedures are in place;
- awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, for example, to cover the uncertainty of the model valuation. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

## MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 2

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

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Observable inputs |
|---|---|---|---|
| **Derivative financial instruments** | | | |
| **Forward rate agreements** | Discounted cash flows | Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents. | Market interest rates, curves and credit spreads |
| **Swaps** | Discounted cash flows | Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents. | Market interest rates and curves |
| **Options** | Option pricing model | The Black Scholes model is used. | Strike price of the option, market-related discount rate, forward rate and cap, and floor volatility |
| **Forwards** | Discounted cash flows | Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value. | Market interest rates and curves |
| **Equity derivatives** | Industry standard models | The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile. | Market interest rates, curves, volatilities, dividends and share prices |
| **Loans and advances to customers** | | | |
| **Other loans and advances** | Discounted cash flows | Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant period-on-period it may become significant in future. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy. | Market interest rates, curves and credit spreads |
| **Investment securities** | | | |
| **Equities listed in an inactive market** | Discounted cash flows | For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate. | Market interest rates and curves |

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Observable inputs |
|---|---|---|---|
| **Investment securities continued** | | | |
| **Unlisted bonds or bonds listed in an inactive market** | Discounted cash flows | Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate. | Market interest rates and curves |
| **Unlisted equities** | Price earnings (P/E) model | For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place in which case level 2 classifications are used. | Market transactions |
| **Negotiable certificates of deposit** | Discounted cash flows | Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available. | Market interest rates and curves |
| **Treasury bills** | JSE Debt Market bond pricing model | The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield. | Market interest rates and curves |
| **Non-recourse investments** | 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 |
| **Investments in funds and unit trusts** | Third party valuations | For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis.<br>Where these underlying investments are listed, these third party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy. | Market transactions (listed) |

**MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 2** *continued*

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Observable inputs |
|---|---|---|---|
| **Deposits** | | | |
| **Call and non-term deposits** | None – the undiscounted amount is used | The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit. | None – the undiscounted amount approximates fair value and no valuation is performed |
| **Non-recourse deposits** | Discounted cash flows | Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets. | Market interest rates, foreign exchange rates and credit inputs |
| **Other deposits** | Discounted cash flows | The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account. | Market interest rates and curves |
| **Other liabilities** | Discounted cash flows | Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified as level 2. | Market interest rates or performance of underlying |
| **Tier 2 liabilities** | Discounted cash flows | Future cash flows are discounted using market-related interest rates. | Market interest rates and curves |
| **Policyholder liabilities under investment contracts** | | | |
| **Unit-linked contracts or contracts without fixed benefits** | Adjusted value of underlying assets | The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplying this by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable. | Spot price of underlying |
| **Contracts with fixed and guaranteed terms** | Discounted cash flows | The liability fair value is the present value of the future payments, adjusted using appropriate market-related yield curves to maturity. | Market interest rates and curves |
| **Financial assets and liabilities not measured at fair value but for which fair value is disclosed** | Discounted cash flows | Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs. | Market interest rates and curves |

## MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3

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

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Significant unobservable inputs of level 3 items |
|---|---|---|---|
| **Derivative financial instruments** | | | |
| **Options** | Option pricing model | The Black Scholes model is used. | Volatilities |
| **Equity derivatives** | Industry standard models | The models calculate fair value based on input parameters such as share prices (unlisted), dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile. | Volatilities and unlisted share prices |
| **Loans and advances to customers** | | | |
| **Investment banking book** | 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. Future cash flows are discounted using market-related interest rates. 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. | Credit inputs |
| **Other loans and advances** | Discounted cash flows | Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant period-on-period 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 other loans and advances to customers at level 3 of the fair value hierarchy. | Credit inputs |

## MEASUREMENT OF ASSETS AND LIABILITIES AT LEVEL 3 *continued*

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Significant unobservable inputs of level 3 items |
|---|---|---|---|
| **Investment securities** | | | |
| **Equities listed in an inactive market** | Discounted cash flows | For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities e.g. PE ratios, level 3 of the fair value hierarchy is deemed appropriate. | Unobservable P/E ratios |
| **Unlisted bonds or bonds listed in an inactive market** | Discounted cash flows | Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate. | Credit inputs |
| **Unlisted equities** | P/E model | For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place. | Growth rates and P/E ratios |
| **Investments in funds and unit trusts** | Third party valuations | For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis.<br><br>Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations. | Third party valuations used, minority and marketability adjustments |

| Instrument | Valuation technique | Description of valuation technique and main assumptions | Significant unobservable inputs of level 3 items |
|---|---|---|---|
| **Deposits** | | | |
| **Deposits that represent collateral on credit-linked notes** | Discounted cash flows | These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account. | Credit inputs on related advance |
| **Other deposits** | Discounted cash flows | The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account. | Credit inputs |
| **Other liabilities** | Discounted cash flows | For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts. | Performance of underlying contracts |
| **Financial assets and liabilities not measured at fair value but for which fair value is disclosed** | Discounted cash flows | Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs. | Credit inputs |

