ANALYSIS OF FINANCIAL RESULTS

for the six months ended 31 December 2015

FIRSTRAND

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FIRSTRAND

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

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

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

INTRODUCTION

This report covers the unaudited financial results of FirstRand Limited (FirstRand or the group) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2015. **The primary results and accompanying commentary are presented on a normalised basis as the group believes this most accurately reflects its economic performance.** The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed consolidated income statement, statement of comprehensive income, statement of financial position, statement of cash flows and a statement of changes in equity. A detailed description of the difference between normalised and IFRS results is provided on pages 5 to 7. Detailed reconciliations of normalised to IFRS results are provided on pages 32 to 40.

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

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
	2015	**2014**	**% change**	**2015**
Normalised earnings (R million)	**10 915**	9 993	9	21 286
Diluted normalised earnings per share (cents)	**194.6**	177.3	10	378.5
Normalised net asset value per share (cents)	**1 709.2**	1 519.6	12	1 618.3
Dividend per ordinary share (cents)	**108.0**	93.0	16	210.0
Normalised ROE (%)	**23.4**	24.0		24.7

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

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Normalised earnings per share (cents)				
– Basic	**194.6**	177.3	10	378.5
– Diluted	**194.6**	177.3	10	378.5
Earnings attributable to ordinary equityholders	**10 480**	10 304	2	21 623
Headline earnings	**10 399**	9 901	5	21 141
Normalised earnings	**10 915**	9 993	9	21 286
Normalised net asset value	**95 878**	85 241	12	90 778
Normalised net asset value per share (cents)	**1 709.2**	1 519.6	12	1 618.3
Average normalised net asset value	**93 328**	83 416	12	86 184
Normalised ROE (%)	**23.4**	24.0		24.7
Ordinary dividend (cents per share)	**108.0**	93.0	16	210.0
Dividend cover (times)	**1.8**	1.9		1.8
Non-cumulative non-redeemable (NCNR) B preference dividend* – paid (cents per share)	**363.9**	341.1	7	689.6
Capital adequacy**				
Capital adequacy ratio (%)	**16.6**	16.5		16.7
Tier 1 ratio (%)	**14.4**	14.7		14.8
Common Equity Tier 1 (CET1) ratio (%)	**13.7**	13.8		14.0
Market performance				
Market capitalisation	**237 674**	281 881	(16)	299 098
Price earnings ratio (times)	**10.9**	14.3		14.1
Price-to-book ratio (times)	**2.5**	3.3		3.3
Share price (closing – rand)	**42.37**	50.57	(16)	53.32

* *75.56% of FNB prime lending rate.*

** *Includes unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Profit for the period (refer page 18)	**11 278**	11 131	1	23 124
Non-controlling interests	**(634)**	(674)	(6)	(1 191)
NCNR preference shareholders	**(164)**	(153)	7	(310)
Earnings attributable to ordinary equityholders	**10 480**	10 304	2	21 623
Adjusted for:	**(81)**	(403)	(80)	(482)
(Gain)/loss on disposal of investment securities and other investments of a capital nature	**(5)**	–		1
Loss/(gain) on disposal of available-for-sale assets	**2**	(227)		(293)
Transfer to foreign currency translation reserve	**–**	–		10
Gain on disposal of investments in subsidiaries	**(1)**	(188)		(220)
(Gain)/loss on the disposal of property and equipment	**(78)**	(11)		5
Fair value movement on investment properties	**–**	–		(33)
Other	**–**	1		–
Tax effects of adjustments	**1**	–		18
Non-controlling interests adjustments	**–**	22		30
Headline earnings	**10 399**	9 901	5	21 141

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Headline earnings	**10 399**	9 901	5	21 141
Adjusted for:	**516**	92	>100	145
Total return swap and IFRS 2 liability remeasurement*	**569**	(144)	(>100)	(34)
IFRS 2 share-based payment expense	**–**	75	(100)	75
Treasury shares**	**(1)**	49	(>100)	25
IAS 19 adjustment	**(53)**	(54)	(2)	(107)
Private equity subsidiary realisations	**1**	166	(99)	186
Normalised earnings	**10 915**	9 993	9	21 286

* *The group uses 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 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, the share price declined R10.95. During the period ended 31 December 2014, the group's share price increased R9.82. This resulted in a significant mark-to-market fair value loss in the current period (compared to a profit in the prior year) 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 6 and 7.

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

PRESENTATION

BASIS OF PRESENTATION

FirstRand prepares its condensed consolidated financial results in accordance with:

- recognition and measurement requirements of IFRS;
- presentation and disclosure requirements of *IAS 34 Interim Financial Reporting*;
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council; and
- requirements of the Companies Act 71 of 2008.

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

The accounting policies applied in the preparation of the condensed consolidated financial statements are in terms of IFRS and are consistent with those accounting policies applied in the preparation of the previous consolidated annual financial statements. There were no new standards and interpretations which became effective for the first time in the current financial period.

The condensed consolidated results for the six months ended 31 December 2015 have not been audited or independently reviewed by the group's external auditors.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies.

CONSOLIDATED PRIVATE EQUITY SUBSIDIARIES

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

FIRSTRAND SHARES HELD FOR CLIENT TRADING ACTIVITIES

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

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

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

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

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

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

ECONOMIC INTEREST RATE HEDGES

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

FAIR VALUE ANNUITY INCOME – LENDING

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

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

CREDIT-BASED INVESTMENTS INCLUDED IN ADVANCES

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

USD LIQUIDITY FUNDING

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

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 long-term incentive schemes.

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

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

When calculating normalised results, the 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.

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

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

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

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

From an IFRS perspective the following expenses were recognised for the six months ended 31 December 2014:

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

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

- IFRS 2 expense was reversed; and
- IAS 19 expense relating to the fair value movement in the MMI shares was reversed.

Subsequent to the vesting date on 31 December 2014, no further expenses or normalised adjustments have been recognised in respect of this scheme.

HEADLINE EARNINGS ADJUSTMENTS

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 3.

REGULATORY CHANGES

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

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

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

The table below shows these adjustments.

CREDIT-BASED INVESTMENT ADJUSTMENTS

	December		June
R million	**2015**	**2014**	**2015**
Normalised advances excluding credit-related assets	**810 429**	736 454	765 951
Credit-related assets			
– Corporate bonds	**9 103**	18 725*	11 218
– HQLA (corporate advances)	**15 280**	–	9 494
– Securitisation notes	**9 879**	–	7 301
Restated normalised advances	**844 691**	755 179	793 964
NPLs as a % of advances			
– Excluding credit-related assets	**2.39**	2.44	2.28
– Including credit-related assets	**2.30**	2.38	2.21
Impairment charge as a % of average advances			
– Excluding credit-related assets	**0.80**	0.84	0.78
– Including credit-related assets	**0.77**	0.84	0.77

* *R10 710 million of these corporate bonds qualified as HQLA with effect from 1 January 2015.*

OVERVIEW OF RESULTS

INTRODUCTION

The South African economy was further negatively impacted by significant internal and external pressures during the period under review, including:

- Global commodity prices falling on the back of slowing growth in China.
- The first interest rate increase by the US Federal Reserve in nine years resulted in significant outflows of foreign capital from emerging markets, including South Africa.
- The euro zone provided limited support to South African exports.
- Domestic household consumption continued to be impacted by higher interest rates, rising inflation and moderating levels of income growth.
- Reduced growth in government spending to stabilise public sector debt and protect the country's sovereign credit rating from the elevated risk of a downgrade.

The central bank continues to implement a gradual and moderate hiking cycle, but the economy remains vulnerable to a more aggressive approach should capital inflows slow down or reverse. The currency remains weak having devalued 25% during the period.

Sub-Saharan economies were also negatively affected by these global developments with the Nigerian, Zambian and Ghanaian economies weakening markedly. Economic growth has also slowed in Namibia and Botswana.

OVERVIEW OF RESULTS

Against this challenging economic backdrop, FirstRand grew normalised earnings 9% and produced an ROE of 23.4% for the six months to December 2015.

The group's operating franchises continued to produce resilient operating performances, although absolute levels of growth are trending down as the more difficult economic cycle emerges. FNB continued to grow its topline and profits on the back of sustained momentum in NII with strong growth still generated from both advances and deposits, although NIR moderated including the impact of the reduction in interchange fees.

WesBank's domestic franchise benefited from consistent new business volumes despite the subdued local retail credit cycle, however, its MotoNovo business in the UK continued to grow strongly in both rand and GBP terms.

RMB's private equity, investment banking and corporate transactional franchises underpinned a solid performance despite subdued corporate activity and liquidity pressures. RMB remains very conservative in its credit provisioning.

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

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2015**	**% composition**	**2014**	**% composition**	**% change**	**2015**	**% composition**
FNB	**6 208**	**57**	5 674	57	9	11 299	53
RMB	**2 805**	**26**	2 449	25	15	5 758	27
WesBank	**1 856**	**17**	1 619	16	15	3 307	16
FCC (including Group Treasury) and other*,**	**210**	**2**	404	4	(48)	1 232	6
NCNR preference dividend	**(164)**	**(2)**	(153)	(2)	7	(310)	(2)
Normalised earnings	**10 915**	**100**	9 993	100	9	21 286	100

* *Includes FirstRand Limited (company).*

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

Note: *During the reporting period the group refined the franchise segmentation of its African operations to more accurately reflect the respective franchise contributions. Comparative numbers have been restated.*

The group's NII increased 9%, benefiting from the ongoing growth in advances (+12%) and deposits (+12%). Despite the benefit of increased endowment, overall NII growth was negatively impacted by the continued pressure on margins from higher term funding and liquidity costs, as well as the negative impact of increased levels of HQLA following the introduction of LCR on 1 January 2015. Accounting mismatches in excess of R400 million relating to certain interest rate hedging strategies and term funding instruments also negatively impacted reported NII (due to fair value movements), although the majority of these negative impacts will reverse in future reporting periods.

Group NIR growth of 5% reflects a muted performance from FNB mainly due to the regulatory impact of interchange reduction. Whilst absolute volumes remained robust, fee levels were lower due to deliberate strategies to migrate customers onto electronic channels. WesBank produced satisfactory NIR growth on the back of new business volumes and insurance revenue streams. RMB's investing activities also positively impacted group NIR including realisation profits from the private equity portfolio in excess of R1 billion.

Overall operating cost growth was 8% for the period compared to 12% in the comparative period and down from 10% at June. This trend reflects lower growth in variable staff costs directly related to lower income generation, although fixed staff costs increased 12%. The group continues to invest in infrastructure, operating footprint and initiatives to satisfy increased regulatory requirements. The cost to income ratio increased marginally to 51.1% (December 2014: 50.8%).

NPLs increased 8% year-on-year, however, on a rolling six-months basis these increased 11% reflecting the continued deterioration in the credit cycle, as well as the effects of strong growth in most of the major retail books. In addition, pressure on commodity prices is creating increased risk in a small component of RMB's corporate lending book, particularly certain resources counters, and oil and gas exposures in the rest of Africa. The group is comfortable with the relative size of these exposures, which represent 2.2% of the performing CIB advances book.

The group also remains comfortable with the agricultural component of its commercial lending book. The portfolio is well diversified across regions and commodities and is weighted towards large commercial farmers with strong balance sheets. Drought-affected exposures represent approximately 7% of the total commercial book.

The group's total impairment coverage ratio reduced marginally to 83.3% reflecting a change in NPL mix, however, both specific and portfolio provisions increased.

The group continues to exercise prudence with overall portfolio provisions being maintained, despite some deterioration in the underlying portfolios, including increasing NPLs, which was expected.

As in the prior year, once the underlying operating franchise models reflect the anticipated deterioration in the form of higher arrears levels and NPLs, the relevant portion of the central overlay is released. In the period under review, R165 million has been released (December 2014: R150 million), with central overlays now amounting to R760 million. Whilst the group's performing book coverage ratio declined marginally on the back of these changes, it still remains above the current annual charge.

FRANCHISE PERFORMANCE REVIEW

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 strongly in both existing and new markets on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms.

FNB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised earnings	**6 208**	5 674	9	11 299
Normalised profit before tax	**9 040**	8 245	10	16 416
Total assets	**362 909**	323 645	12	341 302
Total liabilities	**354 400**	315 724	12	326 322
NPLs (%)	**2.69**	2.88		2.66
Credit loss ratio (%)	**0.95**	0.89		0.79
ROE (%)	**40.5**	41.8		40.1
ROA (%)	**3.52**	3.56		3.45
Cost-to-income ratio (%)	**53.0**	53.3		54.6
Advances margin (%)	**3.79**	3.66		3.74

SEGMENT RESULTS

R million	Six months ended 31 December 2015	2014	% change	Year ended 30 June 2015
Normalised PBT				
Retail	**5 423**	4 905	11	9 752
FNB Africa	**771**	853	(10)	1 621
Commercial	**2 846**	2 487	14	5 043
Total FNB	**9 040**	8 245	10	16 416

FNB grew pre-tax profits 10%, driven by a resilient operational performance despite increasing economic and regulatory head-winds and achieved an ROE of 40.5%, which remains well above hurdle rates.

These results reflect the quality of FNB's transactional franchise, its continued focus on targeted asset growth and significant momentum in its liability franchise. It also reflects the success of FNB's ongoing strategy to grow and retain core transactional accounts, cross-sell and up-sell into the customer base, apply disciplined origination strategies and provide innovative transactional and savings products. FNB's cross-sell ratio improved to 2.63, a 10% year-on-year improvement.

FNB's overall NII increased 16% driven by growth in both advances (+11%) and deposits (+14%) and the positive endowment effect from the two 25 bps increases in the repo rate in July and November 2015.

The retail lending businesses continued to show above market growth driven by the activation of digital channels to enable FNB's strategy to cross-sell and up-sell products into the existing customer base. Deposits also grew well above market on the back of ongoing acquisition of core transactional accounts and further strong momentum in sales of new products, in particular the money market maximiser. The commercial segment also showed good account growth of 10% with advances increasing 18%.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

Segments	31 December 2015 vs 31 December 2014 Deposit growth %	Deposit growth R billion	Advances growth %	Advances growth R billion
Retail	**14**	**20.8**	**8**	**18.0**
FNB Africa	**14**	**4.2**	**22**	**7.4**
Commercial	**14**	**20.7**	**18**	**9.3**

As expected, bad debts and NPLs have started to trend up following strong book growth in previous periods. Given the worsening economic cycle, FNB is closely monitoring vintages and arrears levels and ongoing adjustments to credit appetite have continued across the portfolio. Overall provisioning levels have remained conservative with overlays maintained. Utilisation of certain overlays is expected to start in the second half of the year.

NIR growth was modest reflecting the year-on-year reduction in interchange fees of >R300 million, which became effective in March 2015. Fee and commission income held up well despite pressures on consumers' disposable income with volume growth of 13% achieved across the electronic channels. This growth was driven by FNB's ongoing electronic migration strategy, and has, to some extent, offset the impact of interchange.

Cost growth in the South African business was well contained at 7%, however, total costs grew 9% on the back of continued investment in the rest of Africa expansion strategy.

Profits from FNB's African subsidiaries declined 10% year-on-year driven by poor performances from Botswana and Mozambique as well as the impact of the start-up operations in Ghana. Zambia and Tanzania continued to rollout operating footprint and products. The group finalised its African segmentation in the current year, and at a total portfolio level the profit increased 5%.

With regards to progress on current new initiatives, during the period under review FNB launched two new products to customers on FirstRand's new life licence: a credit life product (on personal loans) and an Ashburton Investments private equity fund. FNB also successfully launched funeral product sales on the cell phone and ATM platforms, and cell phones already contribute between 5% and 10% of overall funeral product sales.

In terms of early progress in FNB's campaign to cross-sell into the Direct Axis customer base, nearly 6 000 accounts were opened in the first six months.

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 is anchored around its corporate clients and leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition, combined with market making and distribution capabilities, a growing asset management solutions franchise and an excellent track record in private equity investments. This strategy is underpinned by sound risk management, designed to effectively balance the relationship between profit growth, returns and earnings volatility.

RMB FINANCIAL HIGHLIGHTS

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Normalised earnings	**2 805**	2 449	15	5 758
Normalised profit before tax	**3 956**	3 488	13	8 136
Total assets	**466 348**	411 474	13	415 702
Total liabilities	**458 371**	403 418	14	405 465
ROE (%)	**22.2**	20.5		24.4
ROA (%)	**1.25**	1.20		1.39
Credit loss ratio (%)	**0.29**	0.56		0.42
Cost-to-income ratio (%)	**46.4**	44.9		43.9

RMB produced solid results for the period with pre-tax profits increasing 13% to R4 billion and the business delivering a satisfactory ROE of 22.2%. This performance was achieved against the backdrop of a challenging economic environment and highlights the resilience and diversification of RMB's portfolio of businesses. RMB's balance sheet remains robust, with a high quality of earnings and solid operational leverage despite platform investments and increasing regulatory and compliance spend.

Whilst RMB's organisational structure continues to be based on its four separate divisions, namely Investment Banking (IBD), Global Markets, Private Equity and Corporate Banking, the business is managed on a core activity basis. The activity view was disclosed for the first time in June 2015 and is outlined further in the table below.

In addition, during the period under review, the organisational business model has been further refined to more closely reflect the core activity view. All activities relating to the corporate and transactional banking pillar have been grouped in the Corporate Banking business unit. These include the transactional banking, trade and working capital, and global foreign exchange activities, some of which were previously reported in Global Markets.

The table below shows the financial performance in a matrix that integrates the amended business unit and core activity views, with comparatives on page 78. The operational review commentary is on the basis of RMB's core activities.

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December								
Normalised PBT	**2015**							**2014**	**%**
R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**	**Total**	**change**
Global Markets	**–**	**–**	**648**	**12**	**15**	**–**	**675**	659	2
IBD	**1 388**	**–**	**30**	**89**	**25**	**–**	**1 532**	1 482	3
Private Equity	**1**	**–**	**–**	**1 306**	**–**	**–**	**1 307**	1 163	12
Other RMB	**(200)**	**–**	**–**	**–**	**–**	**(166)**	**(366)**	(540)	(32)
Investment banking	**1 189**	**–**	**678**	**1 407**	**40**	**(166)**	**3 148**	2 764	14
Corporate banking	**–**	**808**	**–**	**–**	**–**	**–**	**808**	724	12
Total RMB – 2015	**1 189**	**808**	**678**	**1 407**	**40**	**(166)**	**3 956**	3 488	13
Total RMB – 2014	**980**	**724**	**663**	**1 404**	**61**	**(344)**	**3 488**		
% change	**21**	**12**	**2**	**–**	**(34)**	**(52)**	**13**		

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 78.*

Investment banking and advisory activities continued to experience competitive market conditions, combined with a deteriorating macroeconomic backdrop. These factors resulted in margin compression, and as a result of disciplined resource allocation, muted balance sheet growth. Additional credit impairments raised against mining, and oil and gas exposures in the book, albeit at lower levels than the comparative period, impacted the results significantly. Given this proactive provisioning, RMB maintained a strong portfolio coverage ratio as it enters a weak credit cycle. Income was, however, bolstered by strong fee income as clients sought expansion opportunities in developed markets, providing the franchise with key advisory and underwriting mandates.

Corporate and transactional banking activity income has shown solid growth in the current period. The liability raising strategy yielded positive results with higher average deposit balances and an enhanced liquidity profile. Earnings in trade and working capital benefited from increased demand for structured trade advances whilst global foreign exchange revenues benefited from increased client flows in the African subsidiaries. Income growth was impacted by lower traditional trade revenue due to the deteriorating macroeconomic environment, particularly in the oil producing African countries.

Markets and structuring activities delivered a solid performance, with foreign currency and commodities benefiting strongly from increased volatility, which drove spreads wider and resulted in increased deal flow and client risk management opportunities. Revenue growth was, however, constrained by a specific credit event related to a client impacted by recent foreign exchange volatility and adverse mark-to-market movements on fixed income positions.

RMB's investing activities delivered a resilient performance, also off a high base. Private Equity produced excellent results and continues to benefit from the quality and diversity of its portfolio, reporting strong equity-accounted earnings and solid income from investment subsidiaries. Earnings were positively impacted by significant realisations and, as such, the unrealised value of the portfolio marginally decreased to R4.5 billion (June 2015: R4.9 billion). Investment management activities have seen a strong performance from fund solutions driven by higher assets under management (AUM). This was, however, offset by reduced appetite for credit assets via the group's conduit programmes resulting in lower balance sheet growth and earnings from these platforms.

Unallocated franchise costs, endowment on capital invested, legacy portfolios and RMB Resources are reflected in other activities. The legacy portfolio realised a loss of R24 million, compared to R44 million in the prior year. The RMB Resources business reported a loss of R129 million for the period (2014: loss of R353 million) with both the equity and debt portfolios remaining under pressure as a result of the downturn in the commodity cycle. As previously stated, RMB is exiting these activities and is undertaking an orderly unwind of the portfolio with no new investments.

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	**2015**	**2014**	**% change**	**2015**
Normalised earnings	**1 856**	1 619	15	3 307
Normalised profit before tax	**2 615**	2 309	13	4 752
Total assets	**212 621**	187 948	13	193 613
Total liabilities	**207 590**	184 887	12	186 903
NPLs (%)	**3.03**	2.95		3.15
Credit loss ratio (%)	**1.36**	1.35		1.43
ROE (%)	**20.5**	21.8		21.0
ROA (%)	**1.80**	1.76		1.77
Cost-to-income ratio (%)	**42.0**	43.1		41.7
Net interest margin (%)	**4.83**	4.76		4.70

WesBank also delivered a resilient performance with ongoing solid growth in local new business volumes, combined with very strong growth in the UK business, underpinning a 13% increase in pre-tax profits to R2.6 billion, an ROE of 20.5% and an ROA of 1.80%.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December			Year ended 30 June
Normalised PBT	**2015**	**2014**	**% change**	**2015**
VAF				
– Retail SA	**1 015**	994	2	2 051
– Retail UK	**681**	429	59	937
– Corporate and commercial	**238**	211	13	398
Personal loans	**637**	630	1	1 271
WesBank Africa	**44**	45	(2)	95
Total WesBank	**2 615**	2 309	13	4 752

* *Refer to additional segment disclosure on page 76.*

Despite showing growth in new business volumes across all of its local retail lending portfolios, WesBank's credit appetite remains disciplined with systemic tightening continuing in higher risk segments. Overall production was up 11% with origination volumes up 7% in personal loans and 43% in MotoNovo (29% in GBP terms). Local retail VAF's performance continues to be impacted by the pressures facing consumers, with advances fairly flat. WesBank's rest of Africa advances continued to grow off a low base (+15%).

Overall interest margins have shown resilience despite higher funding and liquidity costs and the continued shift in mix from fixed- to floating-rate business.

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

NIR, including income from associates, increased 8% mainly as a result of stronger inflows from insurance income in the VAF and personal loans portfolios as well as fee income on the back of new business growth.

Growth in local core operating costs increased 8% and the cost-to-income ratio decreased over the period.

During the period under review, WesBank formalised its long-standing partnership with Hollard Insurance Company through the creation of MotoVantage, which intends to become a significant player in the value-added insurance industry. MotoVantage will offer and develop new value-added vehicle insurance products for consumers. This also provides opportunities for cross-sell and up-sell into both the existing and new customer base in the retail VAF portfolio.

The acquisition of Regent Insurance and Regent Life by Hollard and MotoVantage is well advanced and should be concluded by end of February 2016. This acquisition will further enhance the VAPS (value added products and services) and insurance product offering within the MotoVantage portfolio.

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

SEGMENT ANALYSIS OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2015**	**% contri-bution**	**2014**	**% contri-bution**	**% change**	**2015**	**% contri-bution**
Retail	**5 845**	**54**	5 320	53	10	10 659	50
FNB	**4 159**		3 882			7 668	
WesBank	**1 686**		1 438			2 991	
Commercial	**2 219**	**20**	1 973	20	12	3 947	19
FNB	**2 049**		1 792			3 631	
WesBank	**170**		181			316	
Corporate and investment banking	**2 805**	**26**	2 449	25	15	5 758	27
RMB	**2 805**		2 449			5 758	
Other	**46**	**–**	251	2	(82)	922	4
FirstRand and dividends paid on NCNR preference shares	**(164)**		(153)			(310)	
FCC (including Group Treasury) and consolidation adjustments	**210**		404			1 232	
Normalised earnings	**10 915**	**100**	9 993	100	9	21 286	100

UPDATE ON INVESTMENT MANAGEMENT STRATEGY

The group has an organic strategy to grow the asset management and wealth and investment management franchises. Overall assets under management (AUM) have grown 15% from R105 billion to R121 billion (excluding conduits).

The asset management business, Ashburton Investments (AI) comprises a wide range of component funds including index tracking, multi-asset, listed equity, specialist equity, listed fixed income, specialist credit, private equity and hedge funds. The structured or guaranteed product solutions are currently delivered through RMB Global Market Fund Solutions.

The largest contributor to the growth in AUM is AI which has grown 17% from R77 billion to R90 billion, an increase of R13 billion. Retail funds have shown solid growth over the period. Credit co-investment fund flows and segregated credit mandates have added R5 billion in new flows over the period.

Despite a very tough year for global financial markets, investment performance for AI funds continues to show resilience with the majority of collective investment scheme funds delivering performances that placed them in the top two quartiles of relative peer groups.

The wealth and investment management business includes portfolio management, stockbroking, share investing, and all investor platform-related administration capabilities. There are two pillars to the strategy, both currently in build phase:

- a direct offering of asset management solutions/funds to the FNB client's base, through FNB's banking channels; and
- a bespoke offering of tailored portfolio management solutions to FNB's wealth advised clients.

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

- An increase in AUM in portfolio management from R38 billion to R42 billion; an increase of 11%.
- Growth in assets under administration on the LISP platform from R5.6 billion to R12 billion; an increase of >100% with customer numbers on the platform increasing over 7 000.

- Growth in assets under execution in FNB Securities from R58 billion to R69 billion; an increase of 19%.
- Growth in assets under execution in FNB Share Investing from R7 billion to R10.5 billion; an increase of 43% with a growth in customer numbers of over 9 000.

ADJUSTMENT TO STRATEGIC FRAMEWORK

FirstRand's consistently stated long-term strategic objective is to deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. Against this background, given the global and regional challenges developing, the group has been through a review process to assess if alternative strategic opportunities exist or should be considered to ensure value creation for shareholders over the medium to long term.

For the past decade, FirstRand has been focused on building a diversified and resilient portfolio of 'banking' businesses, namely retail and wholesale lending, transactional activities and related endowment. This focus has resulted in the high quality lending and transactional franchises that currently reside in FNB, RMB and WesBank.