## FAIR VALUE HIERARCHY

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

| | As at 31 December 2016 | | | |
|---|---|---|---|---|
| *R million* | Level 1 | Level 2 | Level 3 | Total fair value |
| **Assets** | | | | |
| Derivative financial instruments | 242 | 35 409 | 70 | 35 721 |
| Advances | – | 30 150 | 214 504 | 244 654 |
| Investment securities | 90 117 | 37 135 | 2 416 | 129 668 |
| Non-recourse investments | – | 11 426 | – | 11 426 |
| **Total fair value assets** | 90 359 | 114 120 | 216 990 | 421 469 |
| **Liabilities** | | | | |
| Short trading positions | 13 874 | – | – | 13 874 |
| Derivative financial instruments | 260 | 45 080 | 159 | 45 499 |
| Deposits | 2 019 | 87 196 | 521 | 89 736 |
| Non-recourse deposits | – | 11 426 | – | 11 426 |
| Other liabilities | – | 3 989 | 1 498 | 5 487 |
| Policyholder liabilities under investment contracts | – | 2 746 | – | 2 746 |
| **Total fair value liabilities** | 16 153 | 150 437 | 2 178 | 168 768 |

| | As at 31 December 2015 | | | |
|---|---|---|---|---|
| *R million* | Level 1 | Level 2 | Level 3 | Total fair value |
| **Assets** | | | | |
| Derivative financial instruments | 11 | 68 930 | 60 | 69 001 |
| Advances | 252 | 41 202 | 188 945 | 230 399 |
| Investment securities | 62 227 | 52 020 | 2 304 | 116 551 |
| Non-recourse investments | – | 13 307 | – | 13 307 |
| **Total fair value assets** | 62 490 | 175 459 | 191 309 | 429 258 |
| **Liabilities** | | | | |
| Short trading positions | 6 004 | 65 | – | 6 069 |
| Derivative financial instruments | 131 | 81 879 | 4 | 82 014 |
| Deposits | 2 292 | 99 118 | 1 164 | 102 574 |
| Non-recourse deposits | – | 13 307 | – | 13 307 |
| Other liabilities | – | 3 352 | 19 | 3 371 |
| Policyholder liabilities under investment contracts | – | 447 | – | 447 |
| **Total fair value liabilities** | 8 427 | 198 168 | 1 187 | 207 782 |

**FAIR VALUE HIERARCHY** *continued*

| | As at 30 June 2016 | | | |
|---|---|---|---|---|
| *R million* | Level 1 | Level 2 | Level 3 | Total fair value |
| **Assets** | | | | |
| Derivative financial instruments | 241 | 40 248 | 62 | 40 551 |
| Advances | 148 | 43 972 | 204 736 | 248 856 |
| Investment securities | 83 464 | 31 828 | 2 380 | 117 672 |
| Non-recourse investments | – | 11 716 | – | 11 716 |
| **Total fair value assets** | 83 853 | 127 764 | 207 178 | 418 795 |
| **Liabilities** | | | | |
| Short trading positions | 14 263 | – | – | 14 263 |
| Derivative financial instruments | 121 | 50 533 | 128 | 50 782 |
| Deposits | 2 406 | 99 446 | 679 | 102 531 |
| Non-recourse deposits | – | 11 716 | – | 11 716 |
| Other liabilities | – | 3 371 | 1 479 | 4 850 |
| Policyholder liabilities under investment contracts | – | 1 090 | – | 1 090 |
| **Total fair value liabilities** | 16 790 | 166 156 | 2 286 | 185 232 |

## TRANSFERS BETWEEN FAIR VALUE HIERARCHY LEVELS

There were no transfers in or out of the various levels for the six months ended 31 December 2016.

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.

| | As at 31 December 2015 | | |
|---|---|---|---|
| *R million* | Transfers in | Transfers out | Reasons for transfers in |
| **Level 1** | – | (2 821) | There were no transfers into level 1. |
| **Level 2** | – | – | There were no transfers in or out of level 2. |
| **Level 3** | 2 821 | – | Corporate bonds to the value of R2 821 million were transferred into level 3. Due to the market for these bonds becoming less active, fair value was determined using a valuation technique that makes use of unobservable inputs for credit. The fair value measurement of these bonds were, therefore, categorised in level 3 of the fair value hierarchy. |
| **Total transfers** | 2 821 | (2 821) | |

| | As at 30 June 2016 | | |
|---|---|---|---|
| *R million* | Transfers in | Transfers out | Reasons for transfers in |
| **Level 1** | – | (2 821) | There were no transfers into level 1. |
| **Level 2** | – | (522) | There were no transfers into level 2. |
| **Level 3** | 3 343 | – | The market for certain bonds listed in South Africa became inactive because of stresses in the macro environment. The market price is, therefore, not representative of fair value and a valuation technique was applied. Because of credit valuation being unobservable the bonds were classified from level 1 into level 3 of the hierarchy.<br>An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3.<br>An evaluation of the significant inputs utilised in determining the fair value of investment property, considering current market factors, resulted in a transfer of R416 million out of level 2 of the fair value hierarchy and into level 3. |
| **Total transfers** | 3 343 | (3 343) | |

## ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

### Changes in level 3 instruments

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

| *R million* | Derivative financial assets | Advances | Investment securities | Derivative financial liabilities | Other liabilities | Deposits |
|---|---|---|---|---|---|---|
| **Balance as at 30 June 2016** | **62** | **204 736** | **2 380** | **128** | **1 479** | **679** |
| Gains/losses recognised in profit or loss | **8** | **6 205** | **7** | **–** | **71** | **(7)** |
| Gains/losses recognised in other comprehensive income | **–** | **–** | **5** | **–** | **–** | **–** |
| Purchases, sales, issue and settlements | **–** | **4 247** | **37** | **31** | **(52)** | **(147)** |
| Acquisitions/disposals of subsidiaries | **–** | **–** | **–** | **–** | **–** | **–** |
| Transfer (out of)/into level 3 | **–** | **–** | **–** | **–** | **–** | **–** |
| Exchange rate differences | **–** | **(684)** | **(13)** | **–** | **–** | **(4)** |
| **Balance as at 31 December 2016** | **70** | **214 504** | **2 416** | **159** | **1 498** | **521** |

| *R million* | Derivative financial assets | Advances | Investment securities | Derivative financial liabilities | Other liabilities | Deposits |
|---|---|---|---|---|---|---|
| **Balance as at 30 June 2015** | 70 | 185 513 | 2 042 | 5 | – | 1 273 |
| Gains/losses recognised in profit or loss | 6 | 4 606 | 582 | (2) | – | 29 |
| Gains/losses recognised in other comprehensive income | – | (1) | 52 | – | – | – |
| Purchases, sales, issue and settlements | (18) | (6 566) | (390) | – | – | (150) |
| Acquisitions/disposals of subsidiaries | – | – | – | – | 19 | – |
| Transfer into level 3 | – | 2 821 | – | – | – | – |
| Exchange rate differences | 2 | 2 572 | 18 | 1 | – | 12 |
| **Balance as at 31 December 2015** | 60 | 188 945 | 2 304 | 4 | 19 | 1 164 |

| *R million* | Derivative financial assets | Advances | Investment securities | Derivative financial liabilities | Other liabilities | Deposits |
|---|---|---|---|---|---|---|
| **Balance as at 30 June 2015** | 70 | 185 513 | 2 042 | 5 | – | 1 273 |
| Gains/losses recognised in profit or loss | 9 | 13 009 | 682 | 13 | 36 | 67 |
| Gains/losses recognised in other comprehensive income | – | – | 16 | – | – | – |
| Purchases, sales, issue and settlements | (19) | 1 351 | (369) | 3 | 1 422 | (669) |
| Acquisitions/disposals of subsidiaries | – | – | – | – | 21 | – |
| Transfer into level 3 | – | 2 821 | – | 107 | – | – |
| Exchange rate differences | 2 | 2 042 | 9 | – | – | 8 |
| **Balance as at 30 June 2016** | 62 | 204 736 | 2 380 | 128 | 1 479 | 679 |

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.

Gains/losses on advances classified in level 3 of the hierarchy comprise gross interest income on advances and fair value credit adjustments. These instruments are funded by liabilities and the inherent risk is hedged by interest rate swaps. The corresponding gross interest expense is not disclosed in the fair value note as these items are typically measured at amortised cost.

## Unrealised gains or losses on level 3 instruments

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

The table below presents the total gains/losses relating to remeasurement of financial assets and liabilities carried at fair value 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 NIR.

| | **Six months ending 31 December 2016** | | Six months ending 31 December 2015 | | Year ending 30 June 2016 | |
|---|---|---|---|---|---|---|
| *R million* | **Gains/losses recognised in the income statement** | **Gains/losses recognised in other comprehensive income** | Gains/losses recognised in the income statement | Gains/losses recognised in other comprehensive income | Gains/losses recognised in the income statement | Gains/losses recognised in other comprehensive income |
| **Assets** | | | | | | |
| Derivative financial instruments | **9** | **–** | 5 | – | 9 | – |
| Advances* | **6 436** | **–** | 4 263 | – | 12 301 | – |
| Investment securities | **6** | **–** | 494 | 51 | 586 | 16 |
| **Total** | **6 451** | **–** | 4 762 | 51 | 12 896 | 16 |
| **Liabilities** | | | | | | |
| Derivative financial instruments | **–** | **–** | (2) | – | 19 | – |
| Deposits | **(7)** | **–** | (18) | – | (58) | – |
| Other liabilities | **54** | **–** | – | – | 19 | – |
| **Total** | **47** | **–** | (20) | – | (20) | – |

* *Majority is accrued interest on fair value loans and advances, and movements due to changes in interest rates that have been economically hedged. This relates to the portion of RMB's advances that is classified as fair value to effectively manage the interest rate and foreign exchange risks on these portfolios. These are classified at level 3 primarily as credit spreads could be a significant input and are not observable for loans and advances in most of RMB's key markets. Refer to page 72 where the income statement impact of the credit fair value adjustments are disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

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.

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

The following tables illustrate the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

| *Asset/liability* | Significant unobservable inputs | Unobservable input to which reasonably possible changes are applied | Reasonably possible changes applied |
|---|---|---|---|
| Derivative financial instruments | Volatilities | Volatilities | Increased and decreased by 10%. |
| Advances | Credit | Credit migration matrix | The credit migration matrix is used as part of the 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 75$^{th}$ percentile. |
| Investment securities | Credit, growth rates and P/E ratios of unlisted investments | Unobservable inputs | Increased and decreased by 10%. |
| Deposits | Credit risk of the cash collateral leg of credit-linked notes | Credit migration matrix | The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof. |
| Other liabilities | Performance of underlying contracts | Profits on the underlying contracts | Increased by 10% and decreased by 10%. |

| | Reasonably possible alternative fair value | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | **As at 31 December 2016** | | | As at 31 December 2015 | | | As at 30 June 2016 | | |
| *R million* | **Fair value** | **Using more positive assumptions** | **Using more negative assumptions** | Fair value | Using more positive assumptions | Using more negative assumptions | Fair value | Using more positive assumptions | Using more negative assumptions |
| **Assets** | | | | | | | | | |
| Derivative financial instruments | **70** | **77** | **63** | 60 | 76 | 51 | 62 | 71 | 55 |
| Advances | **214 504** | **215 504** | **213 456** | 188 945 | 190 964 | 187 108 | 204 736 | 205 560 | 202 747 |
| Investment securities | **2 416** | **2 659** | **2 189** | 2 304 | 2 468 | 1 873 | 2 380 | 3 111 | 2 430 |
| **Total financial assets measured at fair value in level 3** | **216 990** | **218 240** | **215 708** | 191 309 | 193 508 | 189 032 | 207 178 | 208 742 | 205 232 |
| **Liabilities** | | | | | | | | | |
| Derivative financial instruments | **159** | **151** | **167** | 4 | 3 | 4 | 128 | 124 | 129 |
| Deposits | **521** | **475** | **583** | 1 164 | 1 069 | 1 259 | 679 | 614 | 784 |
| Other liabilities | **1 498** | **1 480** | **1 646** | 19 | 17 | 21 | 1 479 | 1 462 | 1 626 |
| **Total financial liabilities measured at fair value in level 3** | **2 178** | **2 106** | **2 396** | 1 187 | 1 089 | 1 284 | 2 286 | 2 200 | 2 539 |

## FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

| | **As at 31 December 2016** | | As at 31 December 2015 | | As at 30 June 2016 | |
|---|---|---|---|---|---|---|
| *R million* | **Carrying value** | **Total fair value** | Carrying value | Total fair value | Carrying value | Total fair value |
| **Assets** | | | | | | |
| Advances | **619 517** | **625 247** | 598 135 | 602 508 | 602 875 | 606 713 |
| Investment securities | **25 152** | **24 855** | 1 009 | 1 011 | 12 934 | 12 931 |
| **Total financial assets at amortised cost** | **644 669** | **650 102** | 599 144 | 603 519 | 615 809 | 619 644 |
| **Liabilities** | | | | | | |
| Deposits | **850 808** | **849 437** | 783 739 | 781 774 | 805 683 | 805 469 |
| Other liabilities | **2 167** | **2 167** | 4 084 | 4 087 | 3 434 | 3 437 |
| Tier 2 liabilities | **20 146** | **20 339** | 15 554 | 15 689 | 18 004 | 18 216 |
| **Total financial liabilities at amortised cost** | **873 121** | **871 943** | 803 377 | 801 550 | 827 121 | 827 122 |

## DAY 1 PROFIT OR LOSS

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

| | As at 31 December | | As at 30 June |
|---|---|---|---|
| *R million* | **2016** | 2015 | 2016 |
| **Opening balance** | **39** | 11 | 11 |
| Day 1 profits or losses not recognised on financial instruments initially recognised in the current year | **11** | – | 37 |
| Amount recognised in profit or loss as a result of changes which would be observable by market participants | **(2)** | (5) | (9) |
| **Closing balance** | **48** | 6 | 39 |

# SUMMARISED SEGMENT REPORT – IFRS

| | Six months ended 31 December 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | RMB | | | | | |
| *R million* | FNB SA | FNB Africa* | Investment banking | Corporate banking | WesBank | FCC (including Group Treasury) and other | Consoli-dation and IFRS adjust-ments | Total |
| Profit for the year before tax | **8 885** | **548** | **3 191** | **877** | **2 755** | **598** | **(695)** | **16 159** |
| Total assets | **342 837** | **48 853** | **397 703** | **42 379** | **203 848** | **287 063** | **(142 195)** | **1 180 488** |
| Total liabilities | **333 267** | **48 431** | **388 989** | **41 227** | **200 556** | **135 642** | **(79 398)** | **1 068 714** |