Whilst continuing to protect and grow these banking franchises, FirstRand has also started to execute on strategies to grow in other profit pools in the broader domestic financial services industry, namely insurance and investment management. The group is leveraging off existing group-wide resources, such as a strong actuarial skills base, flexible electronic distribution platforms, client base, new licences and its track record of product innovation.

FirstRand remains fully committed to growing in the territories on the African continent where it already has established a physical presence. The risks in many of these countries have elevated considerably, however, and initiatives will be reassessed within a revised risk/return framework.

In addition to the above, the group will actively evaluate whether certain of its business lines are appropriate for markets outside of Africa, such as the successful deployment of WesBank's model through MotoNovo in the UK. Given the seemingly systemic macro pressures facing emerging markets, the group's view is that over the medium term, developed market dynamics represent an attractive risk/return profile for shareholders.

As outlined below, FirstRand has subsequently adjusted its stated strategic framework to accommodate a broader set of growth opportunities, both from a market, segment and geographic perspective.

> *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, licenses 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.*

The group believes this approach will ensure sustainable and superior returns for shareholders.

MANAGEMENT OF FINANCIAL RESOURCES

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

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

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 will be key to execution of the rest of Africa strategy and growing MotoNovo.

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.5	8.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**13.7**	**14.4**	**16.6**

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

** *Includes unappropriated profits.*

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

The group continues to actively manage capital composition and, to this end, issued R4.3 billion Basel III-compliant Tier 2 instruments during the past 12 months (R2 billion in March 2015 and R2.3 billion in July 2015). This resulted in a more efficient composition, closely aligned with the group's internal targets, approved by the board. It remains the group's intention to frequently issue these instruments at a level that not only supports ongoing growth, but also compensates for the haircut applied to non-compliant Basel III Tier 2 instruments.

Liquidity position

Taking into account the liquidity risk introduced by its business activities, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of available liquidity resources. In addition, adaptive overlays to liquidity requirements are derived from stress testing and scenario analysis of the cash inflows and outflows related to business franchise activity.

The group exceeds the 60% minimum liquidity coverage ratio as set out by the Basel Committee with an LCR for the group of 71% at 31 December 2015 (FirstRand Bank: 74%), holding available liquidity of R145 billion.

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 Basel Committee on Banking Supervision (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 uncertainty around regulatory changes, the challenging operating environment and expected demand for capital, the group believes its current dividend strategy remains appropriate. As previously stated, it considers the level of payout within a range of 1.8 x to 2.2 x and assesses the appropriateness of this on an annual basis. The group has, therefore, decided to keep its interim dividend cover a 1.8 x for the six months to December 2015.

Year-on-year growth in dividend (+16%) is significantly higher than earnings growth as the group reduced its dividend cover at 30 June 2015 to 1.8 x, whereas at 31 December 2014 the cover was 1.9 x.

PROSPECTS

The second half of the year will continue to be characterised by higher inflation and low GDP growth. The SARB may have to increase rates again before the end of 2016 and this will place further pressure on the South African consumer. Unemployment is trending upwards with retrenchments trending up across a number of industry sectors.

Advances growth is likely to decline, as further cuts are made given the deteriorating outlook, and corporate activity is unlikely to pick up significantly. Retail and corporate bad debts are likely to increase further in the second half. Transactional volumes are also expected to remain at similar levels which will put pressure on the topline.

The group's strong balance sheet and the resilience and diversity of its diverse income streams should allow FirstRand to continue to deliver sustainable and superior returns to shareholders.

MATURITY OF FIRSTRAND'S BEE TRANSACTION

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

To facilitate the wind-up of the trusts on maturity of the transaction, the group bought back 63 million FirstRand shares from the trusts.

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

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

EVENTS AFTER THE REPORTING PERIOD

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

- Ashburton Investments acquired Atlantic Asset Management on 1 January 2016 for R51 million. The acquisition includes R5 billion in assets under management.
- At 30 June 2015 it was anticipated that Discovery Limited (Discovery) would subscribe for preference shares in FirstRand Bank Limited to increase its participation in DiscoveryCard. As the cashflow occurred during the current period, Discovery's additional profit share has been recognised as an expense in the FCC (Group Treasury and other) segment.
- The group will subscribe for shares in African Bank Holdings Limited for R16.4 million on 11 March 2016 and for an additional R638.6 million on 30 March 2016. This will represent a 6.5% holding in African Bank Holdings Limited.

BOARD CHANGES

Sizwe Errol Nxasana resigned as chief executive officer and executive director of FirstRand and FirstRand Bank on 30 September 2015.

Johan Petrus Burger was appointed as chief executive officer of FirstRand and FirstRand Bank in place of Sizwe Errol Nxasana on 1 October 2015.

Alan Patrick Pullinger was appointed deputy chief executive officer and executive director of FirstRand and FirstRand Bank on 1 October 2015.

In addition to the above:

Paballo Joel Makosholo was appointed as a non-executive director of FirstRand and FirstRand Bank on 1 October 2015.

Kgotso Buni Schoeman resigned as a non-executive director of FirstRand and FirstRand Bank on 30 September 2015.

Leon Crouse will resign as a non-executive director of FirstRand and FirstRand Bank with effect from 31 March 2016.

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a gross cash dividend totalling 108.0 cents per ordinary share out of income reserves for the six months ended 31 December 2015.

ORDINARY DIVIDENDS

	Six months ended 31 December	
Cents per share	**2015**	**2014**
Interim (declared 7 March 2016)	**108.0**	93.0

The salient dates for the interim dividend are as follows:

Last day to trade cum-dividend	Wednesday 23 March 2016
Shares commence trading ex-dividend	Thursday 24 March 2016
Record date	Friday 1 April 2016
Payment date	Monday 4 April 2016

Share certificates may not be dematerialised or rematerialised between Thursday 24 March 2016 and Friday 1 April 2016, both days inclusive.

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

For South African shareholders who are subject to DWT, the net interim dividend after deducting 15% tax will be 91.80000 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

Cents per share	**Preference dividends**
Period:	
25 February 2014 – 25 August 2014	**341.1**
26 August 2014 – 23 February 2015	**348.5**
24 February 2015 – 31 August 2015	**363.9**
1 September 2015 – 29 February 2016	**366.5**

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

7 March 2016

CONDENSED CONSOLIDATED INCOME STATEMENT – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Net interest income before impairment of advances	**20 020**	17 489	14	35 621
Impairment of advances	**(2 870)**	(2 704)	6	(5 150)
Net interest income after impairment of advances	**17 150**	14 785	16	30 471
Non-interest revenue	**16 866**	18 791	(10)	37 421
Income from operations	**34 016**	33 576	1	67 892
Operating expenses	**(19 756)**	(19 339)	2	(38 692)
Net income from operations	**14 260**	14 237	–	29 200
Share of profit of associates after tax	**349**	405	(14)	1 085
Share of profit of joint ventures after tax	**453**	332	36	454
Income before tax	**15 062**	14 974	1	30 739
Indirect tax	**(427)**	(491)	(13)	(884)
Profit before tax	**14 635**	14 483	1	29 855
Income tax expense	**(3 357)**	(3 352)	–	(6 731)
Profit for the period	**11 278**	11 131	1	23 124
Attributable to				
Ordinary equityholders	**10 480**	10 304	2	21 623
NCNR preference shareholders	**164**	153	7	310
Equityholders of the group	**10 644**	10 457	2	21 933
Non-controlling interests	**634**	674	(6)	1 191
Profit for the period	**11 278**	11 131	1	23 124
Earnings per share (cents)				
– Basic	**186.9**	187.8	–	390.1
– Diluted	**186.9**	187.8	–	390.1
Headline earnings per share (cents)				
– Basic	**185.4**	180.5	3	381.4
– Diluted	**185.4**	180.5	3	381.4

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Profit for the period	**11 278**	11 131	1	23 124
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**528**	(141)	(>100)	(271)
Gains/(losses) arising during the period	**717**	(368)	(>100)	(569)
Reclassification adjustments for amounts included in profit or loss	**16**	172	(91)	193
Deferred income tax	**(205)**	55	(>100)	105
Available-for-sale financial assets	**(684)**	(113)	>100	(377)
(Losses)/gains arising during the period	**(966)**	170	(>100)	(102)
Reclassification adjustments for amounts included in profit or loss	**2**	(227)	(>100)	(293)
Deferred income tax	**280**	(56)	(>100)	18
Exchange differences on translating foreign operations	**2 521**	378	>100	406
Gains arising during the period	**2 521**	378	>100	406
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**63**	(65)	(>100)	(262)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(64)**	(136)	(53)	(140)
Losses arising during the period	**(89)**	(140)	(36)	(141)
Deferred income tax	**25**	4	>100	1
Other comprehensive income for the period	**2 364**	(77)	(>100)	(644)
Total comprehensive income for the period	**13 642**	11 054	23	22 480
Attributable to				
Ordinary equityholders	**12 742**	10 231	25	21 062
NCNR preference shareholders	**164**	153	7	310
Equityholders of the group	**12 906**	10 384	24	21 372
Non-controlling interests	**736**	670	10	1 108
Total comprehensive income for the period	**13 642**	11 054	23	22 480

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
ASSETS			
Cash and cash equivalents	**61 120**	53 507	65 567
Derivative financial instruments	**69 001**	39 325	34 500
Commodities	**10 779**	6 271	7 354
Accounts receivable	**9 509**	7 389	8 009
Current tax asset	**1 321**	1 042	115
Advances	**794 428**	721 529	751 366
Investment securities and other investments	**164 972**	123 879	165 171
Investments in associates	**6 242**	5 723	5 781
Investments in joint ventures	**1 424**	1 536	1 282
Property and equipment	**17 032**	15 724	16 288
Intangible assets	**1 574**	1 110	1 068
Reinsurance assets	**587**	436	388
Post-employment benefit asset	**4**	5	4
Investment properties	**416**	432	460
Deferred income tax asset	**918**	417	1 540
Non-current assets and disposal groups held for sale	**181**	223	373
Total assets	**1 139 508**	978 548	1 059 266
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**6 069**	512	5 685
Derivative financial instruments	**82 014**	42 959	40 917
Creditors and accruals	**14 564**	14 630	17 001
Current tax liability	**375**	382	353
Deposits	**899 619**	801 698	865 521
Provisions	**668**	767	623
Employee liabilities	**6 963**	7 100	9 734
Other liabilities	**7 492**	7 325	6 876
Policyholder liabilities	**1 236**	533	542
Deferred income tax liability	**956**	893	913
Tier 2 liabilities	**15 554**	10 380	12 497
Liabilities directly associated with disposal groups held for sale	**207**	–	–
Total liabilities	**1 035 717**	887 179	960 662
Equity			
Ordinary shares	**56**	57	56
Share premium	**7 980**	6 407	7 997
Reserves	**87 825**	77 147	82 725
Capital and reserves attributable to ordinary equityholders	**95 861**	83 611	90 778
NCNR preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group	**100 380**	88 130	95 297
Non-controlling interests	**3 411**	3 239	3 307
Total equity	**103 791**	91 369	98 604
Total equity and liabilities	**1 139 508**	978 548	1 059 266

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS – IFRS

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Cash generated from operating activities			
Cash receipts from customers	**46 635**	42 732	85 324
Cash paid to customers, suppliers and employees	**(30 192)**	(25 576)	(52 049)
Dividends received	**3 327**	1 636	4 323
Dividends paid	**(6 727)**	(5 660)	(11 034)
Dividends paid to non-controlling interests	**(583)**	(398)	(764)
Cash generated from operating activities	**12 460**	12 734	25 800
Increase in income-earning assets	**(30 517)**	(39 767)	(110 584)
Increase in deposits and other	**14 408**	25 973	97 250
Taxation paid	**(4 152)**	(4 072)	(8 065)
Net cash (utilised by)/generated from operating activities	**(7 801)**	(5 132)	4 401
Net cash outflow from investing activities	**(1 378)**	(1 371)	(2 554)
Net cash inflow/(outflow) from financing activities	**3 606**	(857)	2 729
Net (decrease)/increase in cash and cash equivalents	**(5 573)**	(7 360)	4 576
Cash and cash equivalents at the beginning of the period	**65 567**	60 756	60 756
Cash and cash equivalents disposed of through the disposal of subsidiaries	**(1)**	–	67
Effect of exchange rate changes on cash and cash equivalents	**1 127**	111	168
Cash and cash equivalents at the end of the period	**61 120**	53 507	65 567
Mandatory reserve balances included above*	**21 762**	20 069	21 489

* *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.*

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 2014	55	5 531	**5 586**	(651)	461
Share movements relating to the unwind of the staff share trust*	1	873	**874**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	1	3	**4**	–	–
Total comprehensive income for the period	–	–	**–**	(136)	(141)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 31 December 2014	57	6 407	**6 464**	(787)	320
Balance as at 1 July 2015	56	7 997	**8 053**	(791)	190
Issue of share capital and premium	–	–	**–**	–	–
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

* *Shares previously treated as treasury shares.*

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Non-controlling interests	Total equity
2 783	436	2 352	270	69 277	74 928	4 519	3 184	88 217
–	–	–	–	–	–	–	–	874
–	–	–	–	–	–	–	(72)	(72)
(521)	–	–	12	(981)	(1 490)	–	(3)	(1 493)
–	–	–	–	(5 507)	(5 507)	–	(398)	(5 905)
–	–	–	–	–	–	(153)	–	(153)
–	–	–	(1)	1	–	–	–	–
–	–	–	–	(23)	(23)	–	(142)	(165)
–	–	–	–	1	1	–	–	5
–	(112)	369	(53)	10 304	10 231	153	670	11 054
(2 207)	–	–	–	1 214	(993)	–	–	(993)
55	324	2 721	228	74 286	77 147	4 519	3 239	91 369
21	64	2 757	261	80 223	82 725	4 519	3 307	98 604
–	–	–	–	–	–	–	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

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DETAILED FINANCIAL ANALYSIS – NORMALISED

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 32 to 40.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Earnings performance				
Normalised earnings per share (cents)				
– Basic	**194.6**	177.3	10	378.5
– Diluted	**194.6**	177.3	10	378.5
Earnings per share (cents)				
– Basic	**186.9**	187.8	–	390.1
– Diluted	**186.9**	187.8	–	390.1
Headline earnings per share (cents)				
– Basic	**185.4**	180.5	3	381.4
– Diluted	**185.4**	180.5	3	381.4
Normalised earnings contribution by franchise	**10 915**	9 993	9	21 286
FNB	**6 208**	5 674	9	11 299
RMB	**2 805**	2 449	15	5 758
WesBank	**1 856**	1 619	15	3 307
FCC (including Group Treasury) and other	**210**	404	(48)	1 232
NCNR preference dividend	**(164)**	(153)	7	(310)
Attributable earnings – IFRS (refer page 18)	**10 480**	10 304	2	21 623
Headline earnings	**10 399**	9 901	5	21 141
Normalised earnings	**10 915**	9 993	9	21 286
Normalised net asset value	**95 878**	85 241	12	90 778
Normalised net asset value per share (cents)	**1 709.2**	1 519.6	12	1 618.3
Tangible normalised net asset value	**94 304**	84 131	12	89 710
Tangible normalised net asset value per share (cents)	**1 681.2**	1 499.8	12	1 599.3
Average normalised net asset value	**93 328**	83 416	12	86 184
Market capitalisation	**237 674**	281 881	(16)	299 098
Ordinary dividend per share (cents)	**108.0**	93.0	16	210.0
NCNR B preference dividend* paid (cents per share)	**363.9**	341.1	7	689.6
Balance sheet				
Normalised total assets	**1 139 523**	980 176	16	1 059 262
Loans and advances (net of credit impairment)**	**828 533**	740 185	12	779 171
Ratios and key statistics				
ROE (%)	**23.4**	24.0		24.7
ROA (%)	**1.99**	2.07		2.12
Price earnings ratio (times)	**10.9**	14.3		14.1
Price-to-book ratio (times)	**2.5**	3.3		3.3
Dividend cover (times)	**1.8**	1.9		1.8
Average gross loan-to-deposit ratio (%)	**92.8**	93.3		92.0
Diversity ratio (%)	**46.0**	47.0		47.0
Credit impairment charge	**3 145**	3 086	2	5 787
NPLs as % of advances	**2.30**	2.38		2.21
Credit loss ratio (%)	**0.77**	0.84		0.77
Specific coverage ratio (%)	**42.1**	40.8		40.1
Total impairment coverage ratio (%)	**83.3**	83.4		84.3
Performing book coverage ratio (%)	**0.97**	1.04		1.00
Cost-to-income ratio (%)	**51.1**	50.8		50.5
Effective tax rate (%)	**23.3**	23.2		22.5
Number of employees	**43 406**	39 565	10	42 263

* *75.56% of FNB prime lending rate.*

** *Advances include R15 280 million of HQLA, which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R18 982 million. These were reclassified from investment securities. December 2014 numbers have been restated accordingly.*

CONDENSED CONSOLIDATED INCOME STATEMENT – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Net interest income before impairment of advances*	**20 823**	19 033	9	38 610
Impairment of advances	**(3 145)**	(3 086)	2	(5 787)
Net interest income after impairment of advances	**17 678**	15 947	11	32 823
Total non-interest revenue*	**17 722**	16 871	5	34 208
Operational non-interest revenue	**16 909**	16 129	5	32 709
Share of income from associates and joint ventures	**813**	742	10	1 499
Income from operations	**35 400**	32 818	8	67 031
Operating expenses	**(19 703)**	(18 233)	8	(36 740)
Income before tax	**15 697**	14 585	8	30 291
Indirect tax	**(427)**	(491)	(13)	(884)
Profit before tax	**15 270**	14 094	8	29 407
Income tax expense	**(3 557)**	(3 274)	9	(6 626)
Profit for the period	**11 713**	10 820	8	22 781
Non-controlling interests	**(634)**	(674)	(6)	(1 185)
NCNR preference shareholders	**(164)**	(153)	7	(310)
Normalised earnings attributable to ordinary equityholders of the group	**10 915**	9 993	9	21 286

* *NII and NIR for December 2014 have been restated for the USD funding normalisation.*

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Profit for the period	**11 713**	10 820	8	22 781
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**528**	(141)	(>100)	(271)
Gains/(losses) arising during the period	**717**	(368)	(>100)	(569)
Reclassification adjustments for amounts included in profit or loss	**16**	172	(91)	193
Deferred income tax	**(205)**	55	(>100)	105
Available-for-sale financial assets	**(684)**	4	(>100)	(118)
Losses arising during the period	**(966)**	(77)	>100	(207)
Reclassification adjustments for amounts included in profit or loss	**2**	137	(99)	71
Deferred income tax	**280**	(56)	(>100)	18
Exchange differences on translating foreign operations	**2 521**	378	>100	406
Gains arising during the period	**2 521**	378	>100	406
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**63**	(65)	(>100)	(262)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(11)**	(82)	(87)	(33)
(Losses)/gains arising during the period	**(16)**	(65)	(75)	8
Deferred income tax	**5**	(17)	(>100)	(41)
Other comprehensive income for the period	**2 417**	94	>100	(278)
Total comprehensive income for the period	**14 130**	10 914	29	22 503
Attributable to				
Ordinary equityholders	**13 230**	10 091	31	21 091
NCNR preference shareholders	**164**	153	7	310
Equityholders of the group	**13 394**	10 244	31	21 401
Non-controlling interests	**736**	670	10	1 102
Total comprehensive income for the period	**14 130**	10 914	29	22 503

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
ASSETS			
Cash and cash equivalents	**61 120**	53 507	65 567
Derivative financial instruments	**69 001**	39 325	34 500
Commodities	**10 779**	6 271	7 354
Accounts receivable	**9 487**	8 999	7 977
Current tax asset	**1 321**	994	109
Advances*	**828 533**	740 185	779 171
Investment securities and other investments*	**130 940**	105 292	137 448
Investments in associates	**6 242**	5 723	5 781
Investments in joint ventures	**1 388**	1 533	1 234
Property and equipment	**17 032**	15 724	16 288
Intangible assets	**1 574**	1 110	1 068
Reinsurance assets	**587**	436	388
Post-employment benefit asset	**4**	5	4
Investment properties	**416**	432	460
Deferred income tax asset	**918**	417	1 540
Non-current assets and disposal groups held for sale	**181**	223	373
Total assets	**1 139 523**	980 176	1 059 262
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**6 069**	512	5 685
Derivative financial instruments	**82 014**	42 959	40 917
Creditors and accruals	**14 564**	14 630	16 999
Current tax liability	**373**	380	351
Deposits	**899 619**	801 698	865 521
Provisions	**668**	767	623
Employee liabilities	**6 963**	7 100	9 734
Other liabilities	**7 492**	7 325	6 876
Policyholder liabilities	**1 236**	533	542
Deferred income tax liability	**956**	893	913
Tier 2 liabilities	**15 554**	10 380	12 497
Liabilities directly associated with disposal groups held for sale	**207**	–	–
Total liabilities	**1 035 715**	887 177	960 658
Equity			
Ordinary shares	**56**	56	56
Share premium	**8 056**	8 073	8 056
Reserves	**87 766**	77 112	82 666
Capital and reserves attributable to ordinary equityholders	**95 878**	85 241	90 778
NCNR preference shares	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group	**100 397**	89 760	95 297
Non-controlling interests	**3 411**	3 239	3 307
Total equity	**103 808**	92 999	98 604
Total equity and liabilities	**1 139 523**	980 176	1 059 262

* *Advances include R15 280 million of HQLA, which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R18 982 million. These were reclassified from investment securities. December 2014 numbers have been restated accordingly.*

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY – NORMALISED

for the six months ended 31 December 2015

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2014	56	7 083	**7 139**	(437)	461
Movements relating to the unwind of the share trusts	–	990	**990**	–	–
Net movement relating to the unwind of the share trusts and vesting of shares*	–	(639)	**(639)**	–	–
Shares issued to participants and bought back from unconsolidated trusts **	1	873	**874**	–	–
Share owned by consolidated trusts#	(1)	(1 512)	**(1 513)**	–	–
Other reserve movements relating to the unwind of the share trusts	–	–	**–**	–	–
Reallocation of share-based payment reserve relating to the share trust unwind	–	–	**–**	–	–
Re-issue 35 million shares	–	1 629	**1 629**	–	–
Disposal of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer (to)/from general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(82)	(141)
Vesting of share-based payment reserve	–	–	**–**	–	–
Balance as at 31 December 2014	56	8 073	**8 129**	(519)	320
Balance as at 1 July 2015	56	8 056	**8 112**	(470)	190
Issue of share capital and premium	–	–	**–**	–	–
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 payment reserve	–	–	**–**	–	–
Balance as at 31 December 2015	56	8 056	**8 112**	(481)	718

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

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

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

† *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
2 482	177	2 352	424	68 992	**74 451**	**4 519**	**3 184**	**89 293**
375	142	–	–	(74)	**443**	**–**	**–**	**1 433**
–	–	–	–	–	**–**	**–**	**–**	**(639)**
–	–	–	–	–	**–**	**–**	**–**	**874**
–	–	–	–	–	**–**	**–**	**–**	**(1 513)**
–	142	–	–	301	**443**	**–**	**–**	**443**
375	–	–	–	(375)	**–**	**–**	**–**	**–**
–	–	–	–	–	**–**	**–**	**–**	**1 629**
–	–	–	–	–	**–**	**–**	**(72)**	**(72)**
(596)	–	–	12	(766)†	**(1 350)**	**–**	**(3)**	**(1 353)**
–	–	–	–	(5 507)	**(5 507)**	**–**	**(398)**	**(5 905)**
–	–	–	–	–	**–**	**(153)**	**–**	**(153)**
–	–	–	(1)	1	**–**	**–**	**–**	**–**
–	–	–	–	(23)	**(23)**	**–**	**(142)**	**(165)**
–	5	369	(53)	9 993	**10 091**	**153**	**670**	**10 914**
(2 207)	–	–	–	1 214	**(993)**	**–**	**–**	**(993)**
54	324	2 721	382	73 830	**77 112**	**4 519**	**3 239**	**92 999**
21	64	2 757	261	79 843	**82 666**	**4 519**	**3 307**	**98 604**
–	–	–	–	–	**–**	**–**	**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**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

for the six months ended 31 December 2015

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	**20 823**	–	–	–	447
Impairment of advances	**(3 145)**	–	–	–	–
Net interest income after impairment of advances	**17 678**	–	–	–	447
Non-interest revenue	**16 909**	–	473	12	(447)
Income from operations	**34 587**	–	473	12	–
Operating expenses	**(19 703)**	–	(473)	–	–
Net income from operations	**14 884**	–	–	12	–
Share of profit of associates after tax	**360**	–	–	(11)	–
Share of profit of joint ventures after tax	**453**	–	–	–	–
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	**10 915**	–	–	–	–

* *FirstRand shares held for client trading activities.*

Fair value annuity income (lending)	IAS 19 adjustment	USD liquidity funding	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
(1 387)	–	137	–	–	–	**20 020**
275	–	–	–	–	–	**(2 870)**
(1 112)	–	137	–	–	–	**17 150**
1 112	–	(137)	(1)	82	(1 137)	**16 866**
–	–	–	(1)	82	(1 137)	**34 016**
–	73	–	–	–	347	**(19 756)**
–	73	–	(1)	82	(790)	**14 260**
–	–	–	–	–	–	**349**
–	–	–	–	–	–	**453**
–	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

for the six months ended 31 December 2014

R million	Normalised	IFRS 2 share-based payment expense	Private equity expenses	Treasury shares*	Economic hedges
Net interest income before impairment of advances	19 033	–	–	(62)	17
Impairment of advances	(3 086)	–	–	–	–
Net interest income after impairment of advances	15 947	–	–	(62)	17
Non-interest revenue	16 129	–	573	19	(17)
Income from operations	32 076	–	573	(43)	–
Operating expenses	(18 233)	(75)	(573)	(1)	–
Net income from operations	13 843	(75)	–	(44)	–
Share of profit of associates after tax	405	–	–	–	–
Share of profit of joint ventures after tax	337	–	–	(5)	–
Income before tax	14 585	(75)	–	(49)	–
Indirect tax	(491)	–	–	–	–
Profit before tax	14 094	(75)	–	(49)	–
Income tax expense	(3 274)	–	–	–	–
Profit for the period	10 820	(75)	–	(49)	–
Attributable to					
Non-controlling interests	(674)	–	–	–	–
NCNR preference shareholders	(153)	–	–	–	–
Ordinary equityholders of the group	9 993	(75)	–	(49)	–
Headline and normalised earnings adjustments	–	75	–	49	–
Normalised earnings	9 993	–	–	–	–