| | Six months ended 31 December 2015 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | RMB | | | | | |
| *R million* | FNB SA | FNB Africa* | Investment banking | Corporate banking | WesBank | FCC (including Group Treasury) and other | Consoli-dation and IFRS adjust-ments | Total |
| Profit for the year before tax | 8 370 | 771 | 3 198 | 756 | 2 523 | (515) | (468) | 14 635 |
| Total assets | 324 704 | 48 078 | 416 480 | 49 868 | 202 701 | 227 785 | (130 108) | 1 139 508 |
| Total liabilities | 316 262 | 47 960 | 409 524 | 48 847 | 197 739 | 83 054 | (67 669) | 1 035 717 |

| | Year ended 30 June 2016 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | FNB | | RMB | | | | | |
| *R million* | FNB SA | FNB Africa* | Investment banking | Corporate banking | WesBank | FCC (including Group Treasury) and other | Consoli-dation and IFRS adjust-ments | Total |
| Profit for the year before tax | 16 591 | 1 313 | 7 496 | 1 454 | 5 475 | 575 | (2 217) | 30 687 |
| Total assets | 334 199 | 49 217 | 395 822 | 39 311 | 205 016 | 271 289 | (145 577) | 1 149 277 |
| Total liabilities | 317 633 | 49 309 | 385 887 | 37 435 | 199 686 | 135 134 | (83 872) | 1 041 212 |

* *Includes FNB's activities in India.*

# supplementary information

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# HEADLINE EARNINGS ADDITIONAL DISCLOSURE

Set out below is additional information pertaining to *Section 1 of Circular 02/2015 – 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

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Aggregate cost of portfolio | **1 734** | 3 099 | (44) | 1 676 |
| Aggregate carrying value | **3 733** | 5 014 | (26) | 3 618 |
| Aggregate fair value* | **7 316** | 8 928 | (18) | 7 246 |
| Equity-accounted income** | **262** | 601 | (56) | 1 125 |
| Profit on realisation# | **40** | 533 | (92) | 953 |

* *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

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| *R million* | **2016** | 2015 | % change | 2016 |
| Carrying value of investment properties | **399** | 416 | (4) | 386 |
| Fair value of investment properties | **399** | 416 | (4) | 386 |

# CONTINGENCIES AND COMMITMENTS

| | As at 31 December | | | As at 30 June |
|---|---|---|---|---|
| *R million* | 2016 | 2015 | % change | 2016 |
| **Contingencies** | | | | |
| Guarantees | **40 317** | 34 304 | 18 | 34 733 |
| Letters of credit | **6 318** | 8 637 | (27) | 7 339 |
| **Total contingencies** | **46 635** | 42 941 | 9 | 42 072 |
| **Committed capital expenditure** | **2 054** | 4 098 | (50) | 4 264 |
| **Other commitments** | | | | |
| Irrevocable commitments | **115 381** | 114 413 | 1 | 101 418 |
| Operating lease and other commitments | **4 101** | 4 954 | (17) | 3 978 |
| **Total other commitments** | **119 482** | 119 367 | – | 105 396 |
| **Total contingencies and commitments** | **168 171** | 166 406 | 1 | 151 732 |

## NUMBER OF ORDINARY SHARES IN ISSUE

| | Six months ended 31 December | | | | Year ended 30 June | |
|---|---|---|---|---|---|---|
| | 2016 | | 2015 | | 2016 | |
| | IFRS | Normalised | IFRS | Normalised | IFRS | Normalised |
| **Shares in issue** | | | | | | |
| Opening balance as at 1 July | **5 609 488 001** | **5 609 488 001** | 5 609 488 001 | 5 609 488 001 | 5 609 488 001 | 5 609 488 001 |
| Less: treasury shares | **(473 626)** | **–** | (1 713 430) | – | (2 201 270) | – |
| – Shares for client trading* | **(473 626)** | **–** | (1 713 430) | – | (2 201 270) | – |
| **Number of shares in issue (after treasury shares)** | **5 609 014 375** | **5 609 488 001** | 5 607 774 571 | 5 609 488 001 | 5 607 286 731 | 5 609 488 001 |
| **Weighted average number of shares** | | | | | | |
| Weighted average number of shares before treasury shares | **5 609 488 001** | **5 609 488 001** | 5 609 488 001 | 5 609 488 001 | 5 609 488 001 | 5 609 488 001 |
| Less: treasury shares | **(1 075 586)** | **–** | (1 638 742) | – | (1 800 471) | – |
| – Shares for client trading* | **(1 075 586)** | **–** | (1 638 742) | – | (1 800 471) | – |
| **Basic and diluted weighted average number of shares** | **5 608 412 415** | **5 609 488 001** | 5 607 849 259 | 5 609 488 001 | 5 607 687 530 | 5 609 488 001 |