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

	Fair value annuity income (lending)	IAS 19 adjustment	USD liquidity funding	Private equity subsidiary realisations	Other headline earnings adjustments	TRS and IFRS 2 liability remeasure-ment	IFRS
	(1 514)	–	15	–	–	–	17 489
	382	–	–	–	–	–	(2 704)
	(1 132)	–	15	–	–	–	14 785
	1 132	–	(15)	(188)	425	733	18 791
	–	–	–	(188)	425	733	33 576
	–	75	–	–	–	(532)	(19 339)
	–	75	–	(188)	425	201	14 237
		–	–	–	–	–	405
	–	–	–	–	–	–	332
	–	75	–	(188)	425	201	14 974
	–	–	–	–	–	–	(491)
	–	75	–	(188)	425	201	14 483
	–	(21)	–	–	–	(57)	(3 352)
	–	54	–	(188)	425	144	11 131
	–	–	–	22	(22)	–	(674)
	–	–	–	–	–	–	(153)
	–	54	–	(166)	403	144	10 304
	–	(54)	–	166	(403)	(144)	(311)
	–	–	–	–	–	–	9 993

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2015

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

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

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

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

R million	Normalised	Treasury shares*	Reallocation of credit investments	IFRS
ASSETS				
Cash and cash equivalents	**61 120**	–	–	**61 120**
Derivative financial instruments	**69 001**	–	–	**69 001**
Commodities	**10 779**	–	–	**10 779**
Accounts receivable	**9 487**	22	–	**9 509**
Current tax asset	**1 321**	–	–	**1 321**
Advances	**828 533**	–	(34 105)	**794 428**
Investment securities and other investments	**130 940**	(73)	34 105	**164 972**
Investments in associates	**6 242**	–	–	**6 242**
Investments in joint ventures	**1 388**	36	–	**1 424**
Property and equipment	**17 032**	–	–	**17 032**
Intangible assets	**1 574**	–	–	**1 574**
Reinsurance assets	**587**	–	–	**587**
Post-employment benefit asset	**4**	–	–	**4**
Investment properties	**416**	–	–	**416**
Deferred income tax asset	**918**	–	–	**918**
Non-current assets and disposal groups held for sale	**181**	–	–	**181**
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 and accruals	**14 564**	–	–	**14 564**
Current tax liability	**373**	2	–	**375**
Deposits	**899 619**	–	–	**899 619**
Provisions	**668**	–	–	**668**
Employee liabilities	**6 963**	–	–	**6 963**
Other liabilities	**7 492**	–	–	**7 492**
Policyholder liabilities	**1 236**	–	–	**1 236**
Deferred income tax liability	**956**	–	–	**956**
Tier 2 liabilities	**15 554**	–	–	**15 554**
Liabilities directly associated with disposal groups held for sale	**207**	–	–	**207**
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.*

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

R million	Normalised	Treasury shares*	Reissue of shares	Reallocation of credit investments	IFRS
ASSETS					
Cash and cash equivalents	53 507	–	–	–	53 507
Derivative financial instruments	39 325	–	–	–	39 325
Commodities	6 271	–	–	–	6 271
Accounts receivable	8 999	19	(1 629)	–	7 389
Current tax asset	994	48	–	–	1 042
Advances	740 185	–	–	(18 656)	721 529
Investment securities and other investments	105 292	(69)	–	18 656	123 879
Investments in associates	5 723	–	–	–	5 723
Investments in joint ventures	1 533	3	–	–	1 536
Property and equipment	15 724	–	–	–	15 724
Intangible assets	1 110	–	–	–	1 110
Reinsurance assets	436	–	–	–	436
Post-employment benefit asset	5	–	–	–	5
Investment properties	432	–	–	–	432
Deferred income tax asset	417	–	–	–	417
Non-current assets and disposal groups held for sale	223	–	–	–	223
Total assets	980 176	1	(1 629)	–	978 548
EQUITY AND LIABILITIES					
Liabilities					
Short trading positions	512	–	–	–	512
Derivative financial instruments	42 959	–	–	–	42 959
Creditors and accruals	14 630	–	–	–	14 630
Current tax liability	380	2	–	–	382
Deposits	801 698	–	–	–	801 698
Provisions	767	–	–	–	767
Employee liabilities	7 100	–	–	–	7 100
Other liabilities	7 325	–	–	–	7 325
Policyholder liabilities	533	–	–	–	533
Deferred income tax liability	893	–	–	–	893
Tier 2 liabilities	10 380	–	–	–	10 380
Liabilities directly associated with disposal groups held for sale	–	–	–	–	–
Total liabilities	887 177	2	–	–	887 179
Equity					
Ordinary shares	56	1	–	–	57
Share premium	8 073	(37)	(1 629)	–	6 407
Reserves	77 112	35	–	–	77 147
Capital and reserves attributable to ordinary equityholders	85 241	(1)	(1 629)	–	83 611
NCNR preference shares	4 519	–	–	–	4 519
Capital and reserves attributable to equityholders of the group	89 760	(1)	(1 629)	–	88 130
Non-controlling interests	3 239	–	–	–	3 239
Total equity	92 999	(1)	(1 629)	–	91 369
Total equity and liabilities	980 176	1	(1 629)	–	978 548

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

RECONCILIATION OF NORMALISED TO IFRS CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

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

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

FLOW OF FUNDS ANALYSIS – NORMALISED

R million	December 2015 vs June 2015 6-month movement	December 2014 vs June 2014 6-month movement	June 2015 vs June 2014 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**5 204**	3 706	9 311
Working capital movement	**(5 487)**	309	5 353
Short trading positions and derivative financial instruments	**6 980**	(3 917)	4 039
Investments	**(5 445)**	1 848	505
Deposits and long-term liabilities	**37 155**	31 861	97 801
Total	**38 407**	33 807	117 009
Application of funds			
Advances	**(49 362)**	(45 006)	(83 992)
Cash and cash equivalents	**4 447**	7 249	(4 811)
Investment securities and other investments	**6 508**	3 950	(28 206)
Total	**(38 407)**	(33 807)	(117 009)

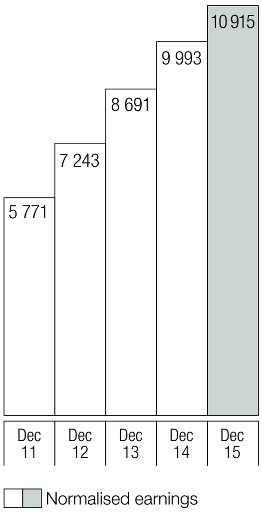
OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

NORMALISED EARNINGS – UP 9%

R million

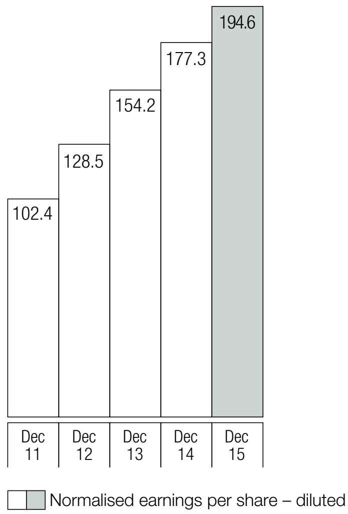
CAGR 17%



Note: 2012 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

DILUTED NORMALISED EARNINGS PER SHARE – UP 10%

Cents

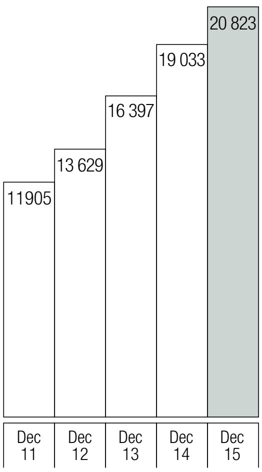


NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 9%

NET INTEREST INCOME

R million

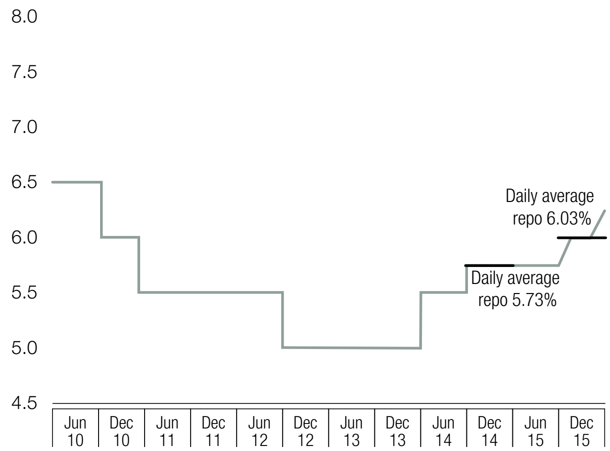
CAGR 15%



Note: 2012 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

REPO RATE

%



Note: R168 billion = average endowment book for the period. Rates were higher by 30 bps on average in the current period, which translates into a positive endowment impact of approximately R254 million.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2014 normalised margin*	**5.21**
Capital and deposit endowment	**0.06**
Advances	**0.04**
– Change in balance sheet mix	**0.01**
– Asset pricing	**0.03**
Liabilities	**(0.10)**
– Change in balance sheet mix (deposits)	**0.04**
– Term funding cost	**(0.12)**
– Deposit pricing	**(0.02)**
Group Treasury and other movements	**(0.20)**
– MTM vs accrual on term issuance in professional funding	**(0.06)**
– Increase in HQLA	**(0.15)**
– Other accounting mismatches and interest rate risk hedges	**0.01**
December 2015 normalised margin	**5.01**

* *The 2014 margin has been restated by 5 bps to include corporate bonds not qualifying as HQLA. The December 2015 margin includes the impact of non-qualifying HQLA corporate bonds and HQLA, as these have been reclassified from fair value investment securities into interest-earning assets. This is due to the group actively managing its balance sheet since the implementation of the LCR requirements.*

SEGMENTAL ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
FNB	**11 690**	10 117	16	21 023
Retail	**6 939**	5 978	16	12 436
– Residential mortgages	**1 873**	1 715	9	3 548
– Card	**1 076**	868	24	1 856
– Personal loans	**1 230**	1 085	13	2 232
– Retail other	**2 760**	2 310	19	4 800
Commercial	**3 473**	2 925	19	6 122
FNB Africa	**1 278**	1 214	5	2 465
RMB	**3 007**	2 932	3	5 771
Investment banking	**2 044**	2 145	(5)	4 189
Corporate banking	**963**	787	22	1 582
WesBank	**5 008**	4 464	12	9 070
FCC (including Group Treasury) and other*	**1 118**	1 520	(26)	2 746
Net interest income	**20 823**	19 033	9	38 610

* *Other includes FirstRand company and consolidation adjustments.*

Key drivers

- Positive endowment effect from the 25 bps increases in the repo rate in July and November 2015 (an average increase of 30 bps for the reporting period).
- Higher capital levels further underpinned NII growth.
- Strong advances and deposit growth of 12% respectively, boosted NII.
- An increase in certain asset margins in FNB. Repricing benefits in card, retail overdrafts and retail and commercial mortgages were to some extent offset by lower margins in commercial overdrafts and term loans, and FNB loans.
- WesBank's margins increased slightly as a result of the change in mix in the advances portfolio, with stronger growth in MotoNovo and personal loans.
- Investment banking advances margins were negatively impacted by higher term funding and liquidity costs as well as competitive pricing pressure.
- Negative period-on-period mark-to-market movements of R264 million on fair value term funding instruments due to movements in the domestic yield curve – these movements will reverse over the duration of the underlying instruments, however, these are long-dated instruments.
- An increase of R72 million in the dollar funding carry costs relating to excess dollar liquidity, primarily affected by the slowdown in funding of dollar-based assets during the year.
- R162 million negative mark-to-market movement in the non-hedge accounted interest rate risk management hedge positions, impacted by the severe market dislocations in December 2015. These will pull to par in future periods.
- With the LCR becoming a prudential regulatory requirement from 1 January 2015, higher holdings of HQLA resulted in lower interest margins in the group.

AVERAGE BALANCE SHEET

		Six months ended 31 December					
		2015			**2014**		
R million	Notes	**Average balance†,‡**	**Interest income/ (expense)**	**Average rate %**	**Average balance**	**Interest income/ (expense)**	**Average rate %**
INTEREST-EARNING ASSETS							
Average prime rate				**9.53**			9.23
Balances with central banks		**23 768**	**–**		21 705	–	–
Cash and cash equivalents		**21 642**	**234**	**2.14**	15 110	195	2.56
Liquid assets portfolio		**99 721**	**3 921**	**7.80**	63 183	2 379	7.47
Loans and advances to customers	1	**678 907**	**34 885**	**10.19**	624 712	30 968	9.83
Interest-earning assets		**824 038**	**39 040**	**9.40**	724 710	33 542	9.18
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.23**			5.99
Deposits due to customers	2	**(479 820)**	**(8 947)**	**3.70**	(433 473)	(7 834)	3.59
Group Treasury funding*		**(283 494)**	**(8 429)**	**5.90**	(251 663)	(7 452)	5.87
Interest-bearing liabilities		**(763 314)**	**(17 376)**	**4.52**	(685 136)	(15 286)	4.43
ENDOWMENT AND TRADING BOOK							
Other assets**		**231 256**	**(841)**	**(0.72)**	180 350	777	0.86
Other liabilities#		**(184 781)**	**–**	**–**	(125 636)	–	–
NCNR preference shareholders		**(4 519)**	**–**	**–**	(4 519)	–	–
Equity		**(102 680)**	**–**	**–**	(89 769)	–	–
Endowment and trading book		**(60 724)**	**(841)**	**2.75**	(39 574)	777	(3.90)
Total interest-bearing liabilities, endowment and trading book		**(824 038)**	**(18 217)**	**4.39**	(724 710)	(14 509)	3.97
Net interest margin on average interest-earning assets		**824 038**	**20 823**	**5.01**	724 710	19 033	5.21

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

* *Includes foreign funding; the prior year has been restated to reflect this.*

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

Includes trading liabilities.

† *Includes level 1 HQLA.*

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

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	Six months ended 31 December			
	2015		2014#	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**9.53**		9.23
Advances				
Retail – secured	**329 503**	**2.94**	298 697	2.80
Residential mortgages	**183 006**	**1.80**	172 791	1.77
Vehicle asset finance	**146 497**	**4.36**	125 906	4.21
Retail – unsecured	**58 966**	**12.40**	49 503	12.44
Card	**20 443**	**9.31**	16 746	9.00
Personal loans	**25 106**	**16.98**	22 211	17.10
– FNB loans	**14 653**	**15.09**	12 801	15.23
– WesBank loans	**10 453**	**19.63**	9 410	19.64
Overdrafts	**13 417**	**8.56**	10 546	8.08
Corporate and commercial	**252 495**	**2.35**	244 029	2.40
FNB commercial	**58 768**	**3.58**	49 843	3.70
– Mortgages	**16 274**	**2.60**	14 002	2.41
– Overdrafts	**24 250**	**4.53**	20 436	4.92
– Term loans	**18 244**	**3.20**	15 405	3.25
WesBank corporate	**41 821**	**2.76**	41 720	3.06
RMB investment banking*	**122 951**	**1.70**	127 578	1.83
RMB corporate banking	**28 955**	**1.98**	24 888	1.60
FNB Africa**	**37 943**	**4.69**	32 483	4.92
Total advances	**678 907**	**3.64**	624 712	3.52

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

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

** *This includes the FNB operations in Africa only.*

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

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

The group operates a transfer pricing framework that incorporates liquidity 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

	Six months ended 31 December			
	2015		**2014****	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.53**		9.23
Deposits				
Retail	**151 219**	**2.92**	131 437	2.83
Current and savings	**52 908**	**5.93**	47 038	5.43
Call	**2 734**	**2.99**	2 931	2.75
Money market	**33 814**	**1.58**	27 700	1.64
Term	**61 763**	**1.09**	53 768	1.17
Commercial	**157 441**	**2.72**	139 446	2.53
Current and savings	**59 765**	**5.24**	53 245	4.85
Call	**38 447**	**1.38**	34 314	1.25
Money market	**20 932**	**2.10**	19 103	1.93
Term	**38 297**	**0.47**	32 784	0.46
Corporate and investment banking	**136 692**	**0.98**	130 261	0.77
Current and savings	**58 741**	**1.38**	52 795	1.24
Call	**39 162**	**0.86**	42 023	0.62
Term	**38 789**	**0.47**	35 443	0.25
FNB Africa*	**34 468**	**2.72**	32 329	3.25
Total deposits	**479 820**	**2.29**	433 473	2.15

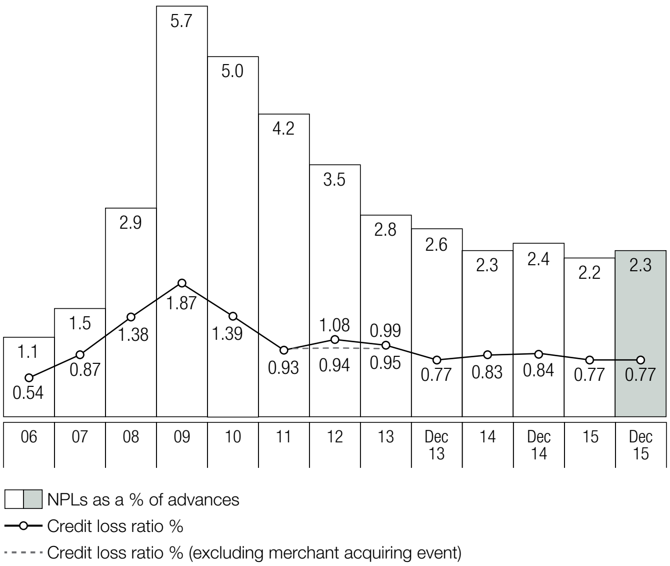
Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB.

* *This includes the FNB operations in Africa only.*

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

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Total gross advances – including credit-related assets*	**844 691**	755 179	12	793 964
NPLs – including credit-related assets	**19 409**	17 970	8	17 551
NPLs as a % of advances – including credit-related assets	**2.30**	2.38		2.21
Impairment charge – including credit-related assets	**3 145**	3 086	2	5 787
Impairment charge as a % of average advances – including credit-related assets	**0.77**	0.84		0.77
Total impairments*	**16 158**	14 994	8	14 793
– Portfolio impairments	**7 988**	7 665	4	7 760
– Specific impairments	**8 170**	7 329	11	7 033
Implied loss given default (coverage)**	**42.1**	40.8		40.1
Total impairments coverage ratio#	**83.3**	83.4		84.3
Performing book coverage ratio†	**0.97**	1.04		1.00

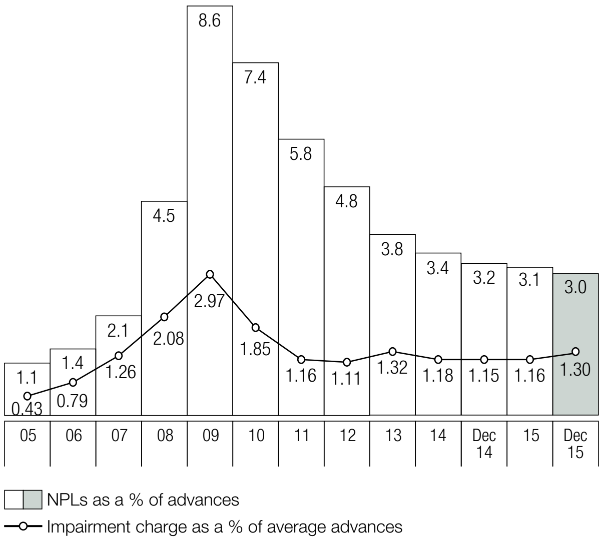
* *Includes cumulative credit fair value adjustments.*

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

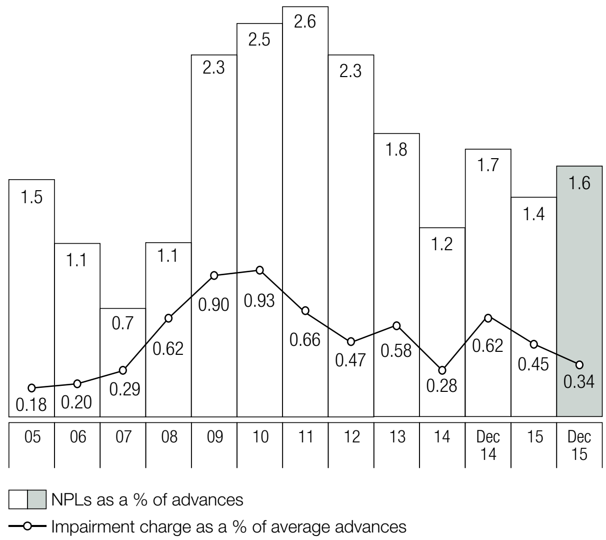
\# *Total amortised cost impairments and total cumulative credit fair value adjustments as a percentage of NPLs.*

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

RETAIL NPLs AND IMPAIRMENTS



CORPORATE AND COMMERCIAL NPLs AND IMPAIRMENTS



Credit impairments increased 2%. The credit impairment ratio, however, reduced from 84 bps (June 2015: 77 bps) to 77 bps, positively impacted by the continued robust book growth, as well as lower impairments raised year-on-year against the RMB advances book.

Overall NPLs increased 8% year-on-year, but 11% since June 2015, reflecting a combination of strong book growth in card, FNB loans, other retail, FNB Africa and WesBank loans, as well as the deteriorating macro environment. The ongoing downturn in the commodity cycle negatively impacted on NPLs in the corporate and commercial portfolio, resulting in a 3% increase year-on-year, although increasing 22% since June 2015, largely due to a business rescue counter migrating to NPL status in the period.

The total coverage ratio reduced to 83.3% from 84.3% at June 2015 (December 2014: 83.4%), given the higher advances growth and the change in NPL mix, although both specific and portfolio impairments increased. Increased portfolio impairments were driven by strong book growth in WesBank personal loans, card and FNB Africa, and in RMB, by the adverse commodity cycle (oil and gas, and mining and metals sectors). The performing book coverage ratio of 97 bps reduced from the prior year of 104 bps (June 2015: 100 bps). This was largely as a result of the partial central overlay release given the previously identified risk manifesting with the NPL formation increasing in some of the underlying franchises and products over the last 12 months resulting in higher specific impairments.

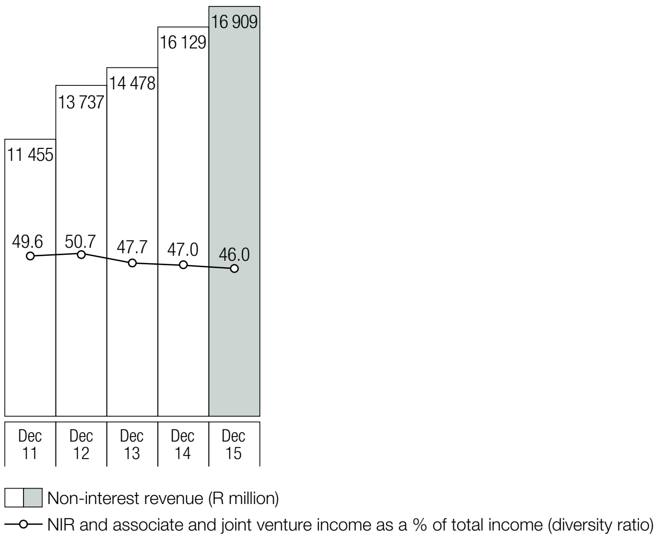
Key drivers

- Retail NPLs improved to 2.96% of advances (December 2014: 3.17%; June 2015: 3.09%), impacted by:
  - A 16% reduction in residential mortgage NPLs to 2.30% of advances (December 2014: 2.88%; June 2015: 2.54%), reflecting continued resilient cure rates of defaulted accounts and constrained levels of new inflows, disciplined origination strategies and effective workout strategies.
  - A marginal increase of 3% in FNB loans NPLs, benefiting from a further unwind in NPLs in mass loans and an increase of 12% in consumer NPLs, reflecting more conservative origination strategies and tightening credit criteria.
  - Higher NPLs in card (+64%), SA retail VAF (+19%) and WesBank loans (+30%) driven primarily by the increase in debt review restructured accounts, a large majority of which are performing, strong book growth and the worsening credit cycle.
- NPLs in FNB Africa increased 79%, driven by strong book growth in current and previous periods. Botswana, Mozambique and Zambia experienced cyclical macro pressures.
- NPLs in RMB's Investment Banking division increased 12%, primarily driven by the impact of the adverse commodity cycle on the mining and metal sector.
- Post write-off recoveries remained robust at R956 million (December 2014: R940 million; June 2015: R1.87 billion), driven by card, the unsecured retail lending portfolios (personal loans) and VAF.

NON-INTEREST REVENUE – UP 5%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 10%



Note: 2012 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	**Notes**	**2015**	**2014**	**% change**	**2015**
Fee and commission income	1	**13 571**	12 939	5	25 604
Markets, client and structuring, and other fair value income	2	**1 530**	1 323	16	3 494
Investment income	3	**668**	875	(24)	1 481
Other non-interest revenue		**1 140**	992	15	2 130
– Consolidated private equity income		**172**	146	18	367
– Other		**968**	846	14	1 763
Total non-interest revenue		**16 909**	16 129	5	32 709

NIR growth was muted during the period under review, reflecting the regulatory impact of the reduction in interchange of >R300 million which became effective from 16 March 2015, and the difficult macro environment.

Fee and commission income growth was satisfactory given these factors, benefiting from robust volumes reflecting the specific ongoing strategies to grow electronic transaction volumes. Fee and commission income represents 80% of total NIR.

Overall NIR growth was further augmented by realisations in the private equity portfolio.

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

NOTE 1 – FEE AND COMMISSION INCOME – UP 5%

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Bank commissions and fee income	**12 090**	11 791	3	23 014
– Card commissions	**1 707**	1 991	(14)	3 627
– Cash deposit fees	**1 057**	1 071	(1)	2 051
– Commissions on bills, drafts and cheques	**961**	895	7	1 903
– Bank charges	**8 365**	7 834	7	15 433
Knowledge-based fees	**625**	419	49	1 002
Management and fiduciary fees	**935**	810	15	1 675
Insurance income	**1 535**	1 354	13	2 843
Other non-bank commissions*	**400**	366	9	705
Gross fee and commission income	**15 585**	14 740	6	29 239
Fee and commission expenditure	**(2 014)**	(1 801)	12	(3 635)
Total fee and commission income	**13 571**	12 939	5	25 604

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

Key drivers

- FNB grew NIR 5%, and transactional fee and commission income 3%, in spite of a period-on-period reduction of >R300 million (19%) in interchange fees (decreasing card commissions) and an increase of 22% in allocated rewards, benefiting from continued robust growth of 11% in transaction volumes, increased product cross-sell and up-sell, and an increase in the customer base in targeted segments (Premium +14%, International +6%) and strong insurance revenues. Absolute growth in fee income was curtailed by the continued strategy to migrate customers to electronic channels.
- Electronic volumes increased 13%, while manual volumes were flat, in line with strategy.