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

# KEY MARKET INDICATORS AND SHARE STATISTICS

| | Six months ended 31 December | | | Year ended 30 June |
|---|---|---|---|---|
| | 2016 | 2015 | % change | 2016 |
| **Market indicators** | | | | |
| USD/ZAR exchange rate | | | | |
| – Closing | **13.72** | 15.64 | (12) | 14.66 |
| – Average | **13.98** | 13.61 | 3 | 14.51 |
| GBP/ZAR exchange rate | | | | |
| – Closing | **16.86** | 23.18 | (27) | 19.67 |
| – Average | **17.85** | 20.85 | (14) | 21.47 |
| SA prime overdraft (%) | **10.50** | 9.75 | | 10.50 |
| SA average prime overdraft (%) | **10.50** | 9.53 | | 9.92 |
| SA average CPI (%) | **6.30** | 4.82 | | 5.58 |
| JSE All Share Index | **50 654** | 50 694 | – | 52 218 |
| JSE Banks Index | **7 755** | 6 107 | 27 | 6 513 |
| **Share statistics** | | | | |
| Share price | | | | |
| – High for the period (cents) | **5 446** | 5 780 | (6) | 5 780 |
| – Low for the period (cents) | **4 198** | 3 408 | 23 | 3 408 |
| – Closing (cents) | **5 317** | 4 237 | 25 | 4 484 |
| Shares traded | | | | |
| – Number of shares (millions) | **1 813** | 1 770 | 2 | 3 491 |
| – Value of shares (R million) | **87 342** | 85 680 | 2 | 161 496 |
| – Turnover in shares traded (%) | **32.33** | 31.57 | | 62.25 |
| **Share price performance** | | | | |
| FirstRand average share price (cents) | **4 836** | 5 033 | (4) | 4 731 |
| JSE Bank Index (average) | **7 145** | 7 278 | (2) | 6 775 |
| JSE All Share Index (average) | **51 646** | 51 287 | 1 | 51 228 |

# COMPANY INFORMATION

## DIRECTORS

LL Dippenaar (chairman), JP Burger (chief executive officer), AP Pullinger (deputy chief executive officer), HS Kellan (financial director), MS Bomela, P Cooper (alternate), JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande, 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
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank, 2196
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

## 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

### JSE

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Subordinated debt | FirstRand Bank Limited | FRB05 | ZAG000031337 |
| | FirstRand Bank Limited | FRB09 | ZAG000047804 |
| | FirstRand Bank Limited | FRB10 | ZAG000092487 |
| | FirstRand Bank Limited | FRB11 | ZAG000102054 |
| | FirstRand Bank Limited | FRB12 | ZAG000116278 |
| | FirstRand Bank Limited | FRB13 | ZAG000116286 |
| | FirstRand Bank Limited | FRB14 | ZAG000116294 |
| | FirstRand Bank Limited | FRB15 | ZAG000124199 |
| | FirstRand Bank Limited | FRB16 | ZAG000127622 |
| | FirstRand Bank Limited | FRB17 | ZAG000127630 |
| | FirstRand Bank Limited | FRB18 | ZAG000135229 |
| | FirstRand Bank Limited | FRB19 | ZAG000135310 |
| | FirstRand Bank Limited | FRB20 | ZAG000135385 |
| | FirstRand Bank Limited | FRB21 | ZAG000140856 |
| | FirstRand Bank Limited | FRB22 | ZAG000141219 |
| | FirstRand Bank Limited | FRBC21 | ZAG000052283 |
| | FirstRand Bank Limited | FRBC22 | ZAG000052390 |
| Senior unsecured | FirstRand Bank Limited | FRBZ01 | ZAG000049255 |
| | FirstRand Bank Limited | FRBZ02 | ZAG000072711 |
| | FirstRand Bank Limited | FRBZ03 | ZAG000080029 |
| | FirstRand Bank Limited | FRJ17 | ZAG000094343 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Senior unsecured | FirstRand Bank Limited | FRJ18 | ZAG000084187 |
| | FirstRand Bank Limited | FRJ19 | ZAG000104563 |
| | FirstRand Bank Limited | FRJ20 | ZAG000109596 |
| | FirstRand Bank Limited | FRJ21 | ZAG000115858 |
| | FirstRand Bank Limited | 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 | 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 | 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 | FRS119 | ZAG000118951 |
| | FirstRand Bank Limited | FRS120 | ZAG000119298 |
| | FirstRand Bank Limited | FRS121 | ZAG000120643 |
| | FirstRand Bank Limited | FRS122 | ZAG000121062 |
| | FirstRand Bank Limited | FRS123 | ZAG000121328 |
| | FirstRand Bank Limited | FRS124 | ZAG000122953 |
| | FirstRand Bank Limited | FRS126 | ZAG000125188 |
| | FirstRand Bank Limited | FRS127 | ZAG000125394 |
| | FirstRand Bank Limited | FRS129 | ZAG000125865 |
| | FirstRand Bank Limited | FRS130 | ZAG000125873 |
| | FirstRand Bank Limited | FRS131 | ZAG000126186 |
| | FirstRand Bank Limited | FRS132 | ZAG000126194 |
| | FirstRand Bank Limited | FRS133 | ZAG000126541 |
| | FirstRand Bank Limited | FRS134 | ZAG000126574 |