	Increase in transaction volumes %
Mobile (excluding prepaid)	**19**
Internet banking	**7**
Cheque card	**12**
Banking app	**60**
ADT/ATM cash deposits	**20**

- WesBank's NIR growth of 9% was driven by satisfactory new business volumes of 11% given the constrained macro environment, increasing insurance as well as a strong performance from MotoNovo.
- Knowledge-based fees growth was strong driven by solid levels of M&A advisory income as well as high levels of structuring fees due to strong deal flow in specifically developed market cross-border activity with some notable significant deals concluded during the period.
- The group's management and fiduciary fee income growth of 15% was underpinned by growth of 15% in AUM year-on-year, excluding conduits.

NOTE 2 – MARKETS, CLIENT AND STRUCTURING, AND OTHER FAIR VALUE INCOME – UP 16%

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Client*	**834**	661	26	2 267
Markets*	**632**	452	40	924
Other	**64**	210	(70)	303
Total	**1 530**	1 323	16	3 494

* *The review of the organisational business model detailed on page 11 has led to a further refinement of disclosures.*

Key drivers

- Client revenues remained robust, benefiting from currency-related facilitation in the rest of Africa, albeit at lower levels than the comparative period. Trading conditions in SA remained muted on the back of increased competition and compressed margins.
- The markets business was positively impacted by the upward move in the soft commodity prices as well as the upward move in the gold price and demand from the Indian market.
- Flow trading and residual risk activities remained resilient, as a result of increased volatility and volumes specifically in the foreign exchange space, although the fixed-income business experienced mixed results given the significant rate volatility experienced in December 2015.
- The group's net TRS fair value income decreased R160 million during the period, impacted by the lower number of shares hedged, the reduction in the group's share price and the vesting of the majority of the equity-settled schemes during the previous financial year (resulting in increased volatility in the share-based payment expense), hence the decrease in other fair value income.

NOTE 3 – INVESTMENT INCOME – DOWN 24%

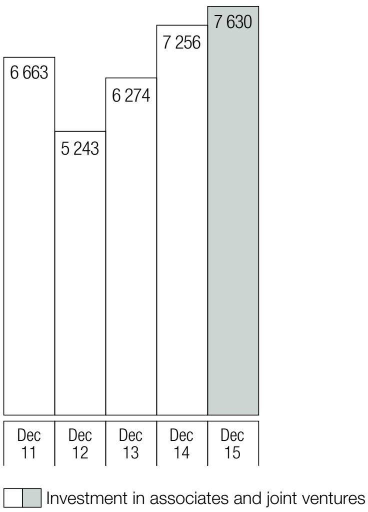
R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Private equity realisations and dividends received	**697**	598	17	857
Profit on realisation of private equity investments	**654**	578	13	804
Dividends received	**35**	17	>100	28
Other private equity income	**8**	3	>100	25
Other income from investments	**(29)**	277	(>100)	624
Profit on assets held against employee liabilities	**40**	(12)	(>100)	282
RMB resources	**(119)**	(75)	59	(74)
Other investment income	**50**	364	(86)	416
Total investment income	**668**	875	(24)	1 481

Key drivers

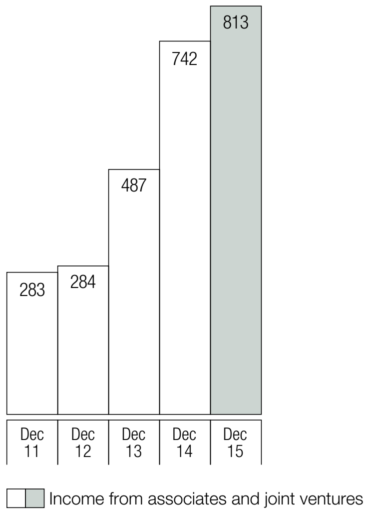
- Robust realisation profits of more than R1 billion before tax and minorities, recognised in investment income and c. R400 million in equity-accounted earnings.
- A disappointing performance with increased losses from the RMB Resources portfolio, negatively impacted by the current market conditions in the junior mining sector given the decrease in commodity prices over the last year.
- A satisfactory performance from the group's ELI asset portfolio, in spite of a 2% decrease in the ALSI, benefiting from a change in asset allocation and related tax obligation.
- Other investment income reduced significantly impacted by large realisations held in portfolios outside the private equity portfolio in the comparative period.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES – UP 10%

INVESTMENT IN ASSOCIATES AND JOINT VENTURES
R million



INCOME FROM ASSOCIATES AND JOINT VENTURES
R million



Note: 2012 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

SHARE OF PROFITS FROM ASSOCIATES AND JOINT VENTURES

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Private equity associates and joint ventures	**679**	682	–	1 211
Profit for the year	**705**	672	5	1 199
(Impairments)/reversal of impairments	**(26)**	10	(>100)	12
WesBank associates	**153**	160	(4)	342
Toyota Financial Services (Pty) Ltd	**98**	98	–	200
Other	**55**	62	(11)	142
Other operational associates and joint ventures	**201**	143	41	428
RMB Morgan Stanley (Pty) Ltd	**126**	66	91	135
Other	**75**	77	(3)	293
Share of profits from associates and joint ventures before tax	**1 033**	985	5	1 981
Tax on profits from associates and joint ventures	**(220)**	(243)	(9)	(482)
Share of profits from associates and joint ventures after tax	**813**	742	10	1 499

Key drivers

- A satisfactory performance from RMB's private equity associates and joint ventures, driven by:
  - resilient underlying operating performance across most sectors and investments given the constrained macro environment;
  - the net benefit of income streams relating to new investments, in spite of realisations in current period and prior financial year; and
  - profit on realisation of underlying investments held by associates and joint ventures in excess of R400 million.
- A solid performance from WesBank's associates driven by underlying advances growth as well as a notable increase in NIR, mainly from insurance revenue affected to some extent by an increase in bad debts as a result of macro economic factors.
- A robust performance from the other associates, primarily buoyed by strong market volumes benefiting RMB Morgan Stanley.

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

RMB earns private equity-related income primarily from its Private Equity division. However, other divisions within RMB also engage in or hold private equity-related investments (as defined in *Circular 02/2015 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	**2015**	**2014**	**% change**	**2015**
RMB Private Equity division	**1 548**	1 426	9	2 435
Income from associates and joint ventures	**679**	682	–	1 211
– Equity-accounted income*	**705**	672	5	1 199
– (Impairments)/reversal of impairments*	**(26)**	10	(>100)	12
Realisations and dividends**	**689**	595	16	832
Other investment property income**	**8**	3	>100	25
Consolidated private equity income#	**172**	146	18	367
Other business units	**64**	380	(83)	564
Income from associates and joint ventures	**58**	52	12	255
– Equity-accounted income*	**23**	52	(56)	154
– Reversal of impairments*	**35**	–	–	101
Other investment income**,†	**6**	328	(98)	309
Private equity activities	**1 612**	1 806	(11)	2 999
Tax on equity-accounted private equity investments	**(136)**	(178)	(24)	(331)
Private equity activities	**1 476**	1 628	(9)	2 668

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

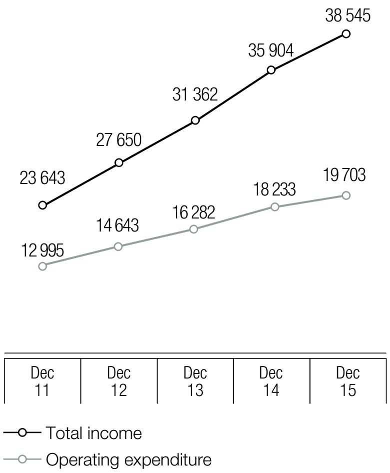
** *Refer to investment income analysis on page 53.*

Refer to NIR analysis on page 50.

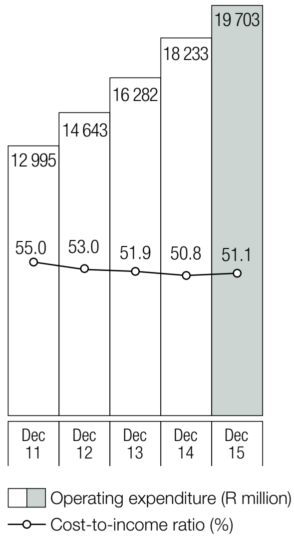
† *Includes profits from an investment realisation reflected in IBD resulting from a debt-to-debt equity restructure in prior years.*

OPERATING EXPENSES – UP 8%

OPERATING JAWS
R million



OPERATING EFFICIENCY



Note: 2012 to 2015 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	**2015**	**2014**	**% change**	**2015**
Staff expenditure	**11 673**	10 774	8	21 840
– Direct staff expenditure	**7 550**	6 713	12	13 477
– Other staff-related expenditure	**4 123**	4 061	2	8 363
Depreciation	**1 107**	955	16	1 989
Amortisation of intangible assets	**45**	48	(6)	98
Advertising and marketing	**756**	722	5	1 454
Insurance	**47**	40	18	77
Lease charges	**726**	651	12	1 335
Professional fees	**849**	757	12	1 530
Audit fees	**172**	118	46	297
Computer expenses	**931**	768	21	1 577
Maintenance	**540**	478	13	957
Telecommunications	**188**	185	2	377
Cooperation agreements and joint ventures	**354**	353	–	722
Property	**456**	458	–	888
Business travel	**229**	207	11	402
Other expenditure	**1 630**	1 719	(5)	3 197
Total operating expenses	**19 703**	18 233	8	36 740

Key drivers

- Cost growth moderated to 8% from 12% in the comparative period, reflecting the impact of lower variable costs associated with income generation and lower share-based payment expenses given the negative movement in the group's share price during the period, although ongoing investment in capacity and expansion initiatives as well as the negative impact of the rand depreciating against international currencies period-on-period negatively impacted absolute growth.

Description	% change	Reasons
Direct staff costs	12	Unionised increases in excess of 9% and a 10% increase in the staff complement across the group, impacted by a 17% growth in the international business and converting temporary staff to permanent in South Africa, which accounted for 6% of the increase in staff numbers.
Other staff-related expenditure	2	Directly related to moderating levels of profitability growth and lower IFRS 2 share-based payment expenses during the year.

- Increase of 16% in depreciation was impacted by new premises commissioned over the previous two financial years, increased level of investment in infrastructure, e.g. ATMs/ADTs, as well as in the electronic platforms.
- 12% growth in professional fees and 21% growth in computer expenses reflect increased spend on development, implementation and improvement projects related to various electronic platforms, both domestically and in the rest of Africa, additional compliance-related projects, as well as the partial impact of the rand depreciation.
- The increase in audit fees relate partly to additional non-audit service spend relating to IFRS 9 implementation as well as other group projects, which increased 70%.
- Increase in property and maintenance expenses relate to recent associated maintenance costs and increase spend on footprint expansion in the rest of Africa.
- An increase of 15% in IT spend associated with the ongoing migration and build-out of electronic transaction channels and infrastructure, further negatively impacted by the rand depreciation during the period.

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	**2015**	**2014**	**% change**	**2015**
IT-related staff cost	**1 486**	1 279	16	2 467
Non-staff IT-related costs	**2 028**	1 766	15	3 641
– Computer expenses	**931**	768	21	1 577
– Professional fees	**349**	260	34	548
– Repairs and maintenance	**307**	328	(6)	476
– Other	**45**	75	(40)	338
– Depreciation	**352**	285	24	609
– Amortisation of software	**44**	50	(12)	93
Total spend	**3 514**	3 045	15	6 108

DIRECT TAXATION – UP 9%

Key drivers

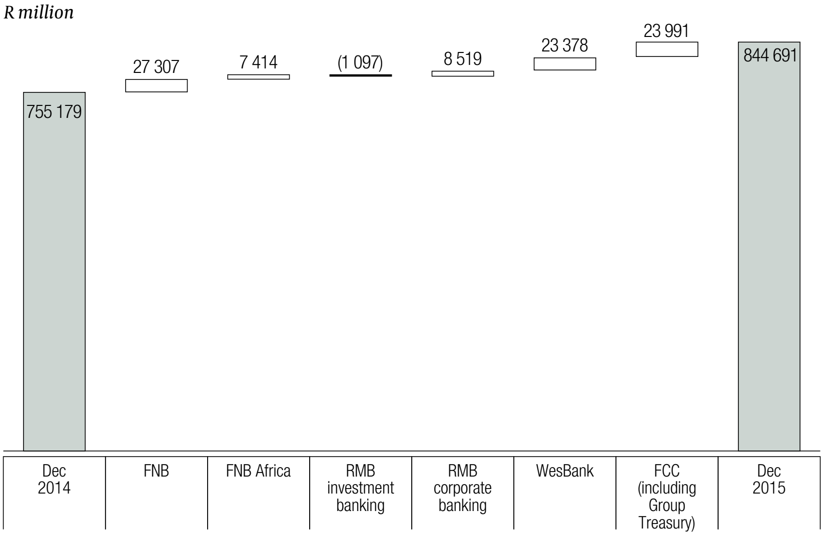
- A change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.
- Increased profitability year-on-year.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
ASSETS				
Derivative financial instruments	**69 001**	39 325	75	34 500
Advances	**828 533**	740 185	12	779 171
Investment securities and other investments	**130 940**	105 292	24	137 448
Other assets	**111 049**	95 374	16	108 143
Total assets	**1 139 523**	980 176	16	1 059 262
EQUITY AND LIABILITIES				
Liabilities				
Deposits	**899 619**	801 698	12	865 521
Short trading positions and derivative financial instruments	**88 083**	43 471	>100	46 602
Other liabilities	**48 013**	42 008	14	48 535
Total liabilities	**1 035 715**	887 177	17	960 658
Total equity	**103 808**	92 999	12	98 604
Total equity and liabilities	**1 139 523**	980 176	16	1 059 262

ADVANCES – UP 12%

GROSS ADVANCES BY FRANCHISE
R million



ADVANCES

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised gross advances	**844 691**	755 179	12	793 964
Normalised impairment of advances	**(16 158)**	(14 994)	8	(14 793)
Normalised net advances	**828 533**	740 185	12	779 171

The group delivered satisfactory advances growth given the more constrained macro environment and rising interest rate cycle. Growth is expected to moderate during the remainder of the financial year given the constrained macro environment and tightening credit criteria.

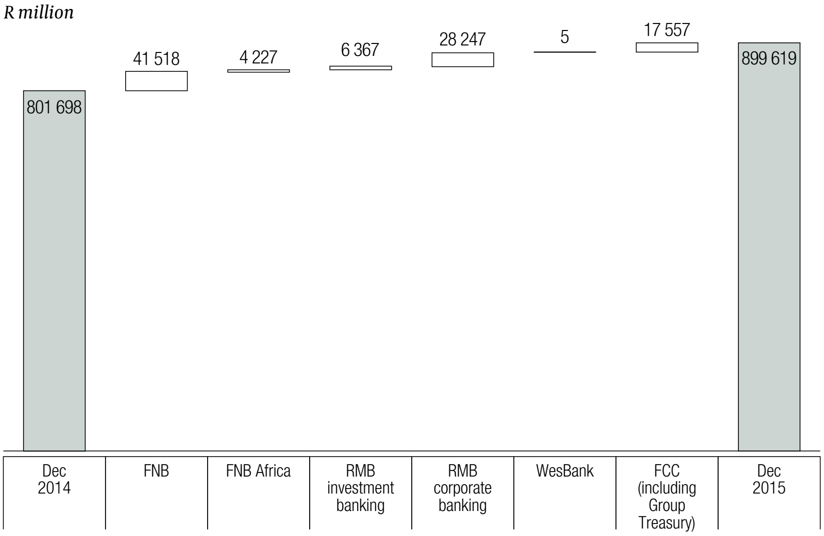
Growth rates have moderated across certain retail portfolios compared to the financial year ended 30 June 2015 due to reduced risk appetite and the macro environment. The adverse commodity cycle has contributed to a significant decrease in corporate portfolio growth rates over the last 12 to 18 months. Satisfactory growth continues in the commercial and FNB Africa portfolios, but is expected to trend softer in the latter half of the financial year.

Portfolio/product	% change	Key drivers
FNB retail	**8**	
Residential mortgages	5	Continued strong growth of 14% in secured affordable housing, on the back of client demand. 5% growth in FNB HomeLoans, with growth marginally below nominal house price inflation.
Card	20	Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation, primarily in the Premium segment.
Personal loans	19	Growth remained resilient for the period under review although origination appetite turned more conservative in the latter portion of the reporting period, with mass market term loans growing 3%.
Retail other	23	Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating on a period-on-period basis, reflecting lower risk appetite, slowing customer acquisition and more competitive pressures.
FNB Africa	**22**	
Namibia	16	Primarily driven by ongoing growth in residential mortgages, commercial property finance and term loans.
Swaziland	13	Reflecting a more constrained economic environment with satisfactory growth in retail and commercial term loans.
Mozambique and Zambia	27	Driven by new client acquisition, growth in footprint and conversion of pipeline transactions in the commercial sector. Growth is, however, expected to moderate given the commodity cycle and liquidity pressures in these economies.
FNB commercial	**18**	Reflecting targeted new client acquisition in the business segment, resulting in growth of 22% in agricultural, 19% commercial property finance and 18% in leveraged finance advances.
RMB CIB core advances (excluding repos and HQLA)	**2**	Marginal growth from SA core advances book, reflecting the constrained macro environment and competitive pressures. Cross-border growth was 15% down in USD terms given reduced risk appetite due to the tough commodity cycle. The introduction of the LCR with effect from 1 January 2015 and the resultant creation of HQLA further impacted on absolute growth.
WesBank	**13**	Strong growth of 43% (29% in GBP terms) in new business volumes in MotoNovo, driven by increased volumes, new products and increased geographical footprint. Overall growth in local advances was negatively impacted by slower new business volumes of 5% in SA Retail VAF, reflecting the negative period-on-period new vehicle sales in South Africa, and a slowdown to 7% in WesBank loans given a reduction in risk appetite in light of the macro environment . Corporate new business volumes contracted 3%, reflecting the difficult macro environment.

DEPOSITS – UP 12%

GROSS DEPOSITS BY FRANCHISE

R million



Client deposits grew 15% with institutional funding, including term and structures issuances, increasing 9%.

Key drivers

- FNB's deposits increased 14%.
- Retail deposit growth of 14% was supported by ongoing product innovation.
- Commercial deposit growth of 14% was driven by new client acquisition and cross-sell.
- FNB Africa's growth of 14% was driven by expanding footprint, new client acquisition and product rollout.

GROWTH IN DEPOSIT BALANCES:

Product	%
Current accounts	**14**
Savings and transmission accounts	**9**
Fixed deposits	**19**
Notice accounts	**14**

- RMB corporate banking grew deposits 28%, driven by client acquisition, which led to an increase in both transactional and operational deposit balances, as well as new product innovation, which resulted in strong gains in certain products.
- Group Treasury deposits grew 7%, impacted by foreign currency funding and structured issuances in the domestic market. Absolute growth was affected by rand depreciation during the year.

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SEGMENT REPORT

SEGMENT REPORT

for the 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	1 873	1 076	1 230	2 760	**6 939**	3 473	1 278	**11 690**
Impairment of advances	(160)	(220)	(439)	(347)	**(1 166)**	(194)	(210)	**(1 570)**
Net interest income after impairment of advances	1 713	856	791	2 413	**5 773**	3 279	1 068	**10 120**
Non-interest revenue	265	793	436	5 151	**6 645**	3 222	1 644	**11 511**
Income from operations	1 978	1 649	1 227	7 564	**12 418**	6 501	2 712	**21 631**
Operating expenses	(873)	(977)	(559)	(4 368)	**(6 777)**	(3 638)	(1 884)	**(12 299)**
Net income from operations	1 105	672	668	3 196	**5 641**	2 863	828	**9 332**
Share of profit of associates and joint ventures after tax	–	–	–	13	**13**	–	1	**14**
Income before tax	1 105	672	668	3 209	**5 654**	2 863	829	**9 346**
Indirect tax	(8)	(23)	(9)	(191)	**(231)**	(17)	(58)	**(306)**
Profit for the period before tax	1 097	649	659	3 018	**5 423**	2 846	771	**9 040**
Income tax expense	(307)	(182)	(185)	(846)	**(1 520)**	(797)	(278)	**(2 595)**
Profit for the period	790	467	474	2 172	**3 903**	2 049	493	**6 445**
Attributable to								
Ordinary equityholders	790	467	474	2 172	**3 903**	2 049	256	**6 208**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	237	**237**
Profit for the period	790	467	474	2 172	**3 903**	2 049	493	**6 445**
Attributable earnings to ordinary shareholders	790	467	474	2 172	**3 903**	2 049	256	**6 208**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	790	467	474	2 172	**3 903**	2 049	256	**6 208**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings*	790	467	474	2 172	**3 903**	2 049	256	**6 208**

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 8.*

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

Includes contributions from the RMB Africa in-country operations of R286 million profit before tax.

† *Refer to additional activity disclosure on page 78.*

‡ *Refer to additional segmental disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
2 044	963	**3 007**	**5 008**	1 118	**20 823**	(803)	**20 020**
(350)	(32)	**(382)**	**(1 358)**	165	**(3 145)**	275	**(2 870)**
1 694	931	**2 625**	**3 650**	1 283	**17 678**	(528)	**17 150**
3 270	1 079	**4 349**	**1 908**	(859)	**16 909**	(43)	**16 866**
4 964	2 010	**6 974**	**5 558**	424	**34 587**	(571)	**34 016**
(2 618)	(1 198)	**(3 816)**	**(2 969)**	(619)	**(19 703)**	(53)	**(19 756)**
2 346	812	**3 158**	**2 589**	(195)	**14 884**	(624)	**14 260**
862	–	**862**	**153**	(216)	**813**	(11)	**802**
3 208	812	**4 020**	**2 742**	(411)	**15 697**	(635)	**15 062**
(60)	(4)	**(64)**	**(127)**	70	**(427)**	–	**(427)**
3 148	808	**3 956**	**2 615**	(341)	**15 270**	(635)	**14 635**
(882)	(226)	**(1 108)**	**(733)**	879	**(3 557)**	200	**(3 357)**
2 266	582	**2 848**	**1 882**	538	**11 713**	(435)	**11 278**
2 242	563	**2 805**	**1 856**	46	**10 915**	(435)	**10 480**
–	–	**–**	**–**	164	**164**	–	**164**
24	19	**43**	**26**	328	**634**	–	**634**
2 266	582	**2 848**	**1 882**	538	**11 713**	(435)	**11 278**
2 242	563	**2 805**	**1 856**	46	**10 915**	(435)	**10 480**
–	–	**–**	**–**	–	**–**	(81)	**(81)**
2 242	563	**2 805**	**1 856**	46	**10 915**	(516)	**10 399**
–	–	**–**	**–**	–	**–**	569	**569**
–	–	**–**	**–**	–	**–**	–	**–**
–	–	**–**	**–**	–	**–**	(1)	**(1)**
–	–	**–**	**–**	–	**–**	(53)	**(53)**
–	–	**–**	**–**	–	**–**	1	**1**
2 242	563	**2 805**	**1 856**	46	**10 915**	–	**10 915**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	40.8	52.3	33.6	55.1	**49.8**	54.3	64.5	**53.0**
Diversity ratio (%)	12.4	42.4	26.2	65.2	**49.0**	48.1	56.3	**49.6**
Credit loss ratio (%)	0.18	2.18	6.04	5.34	**1.01**	0.64	1.07	**0.95**
NPLs as a percentage of advances (%)	2.30	2.54	4.66	4.01	**2.58**	2.37	3.76	**2.69**
Consolidated income statement includes								
Depreciation	(3)	(2)	(4)	(663)	**(672)**	(14)	(96)	**(782)**
Amortisation	–	–	–	(2)	**(2)**	–	(4)	**(6)**
Net impairment charge	–	–	–	7	**7**	–	–	**7**
Statement of financial position includes								
Advances (after ISP – before impairments)	184 641	20 854	15 206	13 690	**234 391**	62 168	41 894	**338 453**
– Normal advances	184 641	20 854	15 206	13 690	**234 391**	62 168	41 894	**338 453**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
– Credit related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 253	530	709	549	**6 041**	1 472	1 575	**9 088**
Investment in associated companies	–	–	–	258	**258**	–	4	**262**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	158	1 606	1	168 699	**170 464**	169 366	35 389	**375 219**
Total assets	183 501	20 156	14 050	35 245	**252 952**	61 879	48 078	**362 909**
Total liabilities*	183 175	19 826	13 752	29 427	**246 180**	60 267	47 953	**354 400**
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.*

Includes contributions from the RMB Africa in-country operations of R286 million profit before tax.

† *Refer to additional segmental disclosure on page 78.*

‡ *Refer to additional activity disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
42.4	58.7	**46.4**	**42.0**	>100	**51.1**	–	**52.4**
66.9	52.8	**63.4**	**29.2**	(>100)	**46.0**	–	**46.9**
0.32	0.16	**0.29**	**1.36**	(0.04)	**0.77**	–	**0.73**
1.74	0.30	**1.50**	**3.03**	–	**2.30**	–	**2.40**
(58)	(2)	**(60)**	**(250)**	(15)	**(1 107)**	(40)	**(1 147)**
(5)	–	**(5)**	**(32)**	(2)	**(45)**	36	**(9)**
–	(2)	**(2)**	**–**	(8)	**(3)**	(6)	**(9)**
222 472	46 088	**268 560**	**207 969**	29 709	**844 691**	(38 104)	**806 587**
213 369	46 088	**259 457**	**192 791**	4 550	**795 251**	(3 842)	**791 409**
–	–	**–**	**15 178**	–	**15 178**	–	**15 178**
9 103	–	**9 103**	**–**	25 159	**34 262**	(34 262)	**–**
3 881	137	**4 018**	**6 303**	–	**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**	**55**	285 775	**899 619**	–	**899 619**
416 480	49 868	**466 348**	**212 621**	97 645	**1 139 523**	(15)	**1 139 508**
409 524	48 847	**458 371**	**207 590**	15 354	**1 035 715**	2	**1 035 717**
81	3	**84**	**929**	8	**2 362**	–	**2 362**

SEGMENT REPORT

for the six months ended 31 December 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Net interest income before impairment of advances	1 715	868	1 085	2 310	**5 978**	2 925	1 214	**10 117**
Impairment of advances	(55)	(16)	(415)	(493)	**(979)**	(154)	(189)	**(1 322)**
Net interest income after impairment of advances	1 660	852	670	1 817	**4 999**	2 771	1 025	**8 795**
Non-interest revenue	230	765	358	5 133	**6 486**	3 067	1 417	**10 970**
Income from operations	1 890	1 617	1 028	6 950	**11 485**	5 838	2 442	**19 765**
Operating expenses	(833)	(895)	(450)	(4 196)	**(6 374)**	(3 333)	(1 547)	**(11 254)**
Net income from operations	1 057	722	578	2 754	**5 111**	2 505	895	**8 511**
Share of profit of associates and joint ventures after tax	–	–	–	18	**18**	–	–	**18**
Income before tax	1 057	722	578	2 772	**5 129**	2 505	895	**8 529**
Indirect tax	(18)	(19)	(9)	(178)	**(224)**	(18)	(42)	**(284)**
Profit for the period before tax	1 039	703	569	2 594	**4 905**	2 487	853	**8 245**
Income tax expense	(291)	(197)	(159)	(726)	**(1 373)**	(695)	(276)	**(2 344)**
Profit for the period	748	506	410	1 868	**3 532**	1 792	577	**5 901**
Attributable to								
Ordinary equityholders	748	506	410	1 868	**3 532**	1 792	350	**5 674**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	227	**227**
Profit for the period	748	506	410	1 868	**3 532**	1 792	577	**5 901**
Attributable earnings to ordinary shareholders	748	506	410	1 868	**3 532**	1 792	350	**5 674**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	748	506	410	1 868	**3 532**	1 792	350	**5 674**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings*	748	506	410	1 868	**3 532**	1 792	350	**5 674**

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 8.*

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

Includes contributions from the RMB Africa in-country operations of R293 million profit before tax.

† *Refer to additional segmental disclosure on page 78.*

‡ *Refer to additional activity disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
2 145	787	**2 932**	**4 464**	1 520	**19 033**	(1 544)	**17 489**
(639)	(67)	**(706)**	**(1 208)**	150	**(3 086)**	382	**(2 704)**
1 506	720	**2 226**	**3 256**	1 670	**15 947**	(1 162)	**14 785**
2 848	1 076	**3 924**	**1 745**	(510)	**16 129**	2 662	**18 791**
4 354	1 796	**6 150**	**5 001**	1 160	**32 076**	1 500	**33 576**
(2 348)	(1 092)	**(3 440)**	**(2 742)**	(797)	**(18 233)**	(1 106)	**(19 339)**
2 006	704	**2 710**	**2 259**	363	**13 843**	394	**14 237**
805	–	**805**	**160**	(241)	**742**	(5)	**737**
2 811	704	**3 515**	**2 419**	122	**14 585**	389	**14 974**
(47)	20	**(27)**	**(110)**	(70)	**(491)**	–	**(491)**
2 764	724	**3 488**	**2 309**	52	**14 094**	389	**14 483**
(774)	(203)	**(977)**	**(618)**	665	**(3 274)**	(78)	**(3 352)**
1 990	521	**2 511**	**1 691**	717	**10 820**	311	**11 131**
1 972	477	**2 449**	**1 619**	251	**9 993**	311	**10 304**
–	–	**–**	**–**	153	**153**	–	**153**
18	44	**62**	**72**	313	**674**	–	**674**
1 990	521	**2 511**	**1 691**	717	**10 820**	311	**11 131**
1 972	477	**2 449**	**1 619**	251	**9 993**	311	**10 304**
–	–	**–**	**–**	–	**–**	(403)	**(403)**
1 972	477	**2 449**	**1 619**	251	**9 993**	(92)	**9 901**
–	–	**–**	**–**	–	**–**	(144)	**(144)**
–	–	**–**	**–**	–	**–**	75	**75**
–	–	**–**	**–**	–	**–**	49	**49**
–	–	**–**	**–**	–	**–**	(54)	**(54)**
–	–	**–**	**–**	–	**–**	166	**166**
1 972	477	**2 449**	**1 619**	251	**9 993**	–	**9 993**

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.8	54.8	31.2	56.2	**51.1**	55.6	58.8	**53.3**
Diversity ratio (%)	11.8	46.8	24.8	69.0	**52.1**	51.2	53.9	**52.1**
Credit loss ratio (%)	0.06	0.19	6.55	9.57	**0.92**	0.60	1.13	**0.89**
NPLs as a percentage of advances (%)	2.88	1.87	5.39	4.71	**3.04**	2.42	2.55	**2.88**
Consolidated income statement includes								
Depreciation	(3)	(3)	(1)	(547)	**(554)**	(10)	(77)	**(641)**
Amortisation	–	–	–	(3)	**(3)**	–	(4)	**(7)**
Net impairment charge	–	–	–	(2)	**(2)**	–	–	**(2)**
Statement of financial position includes								
Advances (after ISP – before impairments)	175 097	17 356	12 831	11 143	**216 427**	52 825	34 480	**303 732**
– Normal advances	175 097	17 356	12 831	11 143	**216 427**	52 825	34 480	**303 732**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
– Credit related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	5 037	324	691	525	**6 577**	1 278	878	**8 733**
Investment in associated companies	–	–	–	259	**259**	–	4	**263**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	152	1 490	1	148 031	**149 674**	148 638	31 162	**329 474**
Total assets	173 870	16 835	11 741	29 712	**232 158**	52 292	39 195	**323 645**
Total liabilities*	173 540	16 422	11 481	24 689	**226 132**	50 894	38 698	**315 724**
Capital expenditure	–	2	–	1 557	**1 559**	20	435	**2 014**

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.*

Includes contributions from the RMB Africa in-country operations of R293 million profit before tax.

† *Refer to additional segmental disclosure on page 78.*

‡ *Refer to additional activity disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
40.5	58.6	**44.9**	**43.1**	>100	**50.8**	–	**52.2**
63.0	57.8	**61.7**	**29.9**	(>100)	**47.0**	–	**52.8**
0.59	0.39	**0.56**	**1.35**	(0.04)	**0.84**	–	**0.76**
1.55	0.89	**1.45**	**2.95**	–	**2.38**	–	**2.45**
(52)	(2)	**(54)**	**(244)**	(16)	**(955)**	(50)	**(1 005)**
(6)	–	**(6)**	**(33)**	(2)	**(48)**	(2)	**(50)**
–	–	**–**	**(15)**	(8)	**(25)**	(9)	**(34)**
223 569	37 569	**261 138**	**184 591**	5 718	**755 179**	(22 409)	**732 770**
204 874	37 569	**242 443**	**169 024**	5 688	**720 887**	(3 684)	**717 203**
–	–	**–**	**15 567**	–	**15 567**	–	**15 567**
18 695	–	**18 695**	**–**	30	**18 725**	(18 725)	**–**
3 461	334	**3 795**	**5 442**	–	**17 970**	–	**17 970**
3 831	–	**3 831**	**1 633**	(4)	**5 723**	–	**5 723**
1 550	–	**1 550**	**–**	(17)	**1 533**	3	**1 536**
101 324	102 632	**203 956**	**50**	268 218	**801 698**	–	**801 698**
370 757	40 717	**411 474**	**187 948**	57 109	**980 176**	(1 628)	**978 548**
363 662	39 756	**403 418**	**184 887**	(16 852)	**887 177**	2	**887 179**
178	1	**179**	**670**	1	**2 864**	–	**2 864**

SEGMENT REPORT
for the year ended 30 June 2015

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 548	1 856	2 232	4 800	**12 436**	6 122	2 465	**21 023**
Impairment of advances	(111)	(191)	(715)	(742)	**(1 759)**	(311)	(359)	**(2 429)**
Net interest income after impairment of advances	3 437	1 665	1 517	4 058	**10 677**	5 811	2 106	**18 594**
Non-interest revenue	486	1 436	757	10 073	**12 752**	6 001	2 824	**21 577**
Income from operations	3 923	3 101	2 274	14 131	**23 429**	11 812	4 930	**40 171**
Operating expenses	(1 689)	(1 772)	(916)	(8 918)	**(13 295)**	(6 734)	(3 225)	**(23 254)**
Net income from operations	2 234	1 329	1 358	5 213	**10 134**	5 078	1 705	**16 917**
Share of profit of associates and joint ventures after tax	–	–	–	18	**18**	–	1	**19**
Income before tax	2 234	1 329	1 358	5 231	**10 152**	5 078	1 706	**16 936**
Indirect tax	(35)	(44)	(18)	(303)	**(400)**	(35)	(85)	**(520)**
Profit for the period before tax	2 199	1 285	1 340	4 928	**9 752**	5 043	1 621	**16 416**
Income tax expense	(616)	(360)	(375)	(1 380)	**(2 731)**	(1 412)	(540)	**(4 683)**
Profit for the period	1 583	925	965	3 548	**7 021**	3 631	1 081	**11 733**
Attributable to								
Ordinary equityholders	1 583	925	965	3 548	**7 021**	3 631	647	**11 299**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Non-controlling interests	–	–	–	–	**–**	–	434	**434**
Profit for the period	1 583	925	965	3 548	**7 021**	3 631	1 081	**11 733**
Attributable earnings to ordinary shareholders	1 583	925	965	3 548	**7 021**	3 631	647	**11 299**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 583	925	965	3 548	**7 021**	3 631	647	**11 299**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IFRS 2 share-based payment expense	–	–	–	–	**–**	–	–	**–**
Treasury shares	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Private equity subsidiary realisations	–	–	–	–	**–**	–	–	**–**
Normalised earnings*	1 583	925	965	3 548	**7 021**	3 631	647	**11 299**

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 8.*

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

Includes contributions from the RMB Africa in-country operations of R403 million profit before tax.

† *Refer to additional segmental disclosure on page 78.*

‡ *Refer to additional activity disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
4 189	1 582	**5 771**	**9 070**	2 746	**38 610**	(2 989)	**35 621**
(852)	(175)	**(1 027)**	**(2 597)**	266	**(5 787)**	637	**(5 150)**
3 337	1 407	**4 744**	**6 473**	3 012	**32 823**	(2 352)	**30 471**
7 037	2 051	**9 088**	**3 603**	(1 559)	**32 709**	4 712	**37 421**
10 374	3 458	**13 832**	**10 076**	1 453	**65 532**	2 360	**67 892**
(5 115)	(2 117)	**(7 232)**	**(5 427)**	(827)	**(36 740)**	(1 952)	**(38 692)**
5 259	1 341	**6 600**	**4 649**	626	**28 792**	408	**29 200**
1 607	–	**1 607**	**342**	(469)	**1 499**	40	**1 539**
6 866	1 341	**8 207**	**4 991**	157	**30 291**	448	**30 739**
(87)	16	**(71)**	**(239)**	(54)	**(884)**	–	**(884)**
6 779	1 357	**8 136**	**4 752**	103	**29 407**	448	**29 855**
(1 898)	(380)	**(2 278)**	**(1 304)**	1 639	**(6 626)**	(105)	**(6 731)**
4 881	977	**5 858**	**3 448**	1 742	**22 781**	343	**23 124**
4 846	912	**5 758**	**3 307**	922	**21 286**	337	**21 623**
–	–	**–**	**–**	310	**310**	–	**310**
35	65	**100**	**141**	510	**1 185**	6	**1 191**
4 881	977	**5 858**	**3 448**	1 742	**22 781**	343	**23 124**
4 846	912	**5 758**	**3 307**	922	**21 286**	337	**21 623**
–	–	**–**	**–**	–	**–**	(482)	**(482)**
4 846	912	**5 758**	**3 307**	922	**21 286**	(145)	**21 141**
–	–	**–**	**–**	–	**–**	(34)	**(34)**
–	–	**–**	**–**	–	**–**	75	**75**
–	–	**–**	**–**	–	**–**	25	**25**
–	–	**–**	**–**	–	**–**	(107)	**(107)**
–	–	**–**	**–**	–	**–**	186	**186**
4 846	912	**5 758**	**3 307**	922	**21 286**	–	**21 286**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	41.9	53.8	30.6	59.9	**52.7**	55.5	61.0	**54.6**
Diversity ratio (%)	12.0	43.6	25.3	67.8	**50.7**	49.5	53.4	**50.7**
Credit loss ratio (%)	0.06	1.08	5.42	6.81	**0.81**	0.58	1.05	**0.79**
NPLs as a percentage of advances (%)	2.54	2.09	4.91	4.10	**2.73**	2.23	2.88	**2.66**
Consolidated income statement includes								
Depreciation	(6)	(5)	(1)	(1 176)	**(1 188)**	(23)	(160)	**(1 371)**
Amortisation	–	–	–	(2)	**(2)**	–	(9)	**(11)**
Net impairment charge	–	–	–	(4)	**(4)**	–	–	**(4)**
Statement of financial position includes								
Advances (after ISP – before impairments)	180 208	19 488	13 856	12 314	**225 866**	58 251	36 363	**320 480**
– Normal advances	180 208	19 488	13 856	12 314	**225 866**	58 251	36 363	**320 480**
– Securitised advances	–	–	–	–	**–**	–	–	**–**
– Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 585	407	680	505	**6 177**	1 301	1 049	**8 527**
Investment in associated companies	–	–	–	246	**246**	–	4	**250**
Investments in joint ventures	–	–	–	–	**–**	–	–	**–**
Total deposits (including non-recourse deposits)	155	1 467	1	156 676	**158 299**	152 912	31 350	**342 561**
Total assets	179 095	18 895	12 787	31 351	**242 128**	57 905	41 269	**341 302**
Total liabilities*	178 316	18 171	12 120	21 850	**230 457**	54 974	40 891	**326 322**
Capital expenditure	–	3	7	2 637	**2 647**	32	1 467	**4 146**

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

* *Total liabilities are net of interdivisional balances.*

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

Includes contributions from the RMB Africa in-country operations of R403 million profit before tax.

† *Refer to additional segmental disclosure on page 78.*

‡ *Refer to additional activity disclosure on page 76.*

RMB#							
Investment banking	Corporate banking	**Total RMB#,†**	**WesBank‡**	FCC (including Group Treasury) and other	**FirstRand group – normalised**	Normalised adjustments	**FirstRand group – IFRS**
39.9	58.3	**43.9**	**41.7**	>100	**50.5**	–	**51.9**
67.4	56.5	**65.0**	**30.3**	(>100)	**47.0**	–	**52.2**
0.40	0.52	**0.42**	**1.43**	(0.04)	**0.77**	–	**0.71**
1.21	0.99	**1.18**	**3.15**	–	**2.21**	–	**2.29**
(102)	(5)	**(107)**	**(481)**	(30)	**(1 989)**	(104)	**(2 093)**
(12)	–	**(12)**	**(70)**	(5)	**(98)**	(4)	**(102)**
–	(2)	**(2)**	**(27)**	(55)	**(88)**	(9)	**(97)**
220 232	35 408	**255 640**	**190 381**	27 463	**793 964**	(31 368)	**762 596**
209 076	35 408	**244 484**	**174 321**	10 606	**749 891**	(3 355)	**746 536**
–	–	**–**	**16 060**	–	**16 060**	–	**16 060**
11 156	–	**11 156**	**–**	16 857	**28 013**	(28 013)	**–**
2 675	352	**3 027**	**5 997**	–	**17 551**	(50)	**17 501**
3 802	–	**3 802**	**1 735**	(6)	**5 781**	–	**5 781**
1 249	–	**1 249**	**–**	(15)	**1 234**	48	**1 282**
113 128	117 130	**230 258**	**53**	292 649	**865 521**	–	**865 521**
376 355	39 347	**415 702**	**193 613**	108 645	**1 059 262**	4	**1 059 266**
367 760	37 705	**405 465**	**186 903**	41 968	**960 658**	4	**960 662**
334	4	**338**	**1 021**	11	**5 516**	–	**5 516**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

R million	VAF – Retail – South Africa	VAF – Retail – MotoNovo (UK)	VAF – Corporate and commercial	Personal loans	Rest of Africa	Total WesBank
	Six months ended 31 December 2015					
NII before impairment of advances	**2 149**	**1 125**	**515**	**1 070**	**149**	**5 008**
Impairment of advances	**(631)**	**(220)**	**(41)**	**(453)**	**(13)**	**(1 358)**
Normalised profit before tax	**1 015**	**681**	**238**	**637**	**44**	**2 615**
Normalised earnings	**705**	**490**	**170**	**459**	**32**	**1 856**
Advances	**98 530**	**48 447**	**41 389**	**11 271**	**8 332**	**207 969**
– Normal advances	**96 749**	**35 050**	**41 389**	**11 271**	**8 332**	**192 791**
– Securitised advances	**1 781**	**13 397**	**–**	**–**	**–**	**15 178**
NPLs	**4 345**	**214**	**577**	**1 018**	**149**	**6 303**
Advances margin (%)	**3.82**	**5.74**	**2.66**	**19.63**	**3.61**	**4.83**
NPLs (%)	**4.41**	**0.44**	**1.39**	**9.03**	**1.79**	**3.03**
Credit loss ratio (%)	**1.28**	**1.06**	**0.20**	**8.33**	**0.33**	**1.36**

R million	VAF – Retail – South Africa	VAF – Retail – MotoNovo (UK)	VAF – Corporate and commercial	Personal loans	Rest of Africa	Total WesBank
	Six months ended 31 December 2014					
NII before impairment of advances	2 080	706	538	987	153	4 464
Impairment of advances	(505)	(111)	(177)	(387)	(28)	(1 208)
Normalised profit before tax	994	429	211	630	45	2 309
Normalised earnings	715	309	181	405	9	1 619
Advances	97 575	26 926	42 992	9 829	7 269	184 591
– Normal advances	97 244	11 690	42 992	9 829	7 269	169 024
– Securitised advances	331	15 236	–	–	–	15 567
NPLs	3 647	115	786	786	108	5 442
Advances margin (%)	3.76	6.00	2.85	19.64	5.03	4.76
NPLs (%)	3.74	0.43	1.83	8.00	1.49	2.95
Credit loss ratio (%)	1.04	0.90	0.87	8.15	0.80	1.35

	Year ended 30 June 2015					
	VAF					
	Retail					
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Rest of Africa	Total WesBank
NII before impairment of advances	4 143	1 543	1 054	2 020	310	9 070
Impairment of advances	(1 219)	(278)	(209)	(833)	(58)	(2 597)
Normalised profit before tax	2 051	937	398	1 271	95	4 752
Normalised earnings	1 477	675	316	816	23	3 307
Advances	98 131	34 612	39 796	10 477	7 365	190 381
– Normal advances	95 760	20 923	39 796	10 477	7 365	174 321
– Securitised advances	2 371	13 689	–	–	–	16 060
NPLs	4 162	151	628	909	147	5 997
Advances margin (%)	3.72	5.86	2.69	19.60	4.38	4.70
NPLs (%)	4.24	0.44	1.58	8.68	2.00	3.15
Credit loss ratio (%)	1.25	0.97	0.53	8.49	0.82	1.43

ADDITIONAL ACTIVITY DISCLOSURE – RMB

	Six months ended 31 December 2015						
Normalised PBT R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	**–**	**–**	**648**	**12**	**15**	**–**	**675**
IBD	**1 388**	**–**	**30**	**89**	**25**	**–**	**1 532**
Private Equity	**1**	**–**	**–**	**1 306**	**–**	**–**	**1 307**
Other RMB	**(200)**	**–**	**–**	**–**	**–**	**(166)**	**(366)**
Investment banking	**1 189**	**–**	**678**	**1 407**	**40**	**(166)**	**3 148**
Corporate banking	**–**	**808**	**–**	**–**	**–**	**–**	**808**
Total RMB	**1 189**	**808**	**678**	**1 407**	**40**	**(166)**	**3 956**

	Six months ended 31 December 2014						
Normalised PBT R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	–	–	644	–	15	–	659
IBD	1 175	–	19	242	46	–	1 482
Private Equity	1	–	–	1 162	–	–	1 163
Other RMB	(196)	–	–	–	–	(344)	(540)
Investment banking	980	–	663	1 404	61	(344)	2 764
Corporate banking	–	724	–	–	–	–	724
Total RMB	980	724	663	1 404	61	(344)	3 488

	Year ended 30 June 2015						
Normalised PBT R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Global Markets	–	–	1 411	117	37	–	1 565
IBD	3 030	–	67	447	73	–	3 617
Private Equity	2	–	–	1 859	–	–	1 861
Other RMB	(231)	–	–	–	–	(33)	(264)
Investment banking	2 801	–	1 478	2 423	110	(33)	6 779
Corporate banking	–	1 357	–	–	–	–	1 357
Total RMB	2 801	1 357	1 478	2 423	110	(33)	8 136

Note:

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

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BALANCE SHEET AND RETURN ANALYSIS

PERFORMANCE MEASUREMENT

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

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

Targeted hurdle rates are set for 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.

The group's NIACC increased due to the improvement in earnings. NIACC was, however, negatively impacted by the increased cost of equity and levels of capital. The impact is illustrated in the table below.

NIACC AND ROE

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised earnings attributable to ordinary shareholders	**10 915**	9 993	9	21 286
Capital charge*	**(6 440)**	(5 610)	15	(11 592)
NIACC**	**4 475**	4 383	2	9 694
Average ordinary shareholders' equity and reserves	**93 328**	83 416	12	86 184
ROE (%)	**23.4**	24.0		24.7
Cost of equity (%)#	**13.8**	13.5		13.5
Return on average RWA (%)	**3.32**	3.41		3.53

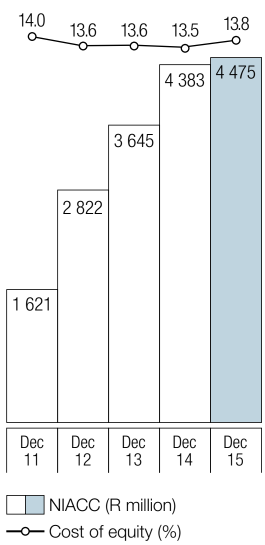
* *Capital charge based on cost of equity.*

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

The cost of equity had increased to 13.8% at 1 July 2015 as applied for the period.

Given the current market conditions and the increase in the risk-free rate, the group reassessed its cost of equity in January 2016 and subsequently revised it upwards to an estimated 15.1%. This revised rate will be used internally for the remainder of the financial year. If NIACC for the period was calculated on the adjusted cost of equity, it would be R3 869 million, a decrease of 12%.

NIACC AND COST OF EQUITY



SHAREHOLDER VALUE CREATION

The group continues to achieve returns in excess of its cost of equity resulting in positive NIACC despite the increased levels of capital and the increase in cost of equity.

The decomposition of the ROE indicates that the reduction in ROE was largely driven by the decrease in ROA, as illustrated in the table below:

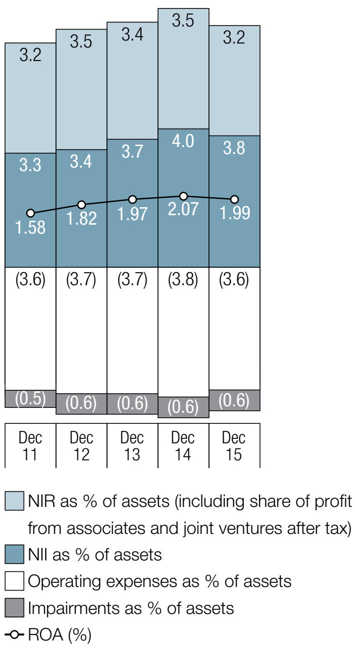
HISTORICAL ANALYSIS OF ROA, GEARING AND ROE

	Six months ended 31 December					Year ended 30 June
	2015	**2014**	**2013**	**2012**	**2011**	**2015**
ROA (%)	**1.99**	2.07	1.97	1.82	1.58	2.12
Gearing*	**11.8**	11.5	11.9	12.2	12.4	11.6
ROE (%)	**23.4**	24.0	23.4	22.3	19.5	24.7

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

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

ROA ANALYSIS



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

FRANCHISE PERFORMANCE AND ROE

The 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
	2015		2014^	2015^
R million	**Normalised earnings‡**	**ROE %**	**ROE %**	**ROE %**
FNB*	**6 200**	**40.5**	41.8	40.1
RMB**	**2 760**	**22.2**	20.5	24.4
WesBank**	**1 829**	**20.5**	21.8	21.0
FCC (including Group Treasury)#	**126**	**1.1**	3.5	5.5
FirstRand group	**10 915**	**23.4**	24.0	24.7
Rest of Africa total†	**715**	**15.5**	21.6	18.5

* *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 African operations and the cost of preference shares and other capital and, therefore, differs from franchise normalised earnings in the segment report on pages 64 to 75.*

^ *Comparative ROEs were restated for segment migrations and internal reallocations.*

ECONOMIC VIEW OF THE BALANCE SHEET

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

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 80% of total assets. The composition of the net advances portfolio consists of retail secured (40%), retail unsecured (7%), corporate and commercial (45%) and rest of Africa and other (8%). Total NPLs were R19.41 billion (2.3% as a percentage of advances) with a credit loss ratio of 0.77% and 88% of advances were rated B or better.

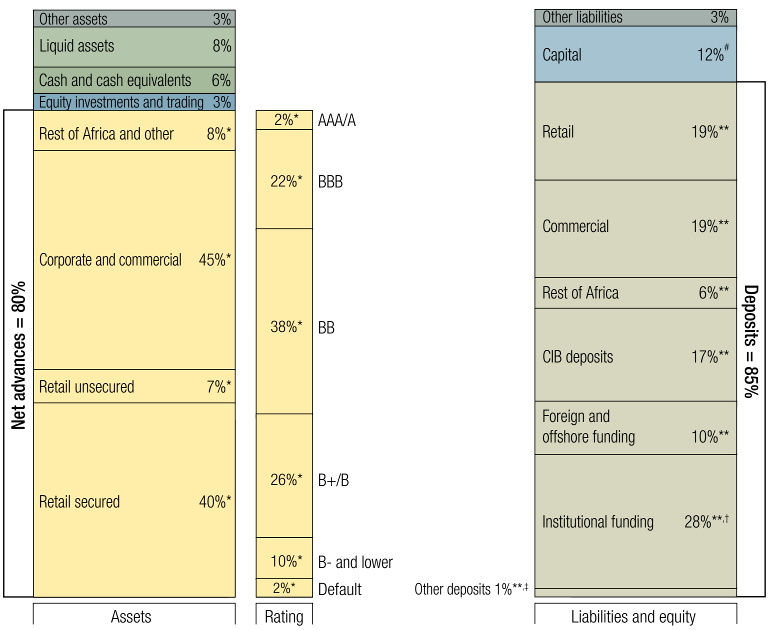
Cash and cash equivalents, and liquid assets represent 6% and 8% respectively of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private 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 reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 33 months at 31 December 2015 (December 2014: 28 months).

The group's capital ratios remained strong with the CET1 ratio 13.7%, Tier 1 ratio 14.4% and total capital adequacy ratio 16.6%. Gearing increased slightly to 11.8 times (December 2014: 11.5 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.*

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

CAPITAL

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

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

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 scenarios (including stress events), which includes ongoing regulatory developments, expansion initiatives and corporate transactions. The leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring leverage for the group.

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 at 31 December 2015.