## LISTED DEBT INSTRUMENTS *continued*

### JSE *continued*

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Senior unsecured | FirstRand Bank Limited | FRS135 | ZAG000126608 |
| | FirstRand Bank Limited | FRS136 | ZAG000126780 |
| | FirstRand Bank Limited | FRS137 | ZAG000127549 |
| | FirstRand Bank Limited | FRS138 | ZAG000127556 |
| | FirstRand Bank Limited | FRS142 | ZAG000130782 |
| | FirstRand Bank Limited | FRS143 | ZAG000130790 |
| | FirstRand Bank Limited | FRS145 | ZAG000131483 |
| | FirstRand Bank Limited | FRS146 | ZAG000134636 |
| | FirstRand Bank Limited | FRS147 | ZAG000135724 |
| | FirstRand Bank Limited | FRS148 | ZAG000136144 |
| | FirstRand Bank Limited | FRS149 | ZAG000136573 |
| | FirstRand Bank Limited | FRS150 | ZAG000136615 |
| | FirstRand Bank Limited | FRS151 | ZAG000136987 |
| | FirstRand Bank Limited | FRS152 | ZAG000136995 |
| | FirstRand Bank Limited | FRS153 | ZAG000137670 |
| | FirstRand Bank Limited | FRS154 | ZAG000138611 |
| | FirstRand Bank Limited | FRS155 | ZAG000139510 |
| | FirstRand Bank Limited | FRS156 | ZAG000139627 |
| | 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 |
| | FirstRand Bank Limited | FRBI46 | ZAG000135302 |
| Credit-linked notes | FirstRand Bank Limited | FRC46 | ZAG000082959 |
| | FirstRand Bank Limited | FRC61 | ZAG000087347 |
| | FirstRand Bank Limited | FRC66 | ZAG000088485 |
| | FirstRand Bank Limited | FRC69 | ZAG000088766 |
| | FirstRand Bank Limited | FRC71 | ZAG000088923 |
| | FirstRand Bank Limited | FRC72 | ZAG000088956 |
| | FirstRand Bank Limited | FRC76 | ZAG000089574 |
| | FirstRand Bank Limited | FRC94A | ZAG000106725 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Credit-linked notes | FirstRand Bank Limited | FRC96A | ZAG000106733 |
| | FirstRand Bank Limited | FRC107 | ZAG000094574 |
| | 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* | FRC124 | ZAG000096579 |
| | *FirstRand Bank Limited* | FRC125 | ZAG000096678 |
| | FirstRand Bank Limited | FRC134 | ZAG000097056 |
| | FirstRand Bank Limited | FRC144 | ZAG000097569 |
| | FirstRand Bank Limited | FRC145 | ZAG000097627 |
| | FirstRand Bank Limited | FRC150 | ZAG000099821 |
| | FirstRand Bank Limited | FRC151 | ZAG000099904 |
| | FirstRand Bank Limited | FRC152 | ZAG000100330 |
| | FirstRand Bank Limited | FRC153 | ZAG000100348 |
| | FirstRand Bank Limited | FRC154 | ZAG000100694 |
| | FirstRand Bank Limited | FRC155 | ZAG000101643 |
| | FirstRand Bank Limited | FRC161 | ZAG000102260 |
| | FirstRand Bank Limited | FRC163 | ZAG000102898 |
| | FirstRand Bank Limited | FRC166 | ZAG000103573 |
| | FirstRand Bank Limited | FRC167 | ZAG000104019 |
| | FirstRand Bank Limited | FRC168 | ZAG000104753 |
| | FirstRand Bank Limited | FRC169 | ZAG000104852 |
| | FirstRand Bank Limited | FRC170 | ZAG000105586 |
| | FirstRand Bank Limited | FRC171 | ZAG000105719 |
| | FirstRand Bank Limited | FRC172 | ZAG000105818 |
| | FirstRand Bank Limited | FRC173 | ZAG000105826 |
| | FirstRand Bank Limited | FRC174 | ZAG000105891 |
| | FirstRand Bank Limited | FRC176 | ZAG000107178 |
| | FirstRand Bank Limited | FRC177 | ZAG000107632 |
| | FirstRand Bank Limited | FRC178 | ZAG000107897 |
| | FirstRand Bank Limited | FRC179 | ZAG000108168 |
| | FirstRand Bank Limited | FRC181 | ZAG000108549 |
| | FirstRand Bank Limited | FRC182 | ZAG000108713 |
| | FirstRand Bank Limited | FRC183 | ZAG000109356 |
| | FirstRand Bank Limited | FRC185 | ZAG000111451 |
| | FirstRand Bank Limited | FRC188 | ZAG000111873 |
| | FirstRand Bank Limited | FRC189 | ZAG000112145 |
| | FirstRand Bank Limited | FRC191 | ZAG000114547 |
| | FirstRand Bank Limited | FRC192 | ZAG000114521 |
| | FirstRand Bank Limited | FRC195 | ZAG000114745 |
| | FirstRand Bank Limited | FRC200 | ZAG000114992 |