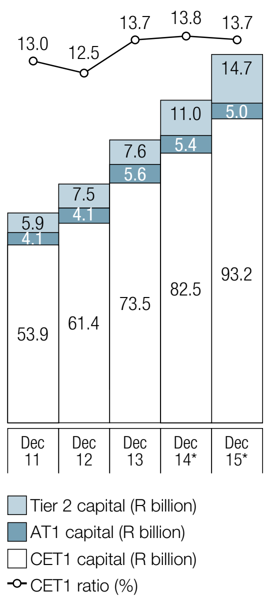
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.5	8.0	10.0	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
Excluding unappropriated profits	12.3	13.1	15.2	7.5
Including unappropriated profits	13.7	14.4	16.6	8.3

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

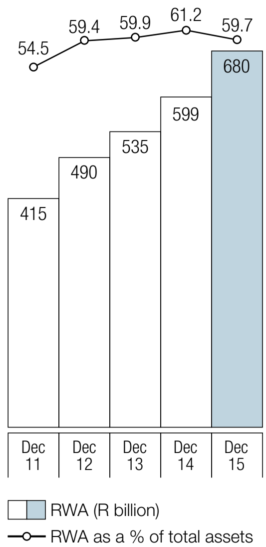
The graphs below show the historical overview of capital adequacy and RWA for FirstRand.

CAPITAL ADEQUACY



* *Includes unappropriated profits.*

RWA HISTORY



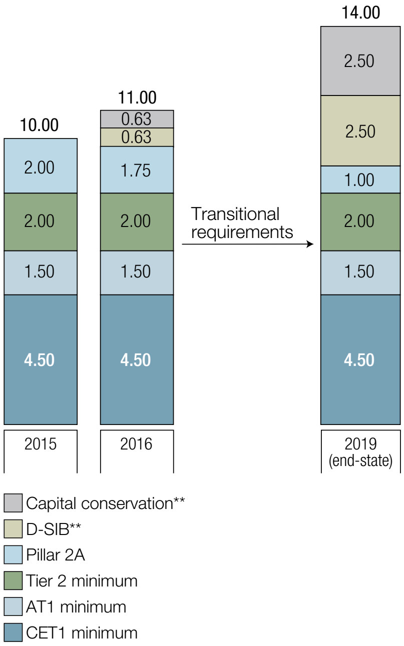
The group aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

REGULATORY UPDATE

Effective 1 January 2016, the SARB minimum capital requirement has been 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 add-on for D-SIBs will be phased in over the next four years, as illustrated in the graph below.

TRANSITIONAL MINIMUM REQUIREMENTS*

%



* *Assuming a maximum add-on for DSIBs.*

** *Pillar 2A and D-SIB met with CET1, Tier 1 and total capital. 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. No changes have been made to the current targets during the period under review.

The BCBS issued various consultative documents, including revisions to the RWA framework and capital floors. 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.

National Treasury, SARB and the FSB published for public comment in September 2015, a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. The paper sets out the motivation, principles and policy proposals for a strengthened framework for the resolution of financial institutions in South Africa. Although various comments were received and a number of workshops held to discuss the framework, the timing for finalisation remains unclear.

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise FirstRand's qualifying capital components.

COMPOSITION OF CAPITAL ANALYSIS

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Excluding unappropriated profits			
CET1	**83 883**	77 492	82 516
Tier 1	**88 904**	82 908	87 563
Total qualifying capital	**103 564**	93 912	99 563
Including unappropriated profits			
CET1	**93 168**	82 500	88 961
Tier 1	**98 189**	87 916	94 008
Total qualifying capital	**112 849**	98 920	106 008

Movement		
CET1	**AT1**	**Tier 2**
↑	↓	↑
• Internal capital generation through earnings. • Share capital issuance relating to BEE deal.	• Additional 10% haircut on non-compliant Basel III NCNR preference shares, partly offset by movement in third party capital.	• Issuance of Basel III compliant Tier 2 instruments totalling R4.3 billion (March 2015: R2 billion; July 2015: R2.3 billion), partly offset by the additional 10% haircut on non-compliant Basel III Tier 2 instruments.

DEMAND FOR CAPITAL

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

RWA ANALYSIS

	As at 31 December		As at 30 June		
R million	**2015**	**2014**	**2015**		**Key drivers**
Credit risk	**469 549**	405 625	435 826	↑	organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**20 341**	11 501	16 205	↑	withdrawal of CVA exemption for ZAR and local counterparty OTC derivatives.
Operational risk	**103 911**	101 120	100 329	↑	recalibrations of risk scenarios, increased gross income for entities on the standardised approach and refinement of capital floor methodology.
Market risk	**16 615**	14 616	12 371	↑	volume and mark-to-market movements.
Equity investment risk	**31 459**	32 974	31 951	↓	disposals of investments and fair value adjustments.
Other assets*	**38 525**	32 862	37 148	↑	increase in assets subject to 250% risk weighting; and increase in property and equipment and other assets.
Total RWA	**680 400**	**598 698**	**633 830**		

* *Includes investment in financial, banking and insurance entities and deferred tax assets subject to the threshold rules and risk weighted at 250%.*

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

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

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

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

	As at 31 December				As at 30 June
	2015			2014	2015
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %	Total capital adequacy %
Basel III (SARB regulations)					
FirstRand*	**680 400**	**14.4**	**16.6**	16.5	16.7
FirstRand Bank South Africa*	**495 460**	**14.2**	**16.6**	16.1	16.7
FirstRand Bank London	**39 888**	**9.2**	**16.1**	17.6	16.1
FirstRand Bank India	**2 753**	**29.5**	**29.9**	34.2	39.5
FirstRand Bank Guernsey**	**59**	**43.5**	**43.5**	–	–
Basel II (local regulations)					
FNB Namibia	**23 543**	**13.1**	**15.8**	15.8	17.0
FNB Mozambique	**3 614**	**10.8**	**11.3**	15.1	10.3
Basel I (local regulations)					
FNB Botswana	**18 422**	**15.5**	**20.2**	20.3	19.0
FNB Swaziland	**2 882**	**20.7**	**21.9**	21.5	22.6
FNB Lesotho	**879**	**12.4**	**15.4**	16.0	18.7
FNB Zambia	**5 031**	**15.5**	**20.4**	25.9	24.1
FNB Tanzania	**1 126**	**76.8**	**78.4**	64.7	31.3
RMB Nigeria	**2 113**	**75.2**	**75.2**	>100	86.1
FNB Ghana	**348**	**>100**	**>100**	–	–

* *Includes unappropriated profits.*

** *Trading as FNB Channel Islands.*

Directive 3/2015 (capital) and directive 4/2014 (leverage) requires the following additional common disclosures 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 for further detail.

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

FUNDING AND LIQUIDITY

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

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

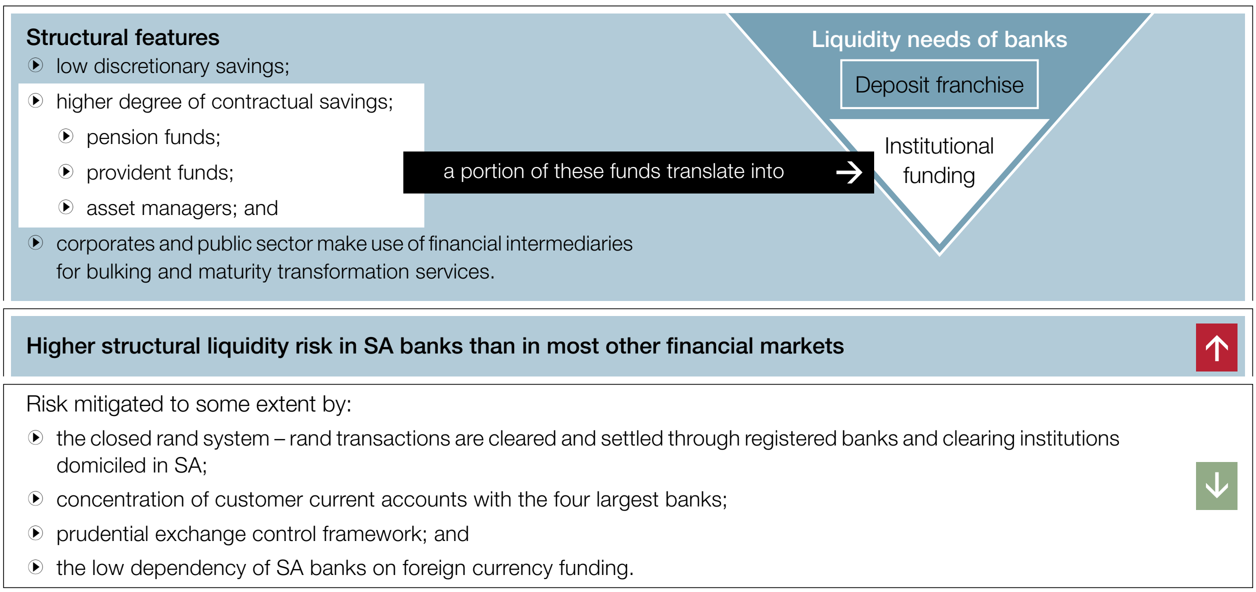
Compliance with the Basel III Liquidity Coverage Ratio (LCR) influences the group's funding strategy, in particular as it seeks to restore correct risk-adjusted pricing. The group is actively building its deposit franchise through innovative and competitive products and pricing, while also improving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

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

At 31 December 2015, the group exceeded the 60% minimum LCR requirement with a LCR of 71%. FirstRand's available sources of liquidity per the LCR were R138 billion.

FUNDING MANAGEMENT

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



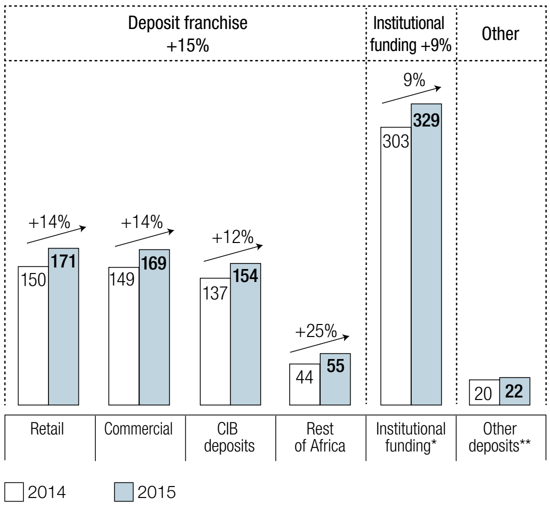
During the period under review there was an increased demand for liquidity by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations. These factors combined significantly impacted liquidity conditions. In light of the structural features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

The group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 61% of group funding liabilities at 31 December 2015. The group continues to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the group accesses domestic money markets daily and, from time-to-time, capital markets. The group has frequently issued various capital and funding instruments in the capital markets on an auction and reverse enquiry basis with strong support from investors, both domestically and internationally.

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

GROUP FUNDING BY SEGMENT

R billion



* *Excludes operational deposits from financial institutions, but includes London branch and Turbo securitisations.*

** *Includes deposits in FRIHL and group adjustments.*

Funds transfer pricing

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

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

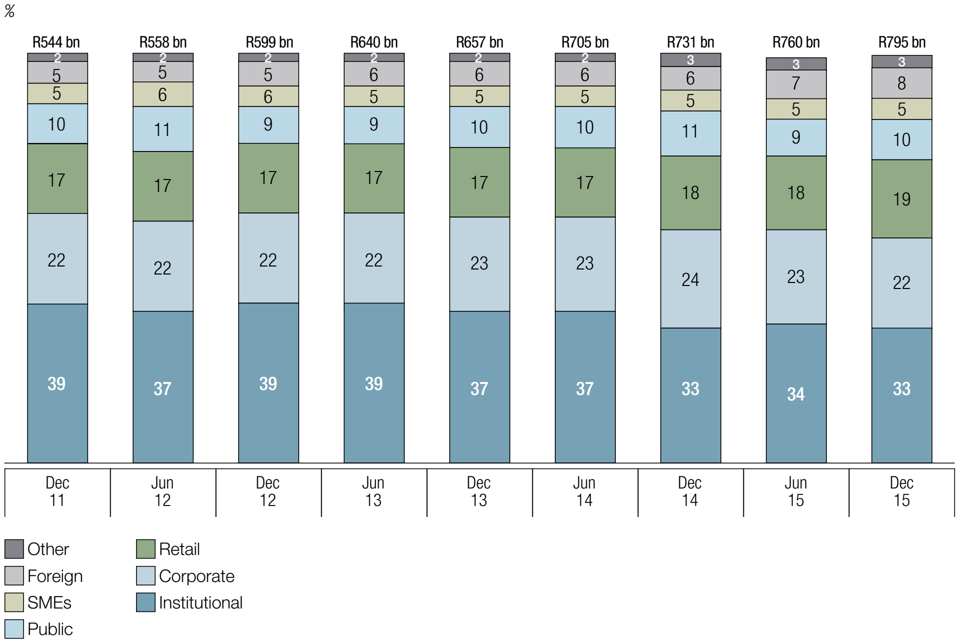
Funding measurement and activity

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

FIRSTRAND BANK'S FUNDING SOURCES

	As at 31 December 2015				As at 31 December 2014	As at 30 June 2015
% of funding liabilities	**Total**	**Short term**	**Medium term**	**Long term**	**Total**	**Total**
Institutional funding	**33.2**	**13.2**	**5.3**	**14.7**	33.4	34.1
Deposit franchise	**66.8**	**49.6**	**8.6**	**8.6**	66.6	65.9
Corporate	**22.2**	**19.5**	**2.1**	**0.6**	23.9	23.4
Retail	**19.1**	**14.5**	**3.1**	**1.5**	17.7	17.7
SME	**5.4**	**4.5**	**0.6**	**0.3**	5.2	5.4
Government and parastatals	**9.5**	**7.6**	**1.4**	**0.5**	10.5	9.2
Foreign	**7.8**	**3.1**	**1.0**	**3.7**	6.4	7.5
Other	**2.8**	**0.4**	**0.4**	**2.0**	2.9	2.7
Total	**100.0**	**62.8**	**13.9**	**23.3**	100.0	100.0

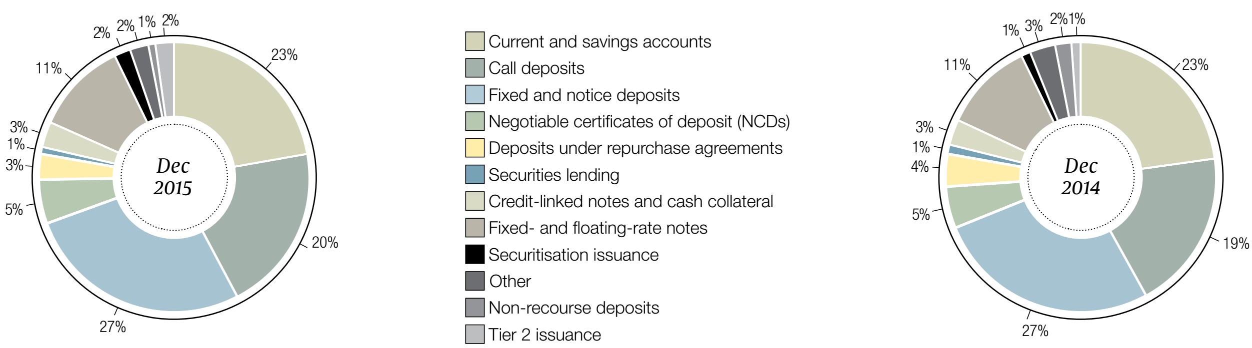
FIRSTRAND BANK'S FUNDING SOURCES



Source: SARB BA900 returns.

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

GROUP'S FUNDING ANALYSIS BY INSTRUMENT TYPE

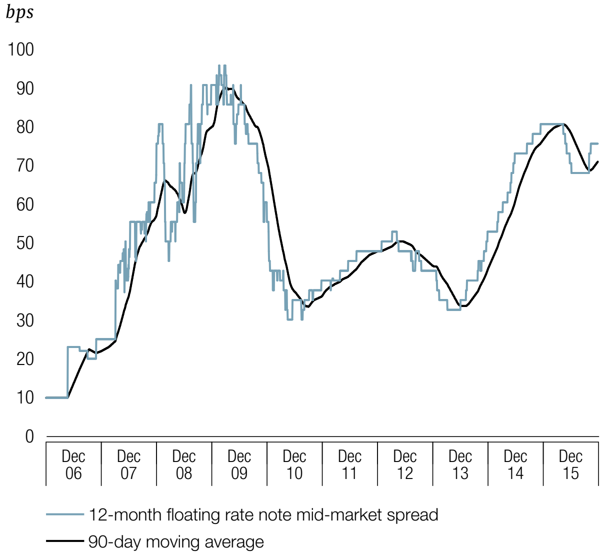


The group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

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

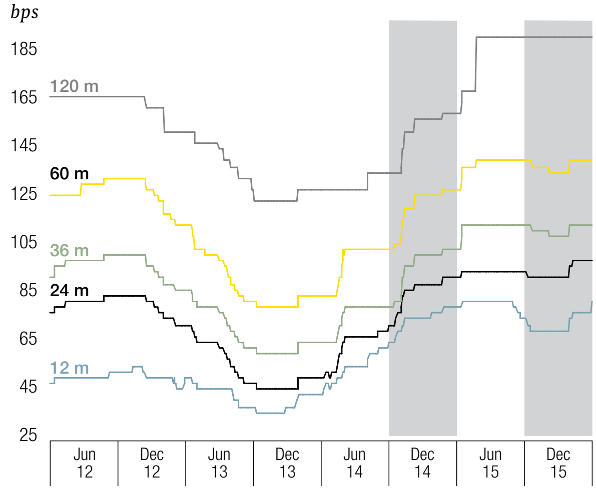
12-MONTH LIQUIDITY SPREAD



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 in the money market observed in instruments with maturities less than 12 months in particular are extremely high, at levels last seen during the financial crisis in 2008. The group is consistently able to raise funds in capital markets in line with its funding curve, which it views as an important test as the group's asset origination is linked to its funding curve.

LONG-TERM FUNDING SPREADS

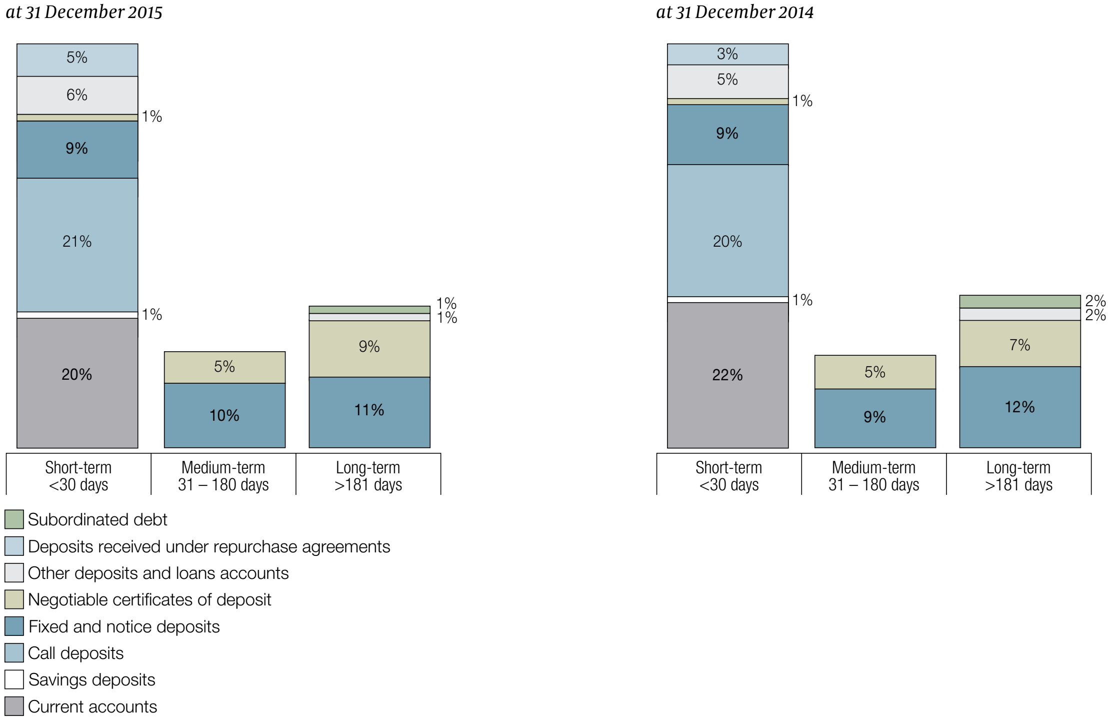


Source: Bloomberg (RMBP screen) and Reuters.

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

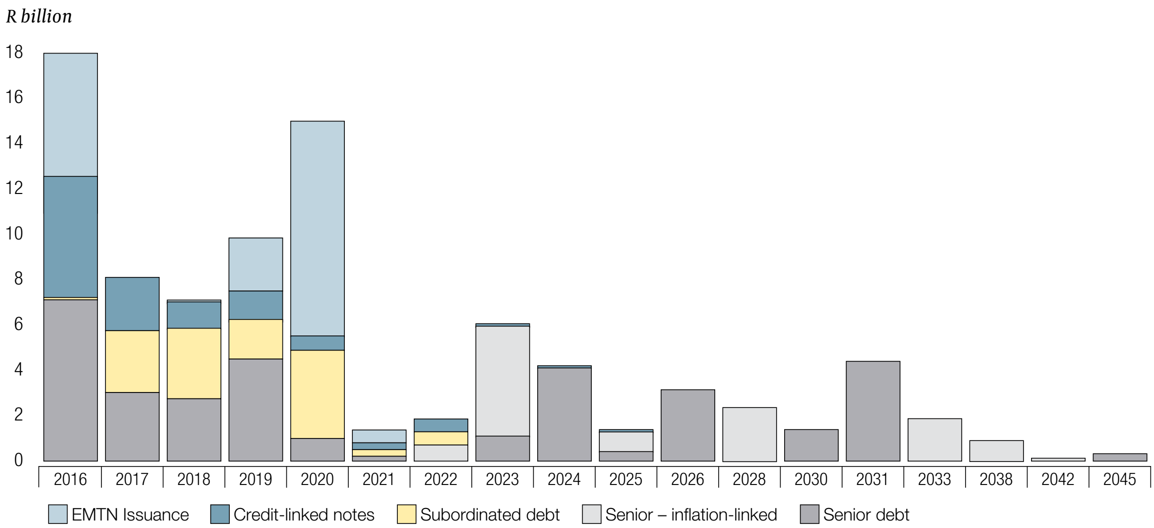
The following chart illustrates a breakdown of the group's funding liabilities by instrument and term.

THE GROUP'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF FIRSTRAND BANK'S CAPITAL MARKET INSTRUMENTS



FOREIGN CURRENCY BALANCE SHEET

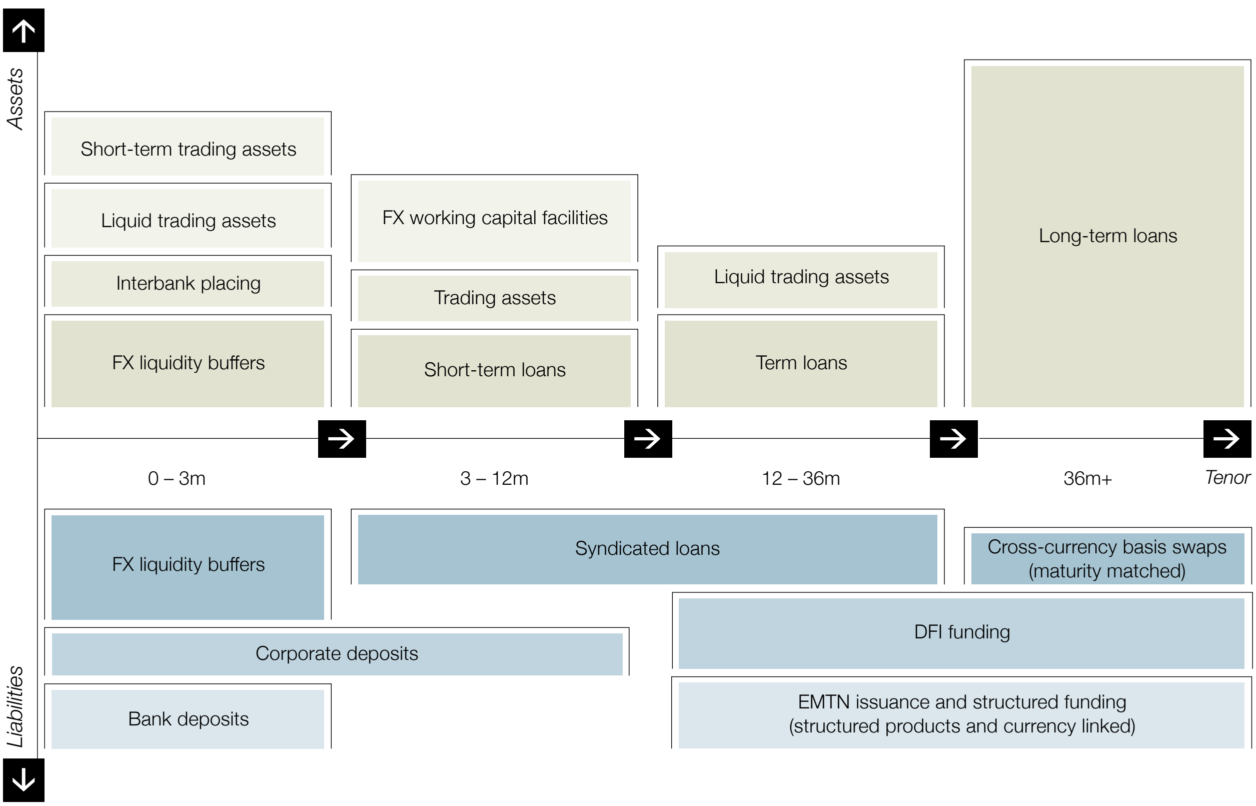
Given that the group continues to grow its businesses in the rest of Africa and India, and given the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk and to maintain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

FirstRand's 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 FirstRand bank's exposure to branches, foreign currency assets and guarantees.

Philosophy on foreign currency external debt

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

1 Basel III

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

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

On 18 November 2015, the SARB released a proposed directive related to the 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.

2 Liquidity coverage ratio

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

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

3 Disclosure requirements

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

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

4 Net stable funding ratio

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

5 Resolution framework

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

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

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

LIQUIDITY RISK POSITION

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

FIRSTRAND GROUP'S LIQUID ASSET COMPOSITION

	Marketable assets	Basel III view after haircut*				Management view after haircuts	
R billion	**December 2015**	**Level 1**	**Level 2**	**December 2015****	**June 2015**	**December 2015**	**June 2015**
Cash and deposits with central banks	**33**	32	–	**32**	31	**32**	31
Government bonds and bills	**88**	73	–	**73**	88	**80**	88
Other liquid assets	**49**		33	**33**	13	**38**	24
Total	**170**	105	33	**138**	132	**150**	143

* *The surplus HQLA holdings by subsidiaries and foreign branches in excess of the minimum required LCR of 60% have been excluded in the calculation of the consolidated group LCR; this represents SARB view of HQLA for LCR purposes.*

** *New disclosure of group's composition of liquid assets from June 2015, December comparative information will be provided in December 2016.*

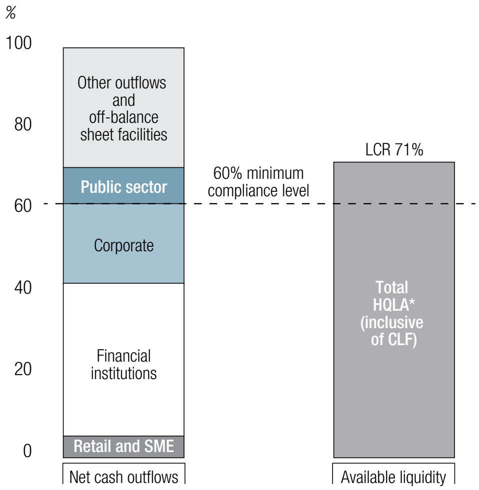
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity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

Funding from institutional clients is a significant contributor to the group's net cash outflows as measured under the LCR at nearly 30% of the South African market structure. Other significant contributors to the cash outflows are corporate funding and off-balance sheet facilities granted to clients, specifically those related to corporate clients. The group has strategies in place to increase funding sourced through its deposit franchise and to further reduce reliance on institutional funding, as well as to offer facilities more efficiently.

FRB SA and, therefore, the group's LCR, reduced in the six months to December 2015, due mainly to an increase in net cash outflows arising from institutional deposits. Institutions cyclically reduce duration in December thereby increasing balances in the 30-day LCR window. The events in the local financial markets in December 2015 and increased uncertainty on short-term interest rates resulted in institutions keeping funds even shorter than usual.

The graph below gives an indication of the group's LCR position of 71% at 31 December 2015 and demonstrates the group's compliance with the 60% minimum requirement. FRB's LCR was 74% at 31 December 2015.

FIRSTRAND GROUP LCR



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

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

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

CREDIT

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

Credit assets which have been reclassified from investment securities to advances are included in the numbers presented below. A description of the impact of regulatory changes on advances and impairments is on page 7.

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	**2015**	**2014**	**% change**	**2015**
Total gross advances – including credit-related assets*	1	**844 691**	755 179	12	793 964
NPLs – including credit-related assets	2	**19 409**	17 970	8	17 551
NPLs as a % of advances – including credit-related assets		**2.30**	2.38		2.21
Impairment charge – including credit-related assets	3	**3 145**	3 086	2	5 787
Impairment charge as a % of average advances – including credit-related assets		**0.77**	0.84		0.77
Total impairments*	4	**16 158**	14 994	8	14 793
– Portfolio impairments		**7 988**	7 665	4	7 760
– Specific impairments		**8 170**	7 329	11	7 033
Implied loss given default (coverage)**	4	**42.1**	40.8		40.1
Total impairments coverage ratio#		**83.3**	83.4		84.3
Performing book coverage ratio†		**0.97**	1.04		1.00

* *Includes cumulative credit fair value adjustments.*

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

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

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

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

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

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 999 million (December 2014: R3 753 million; June 2015: R3 563 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R275 million (December 2014: R382 million; June 2015: R637 million). Under IFRS, these are accounted for in NIR.

In addition, certain HQLA, securitisation notes and other corporate bonds, reflected as investment securities in terms of IFRS, have been reflected as advances – refer to page 7 for additional information.

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

R million	Advances As at 31 December 2015	Advances As at 31 December 2014	% change	% composition	As at 30 June 2015
Retail	**392 639**	350 757	12	46	369 086
Retail – secured	**331 618**	299 598	11	39	312 951
Residential mortgages	**184 641**	175 097	5	22	180 208
VAF	**146 977**	124 501	18	17	132 743
– SA	**98 530**	97 575	1	11	98 131
– MotoNovo (UK)	**48 447**	26 926	80	6	34 612
Retail – unsecured	**61 021**	51 159	19	7	56 135
Card	**20 854**	17 356	20	2	19 488
Personal loans	**26 477**	22 660	17	3	24 333
– FNB	**15 206**	12 831	19	2	13 856
– WesBank	**11 271**	9 829	15	1	10 477
Retail other	**13 690**	11 143	23	2	12 314
Corporate and commercial	**381 752**	351 852	8	45	357 644
FNB commercial	**62 168**	52 825	18	7	58 251
WesBank corporate	**41 389**	42 992	(4)	5	39 796
RMB investment banking	**219 018**	220 447	(1)	26	216 707
RMB corporate banking	**43 897**	35 588	23	5	33 396
HQLA corporate advances*	**15 280**	–	–	2	9 494
Rest of Africa**	**55 871**	46 852	19	7	49 265
FNB	**41 894**	34 480	22	5	36 363
WesBank	**8 332**	7 269	15	1	7 365
RMB (corporate and investment banking)	**5 645**	5 103	11	1	5 537
FCC (including Group Treasury)	**14 429**	5 718	>100	2	17 969
Securitisation notes	**9 879**	–	–	1	7 301
Other	**4 550**	5 718	(20)	1	10 668
Total advances	**844 691**	755 179	12	100	793 964
Of which:					
Accrual book	**610 294**	541 597	13	72	578 072
Fair value book#	**234 397**	213 582	10	28	215 892

* *Managed by the Group Treasurer.*
** *Includes activities in India and represents in-country balance sheet.*
\# *Including advances classified as available-for-sale.*

Assets under agreements to resell included in the RMB corporate and investment banking loan books.

R million	Advances As at 31 December 2015	Advances As at 31 December 2014	% change	% composition	As at 30 June 2015
Corporate and investment banking advances*	**268 560**	261 138	3	100	255 640
Less: assets under agreements to resell	**(39 439)**	(35 837)	10	(15)	(35 600)
Corporate and investment banking advances net of assets under agreements to resell	**229 121**	225 301	2	85	220 040

* *Includes Africa portion of RMB corporate banking.*

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% com-	As at 30 June
R million	2015	2014	% change	position	2015
Gross advances	**846 336**	756 843	12	100	795 515
Less: interest in suspense	**(1 645)**	(1 664)	(1)	–	(1 551)
Advances net of interest in suspense	**844 691**	755 179	12	100	793 964
Sector analysis					
Agriculture	**29 465**	26 257	12	3	28 617
Banks	**11 079**	10 923	1	1	17 093
Financial institutions	**94 826**	87 647	8	11	85 764
Building and property development	**41 815**	34 746	20	5	38 044
Government, Land Bank and public authorities	**21 644**	20 007	8	3	20 430
Individuals	**404 305**	369 683	9	48	378 530
Manufacturing and commerce	**107 662**	99 031	9	13	103 226
Mining	**26 419**	25 566	3	3	27 001
Transport and communication	**21 554**	20 187	7	3	18 704
Other services	**85 922**	61 132	41	10	76 555
Total advances	**844 691**	755 179	12	100	793 964
Geographic analysis					
South Africa	**695 013**	638 946	9	82	657 132
Other Africa	**85 291**	72 151	18	10	79 868
UK	**52 920**	29 704	78	6	43 279
Other Europe	**5 743**	5 235	10	1	5 196
North America	**560**	2 983	(81)	–	1 030
South America	**1 156**	191	>100	–	739
Australasia	**1 271**	1 154	10	–	998
Asia	**2 737**	4 815	(43)	1	5 722
Total advances	**844 691**	755 179	12	100	793 964

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL 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	2015	2014	change	2015	2015	2015	2014	2015
Retail	**11 618**	11 125	4	**60**	11 399	**2.96**	3.17	3.09
Retail – secured	**8 812**	8 799	–	**45**	8 898	**2.66**	2.94	2.84
Residential mortgages	**4 253**	5 037	(16)	**22**	4 585	**2.30**	2.88	2.54
VAF	**4 559**	3 762	21	**23**	4 313	**3.10**	3.02	3.25
– SA	**4 345**	3 647	19	**22**	4 162	**4.41**	3.74	4.24
– MotoNovo (UK)	**214**	115	86	**1**	151	**0.44**	0.43	0.44
Retail – unsecured	**2 806**	2 326	21	**15**	2 501	**4.60**	4.55	4.46
Card	**530**	324	64	**3**	407	**2.54**	1.87	2.09
Personal loans	**1 727**	1 477	17	**9**	1 589	**6.52**	6.52	6.53
– FNB	**709**	691	3	**4**	680	**4.66**	5.39	4.91
– WesBank	**1 018**	786	30	**5**	909	**9.03**	8.00	8.68
Retail other	**549**	525	5	**3**	505	**4.01**	4.71	4.10
Corporate and commercial	**6 063**	5 859	3	**31**	4 956	**1.59**	1.67	1.39
FNB commercial	**1 472**	1 278	15	**7**	1 301	**2.37**	2.42	2.23
WesBank corporate	**577**	786	(27)	**3**	628	**1.39**	1.83	1.58
RMB investment banking	**3 881**	3 461	12	**20**	2 675	**1.77**	1.57	1.23
RMB corporate banking	**133**	334	(60)	**1**	352	**0.30**	0.94	1.05
HQLA corporate advances*	**–**	–	–	**–**	–	**–**	–	–
Rest of Africa**	**1 728**	986	75	**9**	1 196	**3.09**	2.10	2.43
FNB	**1 575**	878	79	**8**	1 049	**3.76**	2.55	2.88
WesBank	**149**	108	38	**1**	147	**1.79**	1.49	2.00
RMB (corporate and investment banking)	**4**	–	–	**–**	–	**0.07**	–	–
FCC (including Group Treasury)	**–**	–	–	**–**	–	**–**	–	–
Securitisation notes	**–**	–	–	**–**	–	**–**	–	–
Other	**–**	–	–	**–**	–	**–**	–	–
Total NPLs	**19 409**	17 970	8	**100**	17 551	**2.30**	2.38	2.21
Of which:								
Accrual book	**16 266**	15 438	5	**84**	15 674	**2.67**	2.85	2.71
Fair value book	**3 143**	2 532	24	**16**	1 877	**1.34**	1.19	0.87

* *Managed by the Group Treasurer.*

** *Includes activities in India and represents in-country balance sheet.*

SECTOR AND GEOGRAPHIC ANALYSIS OF NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2015**	**2014**			**2015**	**2015**	**2014**	**2015**
Sector analysis								
Agriculture	**445**	189	>100	**2**	276	**1.51**	0.72	0.96
Financial services	**115**	269	(57)	**1**	99	**0.11**	0.27	0.10
Building and property development	**1 624**	1 961	(17)	**8**	1 589	**3.88**	5.64	4.18
Government, Land Bank and public authorities	**8**	28	(71)	**–**	9	**0.04**	0.14	0.04
Individuals	**11 728**	11 320	4	**60**	11 403	**2.90**	3.06	3.01
Manufacturing and commerce	**1 354**	1 518	(11)	**7**	1 434	**1.26**	1.53	1.39
Mining	**2 516**	1 294	94	**13**	1 319	**9.52**	5.06	4.89
Transport and communication	**339**	230	47	**2**	185	**1.57**	1.14	0.99
Other services	**1 280**	1 161	10	**7**	1 237	**1.49**	1.90	1.62
Total NPLs	**19 409**	17 970	8	**100**	17 551	**2.30**	2.38	2.21
Geographic analysis								
South Africa	**16 158**	15 546	4	**83**	14 992	**2.32**	2.43	2.28
Other Africa	**2 474**	1 517	63	**13**	1 790	**2.90**	2.10	2.24
UK	**215**	116	85	**1**	151	**0.41**	0.39	0.35
Other Europe	**118**	88	34	**1**	90	**2.05**	1.68	1.74
North America	**113**	369	(69)	**1**	427	**20.18**	12.37	41.46
South America	**231**	157	47	**1**	20	**19.98**	82.20	2.71
Australasia	**1**	83	(99)	**–**	1	**0.08**	7.19	0.10
Asia	**99**	94	5	**–**	80	**3.62**	1.95	1.40
Total NPLs	**19 409**	17 970	8	**100**	17 551	**2.30**	2.38	2.21

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December						As at 30 June		
	2015			2014			2015		
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	**11 618**	**7 232**	**4 386**	11 125	7 327	3 798	11 399	7 380	4 019
Retail – secured	**8 812**	**6 297**	**2 515**	8 799	6 588	2 211	8 898	6 554	2 344
Residential mortgages	**4 253**	**3 319**	**934**	5 037	4 017	1 020	4 585	3 662	923
VAF	**4 559**	**2 978**	**1 581**	3 762	2 571	1 191	4 313	2 892	1 421
– SA	**4 345**	**2 892**	**1 453**	3 647	2 529	1 118	4 162	2 832	1 330
– MotoNovo (UK)	**214**	**86**	**128**	115	42	73	151	60	91
Retail – unsecured	**2 806**	**935**	**1 871**	2 326	739	1 587	2 501	826	1 675
Card	**530**	**146**	**384**	324	87	237	407	111	296
Personal loans	**1 727**	**667**	**1 060**	1 477	527	950	1 589	602	987
– FNB	**709**	**174**	**535**	691	140	551	680	175	505
– WesBank	**1 018**	**493**	**525**	786	387	399	909	427	482
Retail other	**549**	**122**	**427**	525	125	400	505	113	392
Corporate and commercial	**6 063**	**2 825**	**3 238**	5 859	2 683	3 176	4 956	2 366	2 590
FNB commercial	**1 472**	**596**	**876**	1 278	473	805	1 301	549	752
WesBank corporate	**577**	**224**	**353**	786	323	463	628	255	373
RMB investment banking	**3 881**	**1 942**	**1 939**	3 461	1 647	1 814	2 675	1 293	1 382
RMB corporate banking	**133**	**63**	**70**	334	240	94	352	269	83
HQLA corporate advances*	**–**	**–**	**–**	–	–	–	–	–	–
Rest of Africa**	**1 728**	**1 182**	**546**	986	631	355	1 196	772	424
FNB	**1 575**	**1 107**	**468**	878	583	295	1 049	697	352
WesBank	**149**	**73**	**76**	108	48	60	147	75	72
RMB (corporate and investment banking)	**4**	**2**	**2**	–	–	–	–	–	–
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–	–	–	–
Other	**–**	**–**	**–**	–	–	–	–	–	–
Total	**19 409**	**11 239**	**8 170**	17 970	10 641	7 329	17 551	10 518	7 033

* *Managed by the Group Treasurer.*

** *Includes activities in India and represents in-country balance sheet.*

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

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge improved from 84 bps at December 2014 to 77 bps at December 2015.

INCOME STATEMENT IMPAIRMENTS

	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	Six months ended 30 June
R million	2015	2014	change	2015	2015	2014	2015	2015
Retail	**2 470**	1 982	25	4 089	**1.30**	1.15	1.16	1.17
Retail – secured	**1 011**	671	51	1 608	**0.63**	0.45	0.53	0.61
Residential mortgages	**160**	55	>100	111	**0.18**	0.06	0.06	0.06
VAF	**851**	616	38	1 497	**1.22**	1.01	1.19	1.37
– SA	**631**	505	25	1 219	**1.28**	1.04	1.25	1.46
– MotoNovo (UK)	**220**	111	98	278	**1.06**	0.90	0.97	1.09
Retail – unsecured	**1 459**	1 311	11	2 481	**4.98**	5.35	4.82	4.36
Card	**220**	16	>100	191	**2.18**	0.19	1.08	1.90
Personal loans	**892**	802	11	1 548	**7.02**	7.24	6.73	6.35
– FNB	**439**	415	6	715	**6.04**	6.55	5.42	4.50
– WesBank	**453**	387	17	833	**8.33**	8.15	8.49	8.79
Retail other	**347**	493	(30)	742	**5.34**	9.57	6.81	4.25
Corporate and commercial	**620**	1 049	(41)	1 547	**0.34**	0.62	0.45	0.28
FNB commercial	**194**	154	26	311	**0.64**	0.60	0.58	0.57
WesBank corporate	**41**	177	(77)	209	**0.20**	0.87	0.53	0.15
RMB investment banking	**350**	639	(45)	850	**0.32**	0.60	0.40	0.19
RMB corporate banking	**35**	79	(56)	177	**0.18**	0.48	0.55	0.57
HQLA corporate advances*	**–**	–	–	–	**–**	–	–	–
Rest of Africa**	**220**	205	7	417	**0.84**	0.91	0.90	0.88
FNB	**210**	189	11	359	**1.07**	1.13	1.05	0.96
WesBank	**13**	28	(54)	58	**0.33**	0.80	0.82	0.82
RMB (corporate and investment banking)	**(3)**	(12)	(75)	–	**(0.11)**	(0.51)	–	0.45
FCC (including Group Treasury)#	**(165)**	(150)	10	(266)	**(0.04)**	(0.04)	(0.04)	(0.03)
Securitisation notes	**–**	–	–	–	**–**	–	–	–
Other	**(165)**	(150)	10	(266)	**(0.04)**	(0.04)	(0.04)	(0.03)
Total impairment charge	**3 145**	3 086	2	5 787	**0.77**	0.84	0.77	0.70
Of which:								
Portfolio impairment charge	**137**	867	(84)	583	**0.03**	0.24	0.08	(0.07)
Specific impairment charge	**3 008**	2 219	36	5 204	**0.74**	0.60	0.69	0.77

* *Managed by the Group Treasurer.*

** *Includes activities in India and represents in-country balance sheet.*

\# *Percentages calculated on total average advances.*

NOTE 4: BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

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

The group's NPL coverage ratio is 42.1% (December 2014: 40.8%; June 2015: 40.1%).

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	**2015**	**2014**	**change**	**2015**	**2015**	**2014**	**2015**
Specific impairments*							
Retail	**4 386**	3 798	15	4 019	**37.8**	34.1	35.3
Retail – secured	**2 515**	2 211	14	2 344	**28.5**	25.1	26.3
Residential mortgages	**934**	1 020	(8)	923	**22.0**	20.3	20.1
VAF**	**1 581**	1 191	33	1 421	**34.7**	31.7	32.9
– SA	**1 453**	1 118	30	1 330	**33.4**	30.7	32.0
– MotoNovo (UK)	**128**	73	75	91	**59.8**	63.5	60.3
Retail – unsecured	**1 871**	1 587	18	1 675	**66.7**	68.2	67.0
Card	**384**	237	62	296	**72.5**	73.1	72.7
Personal loans	**1 060**	950	12	987	**61.4**	64.3	62.1
– FNB	**535**	551	(3)	505	**75.5**	79.7	74.3
– WesBank	**525**	399	32	482	**51.6**	50.8	53.0
Retail other	**427**	400	7	392	**77.8**	76.2	77.6
Corporate and commercial	**3 238**	3 176	2	2 590	**53.4**	54.2	52.3
FNB commercial	**876**	805	9	752	**59.5**	63.0	57.8
WesBank corporate	**353**	463	(25)	373	**61.2**	58.9	59.4
RMB investment banking	**1 939**	1 814	7	1 382	**50.0**	52.4	51.7
RMB corporate banking	**70**	94	(25)	83	**52.7**	28.1	23.6
HQLA corporate advances#	**–**	–	–	–	**–**	–	–
Rest of Africa†	**546**	355	54	424	**31.6**	36.0	35.5
FNB	**468**	295	59	352	**29.7**	33.6	33.6
WesBank	**76**	60	27	72	**51.0**	55.6	49.0
RMB (corporate and investment banking)	**2**	–	–	–	**50.0**	–	–
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Securitisation notes	**–**	–	–	–	**–**	–	–
Other	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default‡	**8 170**	7 329	11	7 033	**42.1**	40.8	40.1
Portfolio impairments^	**7 988**	7 665	4	7 760	**41.2**	42.6	44.2
Total impairments/total impairment coverage ratio~	**16 158**	14 994	8	14 793	**83.3**	83.4	84.3

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

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

Managed by the Group Treasurer.

† *Includes activities in India and represents in-country balance sheet.*

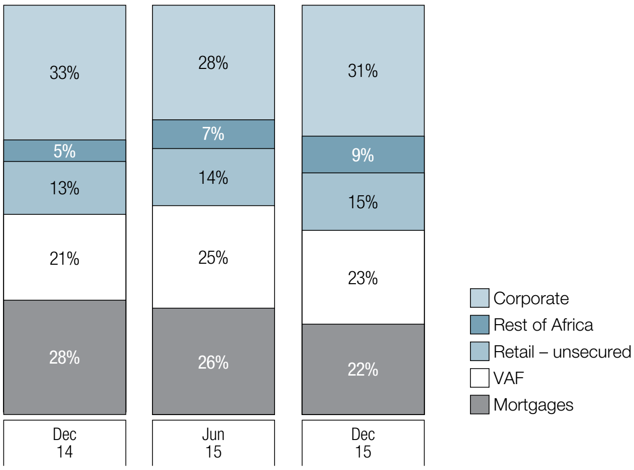
‡ *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

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

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

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

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	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	**2015**	**2014**	**2015**	**2015**	**2014**	**2015**	**2015**	**2014**	**2015**
Non-performing book	**6 674**	5 851	5 867	**1 496**	1 478	1 166	**8 170**	7 329	7 033
Performing book	**5 485**	5 390	5 363	**2 503**	2 275	2 397	**7 988**	7 665	7 760
Total impairments	**12 159**	11 241	11 230	**3 999**	3 753	3 563	**16 158**	14 994	14 793

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	**2015**	**2014**	**% change**	**2015**
Opening balance	**5 867**	5 575	5	5 575
Reclassifications and transfers	**27**	27	–	35
Acquisitions	**–**	–	–	(71)
Exchange rate difference	**92**	8	>100	11
Unwinding and discounted present value on NPLs	**(56)**	(49)	14	(94)
Bad debts written off	**(3 025)**	(2 756)	10	(6 000)
Net new impairments created	**3 769**	3 046	24	6 411
Closing balance	**6 674**	5 851	14	5 867

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

INCOME STATEMENT IMPAIRMENTS

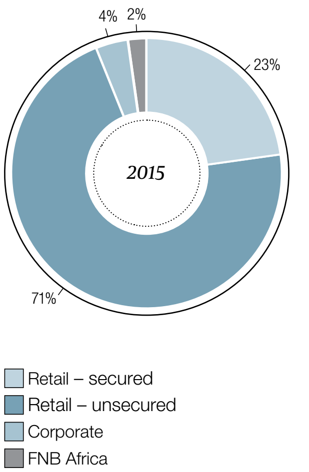
The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Specific impairment charge	**3 769**	3 046	24	6 411
Recoveries of bad debts written off	**(956)**	(940)	2	(1 866)
Net specific impairment charge (amortised cost)	**2 813**	2 106	34	4 545
Portfolio impairment charge (amortised cost)	**57**	598	(90)	605
Credit fair value adjustments	**275**	382	(28)	637
– Non-performing book	**195**	113	73	659
– Performing book	**80**	269	(70)	(22)
Total impairments	**3 145**	3 086	2	5 787

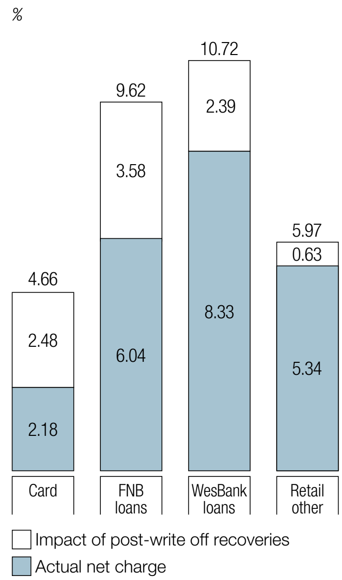
IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries amounted to R956 million, primarily emanating from the unsecured retail lending portfolio.
- Impairment charges were significantly reduced by post write-off recoveries for FNB card and FNB loans.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES

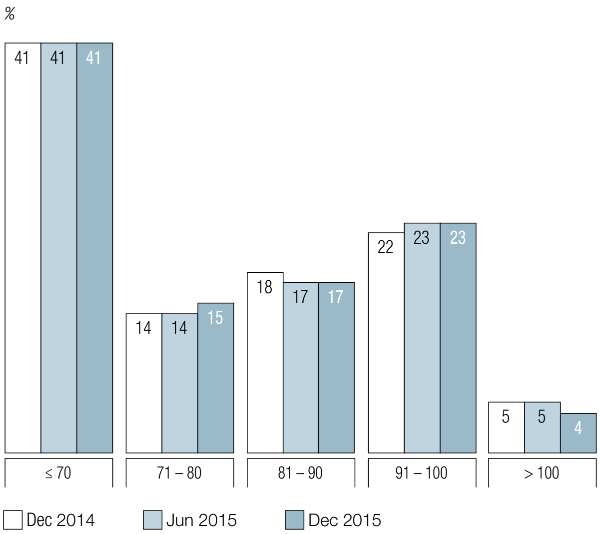


RISK ANALYSES

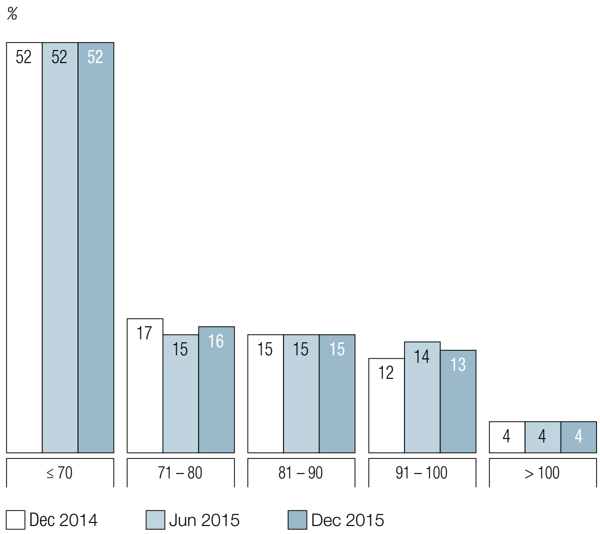
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

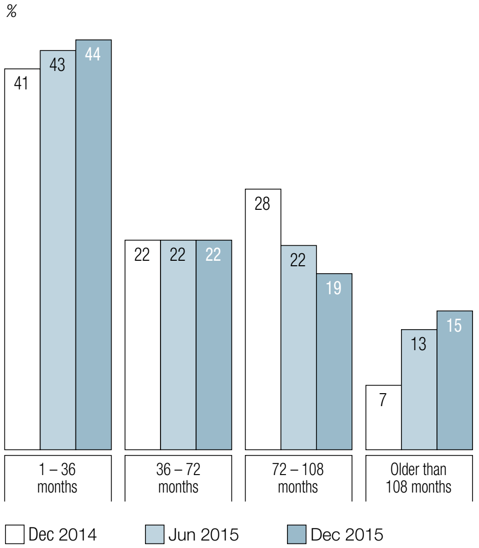
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

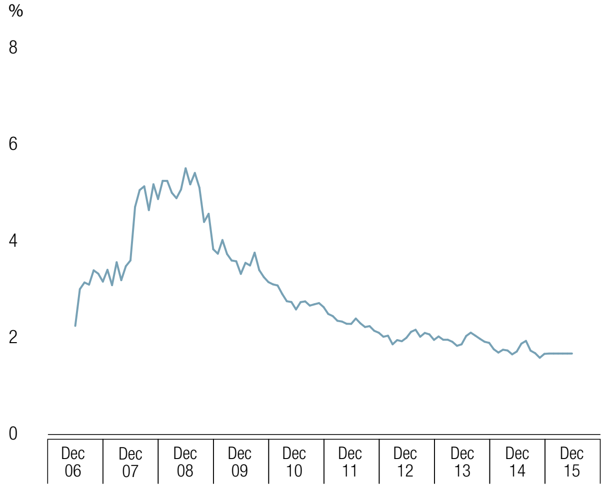


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



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

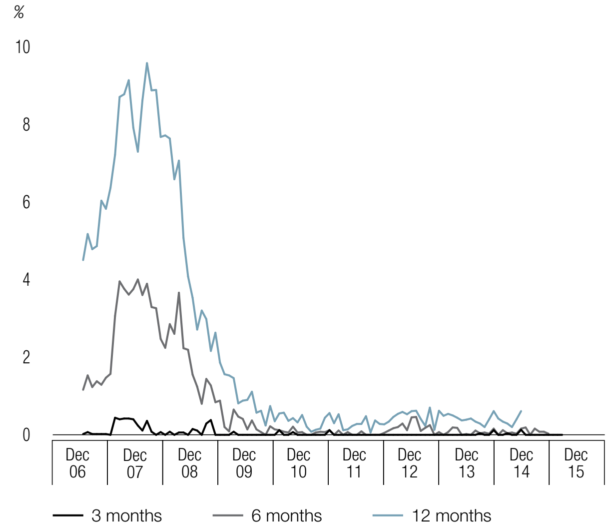
FNB HOMELOANS ARREARS



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

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

FNB HOMELOANS VINTAGE ANALYSIS

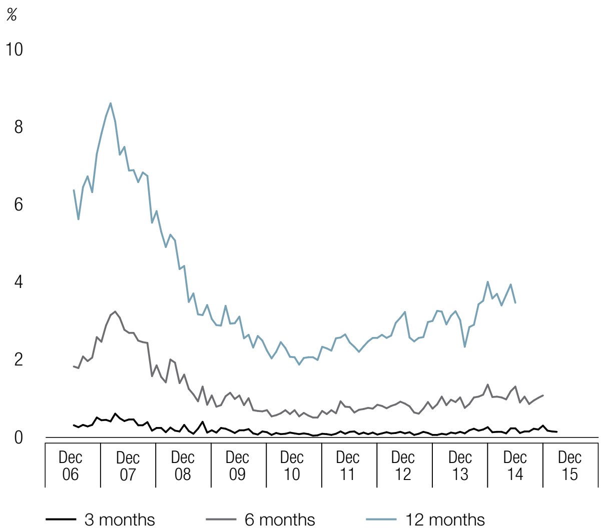


The WesBank retail cumulative vintage analysis continues to show a noticeable improvement in the quality of business written since mid-2007. This is due to improved customer profiles and enhanced collection strategies.