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Credit-linked notes | *FirstRand Bank Limited* | FRC202 | ZAG000115114 |
| | FirstRand Bank Limited | FRC204 | ZAG000115593 |
| | FirstRand Bank Limited | FRC205 | ZAG000115619 |
| | FirstRand Bank Limited | FRC206 | ZAG000116088 |
| | FirstRand Bank Limited | FRC207 | ZAG000117649 |
| | FirstRand Bank Limited | FRC208 | ZAG000117656 |
| | FirstRand Bank Limited | FRC209 | ZAG000118613 |
| | FirstRand Bank Limited | FRC210 | ZAG000120296 |
| | FirstRand Bank Limited | FRC211 | ZAG000121013 |
| | FirstRand Bank Limited | FRC212 | ZAG000121054 |
| | FirstRand Bank Limited | FRC213 | ZAG000121047 |
| | FirstRand Bank Limited | FRC214 | ZAG000121039 |
| | FirstRand Bank Limited | FRC215 | ZAG000121021 |
| | FirstRand Bank Limited | FRC216 | ZAG000121070 |
| | FirstRand Bank Limited | FRC217 | ZAG000121088 |
| | FirstRand Bank Limited | FRC218 | ZAG000121096 |
| | FirstRand Bank Limited | FRC219 | ZAG000121138 |
| | FirstRand Bank Limited | FRC220 | ZAG000121146 |
| | FirstRand Bank Limited | FRC221 | ZAG000121229 |
| | FirstRand Bank Limited | FRC225 | ZAG000121435 |
| | FirstRand Bank Limited | FRC229 | ZAG000124850 |
| | FirstRand Bank Limited | FRC231 | ZAG000125030 |
| | FirstRand Bank Limited | FRC233 | ZAG000128752 |
| | FirstRand Bank Limited | FRC234 | ZAG000130816 |
| | FirstRand Bank Limited | FRC236 | ZAG000135211 |
| | FirstRand Bank Limited | FRC237 | ZAG000135203 |
| | FirstRand Bank Limited | FRC238 | ZAG000135237 |
| | FirstRand Bank Limited | FRC239 | ZAG000135245 |
| | FirstRand Bank Limited | FRC240 | ZAG000135252 |
| | FirstRand Bank Limited | FRC241 | ZAG000135393 |
| | FirstRand Bank Limited | FRC242 | ZAG000135401 |
| | FirstRand Bank Limited | FRC243 | ZAG000135419 |
| | FirstRand Bank Limited | FRC244 | ZAG000135427 |
| | FirstRand Bank Limited | FRC245 | ZAG000135468 |
| | FirstRand Bank Limited | FRC246 | ZAG000135476 |
| | FirstRand Bank Limited | FRC247 | ZAG000135484 |
| | FirstRand Bank Limited | FRC248 | ZAG000135450 |
| | FirstRand Bank Limited | FRC249 | ZAG000135542 |
| | FirstRand Bank Limited | FRC250 | ZAG000135559 |
| | FirstRand Bank Limited | FRD013 | ZAG000128695 |
| Structured notes | FirstRand Bank Limited | FRPT01 | ZAE000205480 |
| | FirstRand Bank Limited | FKR01 | ZAE000193454 |

## London Stock Exchange (LSE)

### European medium term note (EMTN) programme

| | Issuer | ISIN code |
|---|---|---|
| Senior unsecured | FirstRand Bank Limited | XS1225512026 |
| | FirstRand Bank Limited | XS1178685084 |

## SIX Swiss Exchange

| | Issuer | ISIN code |
|---|---|---|
| Senior unsecured | FirstRand Bank Limited | CH0238315680 |

## BSE

### BWP medium term note programme

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Senior unsecured | First National Bank Botswana Limited | FNBB007 | BW0000001668 |
| | First National Bank Botswana Limited | FNBB008 | BW0000001700 |

## NSX

### Domestic medium term note (DMTN) programme

| | Issuer | Bond code | ISIN code |
|---|---|---|---|
| Senior unsecured | First National Bank Namibia Limited | FNBJ22 | NA000A1G3AF2 |
| | First National Bank Namibia Limited | FNBX22 | NA000A1G3AG0 |

# DEFINITIONS

| | |
|---|---|
| **Additional Tier 1 capital (AT1)** | Non-cumulative non-redeemable (NCNR) preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions. |
| **CAGR** | Compound annual growth rate. |
| **Capital adequacy ratio (CAR)** | Total qualifying capital and reserves divided by RWA. |
| **Common Equity Tier 1 (CET1) capital** | Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions. |
| **Cost-to-income ratio** | Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures. |
| **Credit loss ratio** | Total impairment charge per 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. |
| **EMTN** | European medium term note programme. |
| **Impairment charge** | Amortised cost impairment charge and credit fair value adjustments. |
| **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 31 December divided by basic normalised earnings per share. |
| **Price-to-book (times)** | Closing share price on 31 December divided by normalised net asset value per share. |
| **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

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