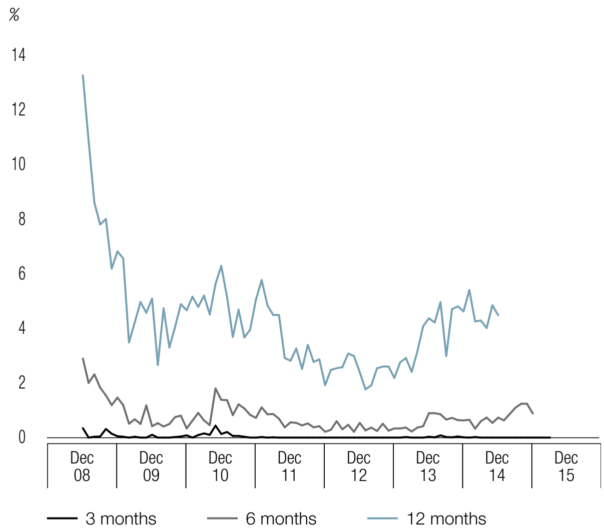
As expected, default rates in the domestic retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The group actively adjusts risk appetite and credit parameters to ensure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

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

WESBANK RETAIL VAF VINTAGE ANALYSIS



FNB CARD VINTAGE ANALYSIS



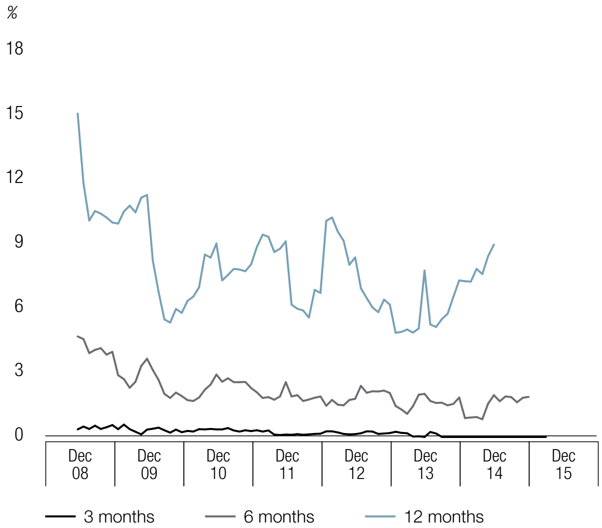
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite.

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

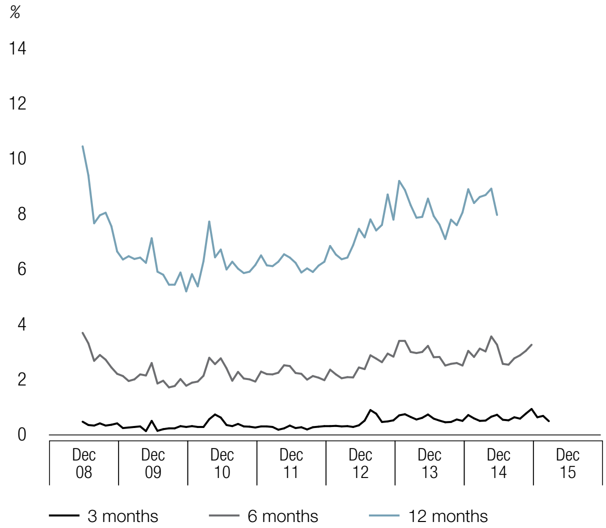
As expected, WesBank personal loans vintages have shown a marginal deterioration from 2010 levels. This is expected given the challenging macroeconomic conditions and increased debt review applications.

To counter this, credit parameters are continuously adjusted to ensure performance remains in line with expectations. Recent adjustments to credit appetite are proving effective and enhancing portfolio performance, particularly for business written less than six months ago.

FNB PERSONAL LOANS VINTAGE ANALYSIS



WESBANK PERSONAL LOANS VINTAGE ANALYSIS



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SUPPLEMENTARY INFORMATION

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 in each franchise and at an overall group level and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

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

Financial instruments

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

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

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

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 134, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

Fair value hierarchy and measurements

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

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

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

- awareness of the weaknesses of the models used and appropriate reflection in the valuation output;
- the model is subject to periodic review to determine the accuracy of its performance; and
- valuation adjustments are only made when appropriate, e.g. to cover the uncertainty of the model valuation. The group considers factors such as counterparty and own credit risk when making appropriate valuation adjustments.

Levels of fair value hierarchy

Level 1

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

Level 2

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

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Deposits continued					
Deposits that represent collateral on credit-linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs on related advance
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves	Credit inputs
Other liabilities	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. For level 3 liabilities, the discount rate is based on a market-related interest rate that is adjusted for various unobservable inputs.	Market interest rates and curves	Risk adjusted discount rate
Tier 2 liabilities	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate.	Market interest rates and curves	Not applicable
Policyholder liabilities under investment contracts	Level 2	Adjusted market price	The fair value is based on observable market prices adjusted, if necessary, of the underlying investments held in favour of the policyholder for which there is an active market and value.	Market prices	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs.	Market interest rates and curves	Credit inputs

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

R million	As at 31 December 2015 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**11**	**68 930**	**60**	**69 001**
Advances*	**–**	**41 202**	**155 092**	**196 294**
Investment securities and other investments	**62 479**	**52 020**	**36 157**	**150 656**
Non-recourse investments	**–**	**13 307**	**–**	**13 307**
Total financial assets measured at fair value	**62 490**	**175 459**	**191 309**	**429 258**
Liabilities				
Recurring fair value measurements				
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 financial liabilities measured at fair value	**8 427**	**198 168**	**1 187**	**207 782**

R million	As at 31 December 2014 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	18	39 249	58	39 325
Advances*	–	36 657	154 516	191 173
Investment securities and other investments	56 384	38 714	12 487	107 585
Non-recourse investments	–	15 094	–	15 094
Total financial assets measured at fair value	56 402	129 714	167 061	353 177
Liabilities				
Recurring fair value measurements				
Short trading positions	511	1	–	512
Derivative financial instruments	133	42 815	11	42 959
Deposits	1 569	91 594	1 352	94 515
Non-recourse deposits	–	15 094	–	15 094
Other liabilities	–	3 567	–	3 567
Policyholder liabilities under investment contracts	–	–	–	–
Total financial liabilities measured at fair value	2 213	153 071	1 363	156 647

* *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 loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

	As at 30 June 2015			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	95	34 335	70	34 500
Advances*	–	40 790	160 528	201 318
Investment securities and other investments	75 692	45 116	27 027	147 835
Non-recourse investments	–	16 357	–	16 357
Total financial assets measured at fair value	75 787	136 598	187 625	400 010
Liabilities				
Recurring fair value measurements				
Short trading positions	5 685	–	–	5 685
Derivative financial instruments	50	40 862	5	40 917
Deposits	2 207	96 277	1 273	99 757
Non-recourse deposits	–	16 357	–	16 357
Other liabilities	–	3 348	–	3 348
Policyholder liabilities under investment contracts	–	–	–	–
Total financial liabilities measured at fair value	7 942	156 844	1 278	166 064

* *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 loans and advances to customers in level 3 of the fair value hierarchy. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.*

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

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

	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, the fair value is determined using a valuation technique that makes use of unobservable inputs for credit. The fair value measurement of these bonds are, therefore, now categorised within level 3 of the fair value hierarchy.
Total transfers	**2 821**	**(2 821)**	

	As at 31 December 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	–	–	There were no transfers in or out of level 1.
Level 2	3	(353)	The transfer into level 2 related to the lifting of a trading suspension on the investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	353	(3)	Investment securities to the value of R353 million were transferred into level 3 out of level 2 as these investment securities were delisted from an exchange.
Total transfers	356	(356)	

R million	As at 30 June 2015 Transfers in	 Transfers out	 Reasons for transfers in
Level 1	–	–	There were no transfers in or out of level 1.
Level 2	64	(4 709)	Deposits and loans of R61 million were transferred into level 2 from level 3 as the inputs used to calculate their fair value became observable. An additional R3 million was transferred into level 2 due to the lifting of a trading suspension on the investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	4 709	(64)	Corporate bonds to the value of R4 709 million were transferred into level 3. The market for these bonds is not active and the fair value is determined using a valuation technique that makes use of unobservable inputs for interest rate and foreign exchange and unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	4 773	(4 773)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	As at 31 December 2015		
R million	**Fair value on 30 June 2015**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**70**	**6**	**–**
Advances	**160 528**	**4 033**	**–**
Investment securities and other investments	**27 027**	**1 155**	**51**
Total financial assets measured at fair value in level 3	**187 625**	**5 194**	**51**
Liabilities			
Derivative financial instruments	**5**	**(2)**	**–**
Deposits	**1 273**	**29**	**–**
Other liabilities	**–**	**–**	**–**
Total financial liabilities measured at fair value in level 3	**1 278**	**27**	**–**

	As at 31 December 2014		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	120	(51)	–
Advances	151 810	3 928	–
Investment securities and other investments	3 958	974	17
Total financial assets measured at fair value in level 3	155 888	4 851	17
Liabilities			
Derivative financial instruments	5	6	–
Deposits	1 327	8	–
Other liabilities	–	–	–
Total financial liabilities measured at fair value in level 3	1 332	14	–

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.

As at 31 December 2015					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2015**
(18)	**–**	**–**	**–**	**2**	**60**
(11 933)	**–**	**–**	**–**	**2 464**	**155 092**
4 977	**–**	**2 821**	**–**	**126**	**36 157**
(6 974)	**–**	**2 821**	**–**	**2 592**	**191 309**
–	**–**	**–**	**–**	**1**	**4**
(150)	**–**	**–**	**–**	**12**	**1 164**
–	**19**	**–**	**–**	**–**	**19**
(150)	**19**	**–**	**–**	**13**	**1 187**

As at 31 December 2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2014**
(11)	–	–	–	–	58
(2 116)	–	–	(1)	895	154 516
7 185	–	353	(2)	2	12 487
5 058	–	353	(3)	897	167 061
–	–	–	–	–	11
16	–	–	–	1	1 352
–	–	–	–	–	–
16	–	–	–	1	1 363

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Changes in level 3 instruments with recurring fair value measurements continued

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

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.

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

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

	Six months ended 31 December 2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**5**	**–**	**5**
Advances*	**3 778**	**–**	**3 778**
Investment securities and other investments	**979**	**51**	**1 030**
Total	**4 762**	**51**	**4 813**
Liabilities			
Derivative financial instruments	**(2)**	**–**	**(2)**
Deposits	**(18)**	**–**	**(18)**
Total	**(20)**	**–**	**(20)**

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

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

R million	Six months ended 31 December 2014		
	Gains/losses recognised in the income statement	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	11	–	11
Advances*	3 270	–	3 270
Investment securities and other investments	191	17	208
Total	3 472	17	3 489
Liabilities			
Derivative financial instruments	10	–	10
Deposits	(5)	–	(5)
Total	5	–	5

R million	Year ended 30 June 2015		
	Gains/losses recognised in the income statement	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	24	–	24
Advances*	5 456	–	5 456
Investment securities and other investments	987	27	1 014
Total	6 467	27	6 494
Liabilities			
Derivative financial instruments	4	–	4
Deposits	(37)	–	(37)
Total	(33)	–	(33)

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

			As at 31 December 2015		
				Reasonably possible alternative fair value	
R million	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs	Fair value	Using more positive assumptions	Using more negative assumptions
Assets					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**60**	**76**	**51**
Advances	**Credit**	**Credit migration matrix***	**155 092**	**156 718**	**153 265**
Investment securities and other investments	**Credit, growth rates and P/E ratios of unlisted investments**	**Unobservable inputs are increased and decreased by 10%**	**36 157**	**36 714**	**35 716**
Total financial assets measured at fair value in level 3			**191 309**	**193 508**	**189 032**
Liabilities					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**4**	**3**	**4**
Deposits	**Credit risk of the cash collateral leg of credit-linked notes**	**Credit migration matrix****	**1 164**	**1 069**	**1 259**
Other liabilities	**Risk adjusted discount rate**	**Unobservable inputs are increased and decreased by 10%**	**19**	**17**	**21**
Total financial liabilities measured at fair value in level 3			**1 187**	**1 089**	**1 284**

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

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

As at 31 December 2014			As at 30 June 2015		
	Reasonably possible alternative fair value			**Reasonably possible alternative fair value**	
Fair value	**Using more positive assumptions**	**Using more negative assumptions**	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**
58	88	52	70	92	58
154 516	157 502	154 013	160 528	161 601	158 170
12 487	15 097	12 309	27 027	27 386	26 665
167 061	172 687	166 374	187 625	189 079	184 893
11	11	12	5	4	5
1 352	1 217	1 487	1 273	1 146	1 401
–	–	–	–	–	–
1 363	1 228	1 499	1 278	1 150	1 406

OTHER FAIR VALUE MEASUREMENTS

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

	As at 31 December 2015		As at 31 December 2014		As at 30 June 2015	
R million	**Carrying value**	**Total fair value**	**Carrying value**	**Total fair value**	**Carrying value**	**Total fair value**
Assets						
Advances	**598 135**	**602 508**	530 405	533 539	550 048	552 703
Investment securities and other investments	**1 009**	**1 011**	1 200	1 200	979	985
Total financial assets at amortised cost	**599 144**	**603 519**	531 605	534 739	551 027	553 688
Liabilities						
Deposits	**783 739**	**781 774**	692 088	693 799	749 407	749 357
Other liabilities	**4 084**	**4 087**	3 753	3 674	3 526	3 531
Tier 2 liabilities	**15 554**	**15 689**	10 380	10 648	12 497	12 702
Total financial liabilities at amortised cost	**803 377**	**801 550**	706 221	708 121	765 430	765 590

Day 1 profit or loss

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

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

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Balance at 1 July	**11**	20	20
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(5)	(9)
Balance at end of reporting period	**6**	15	11

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
	2015	**2014**	**% change**	**2015**
Aggregate cost of portfolio	**3 099**	2 899	7	2 781
Aggregate carrying value	**5 014**	4 970	1	4 651
Aggregate fair value*	**8 928**	8 354	7	8 934
Equity-accounted income**	**601**	556	8	1 135
Profit on realisation#	**533**	500	7	653

* *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
	2015	**2014**	**% change**	**2015**
Carrying value of investment properties	**416**	432	(4)	460
Fair value of investment properties	**416**	432	(4)	460

CONTINGENCIES AND COMMITMENTS

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
Contingencies				
Guarantees	**34 304**	32 314	6	34 995
Letters of credit	**8 637**	9 046	(5)	6 010
Total contingencies	**42 941**	41 360	4	41 005
Capital commitments				
Contracted capital commitments	**724**	988	(27)	916
Capital expenditure authorised not yet contracted	**3 374**	1 684	100	4 424
Total capital commitments	**4 098**	2 672	53	5 340
Other commitments				
Irrevocable commitments	**114 413**	82 749	38	87 464
Operating lease and other commitments	**4 954**	3 165	57	3 252
Total other commitments	**119 367**	85 914	39	90 716
Total contingencies and commitments	**166 406**	129 946	28	137 061

NUMBER OF ORDINARY SHARES IN ISSUE

	Six months ended 31 December 2015		Six months ended 31 December 2014		Year ended 30 June 2015	
	IFRS	**Normalised**	**IFRS**	**Normalised**	**IFRS**	**Normalised**
Shares in issue						
Opening balance as at 1 July	**5 609 488 001**	**5 609 488 001**	5 637 941 689	5 637 941 689	5 637 941 689	5 637 941 689
Shares issued	**–**	**–**	–	35 420 014	35 420 014	35 420 014
Shares bought back*	**–**	**–**	(4 762 878)	(63 873 702)	(4 762 878)	(63 873 702)
Shares cancelled**	**–**	**–**	(59 110 824)	–	(59 110 824)	–
Less: treasury shares	**(1 713 430)**	**–**	(1 422 629)	–	(2 956 365)	–
– BEE staff trusts	**–**	**–**	–	–	–	–
– Shares for client trading#	**(1 713 430)**	**–**	(1 422 629)	–	(2 956 365)	–
Number of shares in issue (after treasury shares)	**5 607 774 571**	**5 609 488 001**	5 572 645 358	5 609 488 001	5 606 531 636	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**	5 637 941 689	5 637 941 689	5 637 941 689	5 637 941 689
Shares issued	**–**	**–**	–	192 500	14 944 335	17 661 486
Shares bought back	**–**	**–**	(25 885)	(347 139)	(2 374 915)	(31 849 353)
Shares cancelled	**–**	**–**	(321 254)	–	(29 474 438)	–
Less: treasury shares	**(1 638 742)**	**–**	(152 005 917)	–	(77 479 695)	–
– BEE staff trusts	**–**	**–**	(150 578 240)	–	(75 907 935)	–
– Shares for client trading	**(1 638 742)**	**–**	(1 427 677)	–	(1 571 760)	–
Weighted average number of shares in issue	**5 607 849 259**	**5 609 488 001**	5 485 588 633	5 637 787 050	5 543 556 976	5 623 753 822
Dilution impact:						
– Staff schemes	**–**	**–**	–	–	–	–
– BEE staff trusts	**–**	**–**	–	–	–	–
Diluted weighted average number of shares in issue	**5 607 849 259**	**5 609 488 001**	5 485 588 633	5 637 787 050	5 543 556 976	5 623 753 822
Number of shares for normalised earnings per share calculation						
Weighted average and diluted weighted average number of shares for calculation of normalised earnings and diluted earnings per share†	**n/a**	**5 609 488 001**	n/a	5 637 787 050	n/a	5 623 753 822

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

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

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

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

KEY MARKET INDICATORS AND SHARE STATISTICS

	Six months ended 31 December			Year ended 30 June
	2015	**2014**	**% change**	**2015**
Market indicators				
USD/ZAR exchange rate				
– Closing	**15.64**	11.57	35	12.14
– Average	**13.61**	10.99	24	11.45
SA prime overdraft (%)	**9.75**	9.25		9.25
SA average prime overdraft (%)	**9.53**	9.23		9.24
SA average CPI (%)	**4.82**	5.93		5.14
JSE All Share Index	**50 694**	49 771	2	51 807
JSE Banks Index*	**6 107**	7 300	(16)	7 835
Share statistics				
Share price				
– High for the period (cents)	**5 780**	5 111	13	5 847
– Low for the period (cents)	**3 408**	4 002	(15)	4 002
– Closing (cents)	**4 237**	5 057	(16)	5 332
Shares traded				
– Number of shares (millions)	**1 770**	1 264	40	2 539
– Value of shares (R million)	**85 680**	57 003	50	123 832
– Turnover in shares traded (%)	**31.57**	23.04		45.80

* *JSE rebased the Banks Index with effect from 3 August 2015 (dividing the index value by 10 after close of business on 31 July 2015), therefore the change in the prior year numbers.*

SHARE PRICE PERFORMANCE

	Six months ended 31 December			Year ended 30 June
	2015	**2014**	**% change**	**2015**
FirstRand average share price (cents)	**5 033**	4 494	12	4 901
JSE Banks Index (average)*	**7 278**	6 713	8	7 260
JSE All Share Index (average)	**51 287**	50 235	2	51 242

* *JSE rebased the Banks Index with effect from 3 August 2015 (dividing the index value by 10 after close of business on 31 July 2015), therefore the change in the prior year numbers.*

COMPANY INFORMATION

DIRECTORS

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

JSE INDEPENDENT SPONSOR

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

NAMIBIAN SPONSOR

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

TRANSFER SECRETARIES – SOUTH AFRICA

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

TRANSFER SECRETARIES – NAMIBIA

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

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

Ordinary shares

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

Non-cumulative non-redeemable B preference shares

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

Ordinary shares

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

Botswana Stock Exchange (BSE)

Ordinary shares

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

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRB15	ZAG000124199
	FirstRand Bank Limited	FRB16	ZAG000127622
	FirstRand Bank Limited	FRB17	ZAG000127630
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRS139	ZAG000128646
	FirstRand Bank Limited	FRS140	ZAG000129842
	FirstRand Bank Limited	FRS141	ZAG000130048
	FirstRand Bank Limited	FRS142	ZAG000130782
	FirstRand Bank Limited	FRS143	ZAG000130790
	FirstRand Bank Limited	FRS144	ZAG000131483
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX30	ZAG000124264
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
Credit-linked notes	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRC232	ZAG000127994
	FirstRand Bank Limited	FRC233	ZAG000128752
	FirstRand Bank Limited	FRC234	ZAG000130816
	FirstRand Bank Limited	FRC235	ZAG000132390
	FirstRand Bank Limited	FRD003	ZAG000114067
	FirstRand Bank Limited	FRD013	ZAG000128695
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

LISTED DEBT INSTRUMENTS

NSX

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

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0635404477
	FirstRand Bank Limited	XS0595260141
	FirstRand Bank Limited	XS1225512026
	FirstRand Bank Limited	XS1178685084

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

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

Banking

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

Africa and emerging markets

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

Other activities

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

Investment management

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

Insurance

- **100%** FirstRand Life Assurance

1. Division
2. Branch
3. Representative office

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

** Trading as FNB Channel Islands.

Structure shows effective consolidated shareholding

For segmental analysis purposes, entities included in FRIHL, FREMA, Ashburton Investments 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.

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, which exposes it to potential regulatory impositions. It is standard practice for a holding company to be rated at least one notch lower than the operating company (in this case, FirstRand Bank). It is important to note that the group issues debt out of the bank, the credit counterparty. No debt is issued from FirstRand.

CREDIT RATINGS AS AT 7 MARCH 2015

	South African sovereign rating		FirstRand	FirstRand Bank	
	Moody's	**S&P**	**S&P**	**Moody's**	**S&P**
Foreign currency rating					
Long term	Baa2	BBB-	BB+	Baa2	BBB-
Short term	(P)P-2	A-3	B	P-2	A-3
Outlook	Negative	Negative	Negative	Negative	Negative
Local currency rating					
Long term	Baa2	BBB+	BB+	Baa2	BBB-
Short term	(P)P-2	A-2	B	P-2	A-3
Outlook	Negative	Negative	Negative	Negative	Negative
National scale rating					
Long term		zaAAA	zaA	A1.za	zaAA-
Short term		zaA-1	zaA-2	P-1.za	zaA-1
Outlook		–	–	–	–
Standalone credit ratings*				baa2	bbb

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

SOUTH AFRICA

Sovereign rating

During December 2015, Moody's Investor Services (Moody's) and Standard and Poor's (S&P) took rating actions on the South African sovereign rating. These rating actions were primarily driven by South Africa's weakening credit profile and the challenging economic conditions. Moody's and S&P changed the outlook to negative from stable and affirmed their ratings on South Africa. The impact of these rating actions on FirstRand and FRB are outlined below.

Moody's

On 17 December 2015, Moody's changed the outlook on FRB's ratings to negative from stable. The long- and short- term foreign and local currency deposit ratings and national scale ratings were affirmed by Moody's.

S&P

On 9 December 2015, S&P revised its outlook for both FirstRand and FRB to negative from stable. At the same time, FRB's long-term national scale ratings were lowered to zaAA- from zaAA and the short-term national scale rating was affirmed at zaA-1. FirstRand's long- and short- term national scale ratings were also lowered to zaA/zaA-2 from zaA+/zaA-1.

DEFINITIONS

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Additional Tier 1 capital (AT1)	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	Common Equity Tier 1 capital plus AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
TLAC	Total loss absorbing capacity.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

STUDIO⑤

FIRSTRAND

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