FIRSTRAND BANK

'17

ANALYSIS OF FINANCIAL RESULTS

for the six months ended 31 December 2017

about this report

This report covers the unaudited condensed financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the six months ended 31 December 2017. **The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance.** The normalised results have been derived from the IFRS financial results.

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 88 and 89. Detailed reconciliations of normalised to IFRS results are provided on pages 97 to 98. Commentary is based on normalised results, unless indicated otherwise.

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

FIRSTRAND BANK

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Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers. This analysis is available on the group's website:
www.firstrand.co.za

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

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SIMPLIFIED GROUP AND SHAREHOLDING STRUCTURE

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

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FirstRand Bank Limited Bond Code: FRII	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand Investment Holdings (Pty) Ltd (FRIHL)	FirstRand Investment Management 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%	First National Bank 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%	Direct Axis
81%	MotoVantage
100%	FirstRand International – Guernsey
100%	RMB Australia Holdings
100%	FirstRand Securities

Investment management

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

Insurance

100%	FirstRand Life Assurance
100%	FirstRand Insurance Services Company (FRISCOL)[†]

1. *Division*
2. *Branch*
3. *Representative office*

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

** *Trading as FNB Channel Islands.*

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

[†] *With effect from 1 July 2017.*

Structure shows effective consolidated shareholding

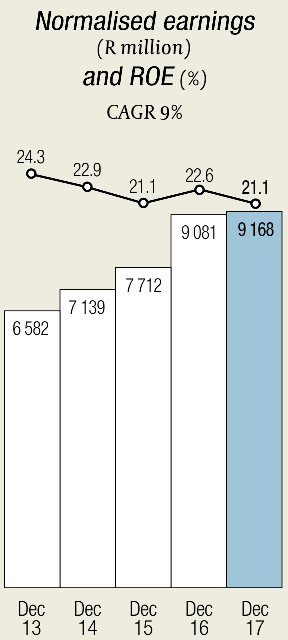
For segmental analysis purposes, entities included in FRIHL and FREMA, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd are reported as part of the results of the managing franchise. The group's securitisations and conduits are in FRIHL and FirstRand Bank Limited.

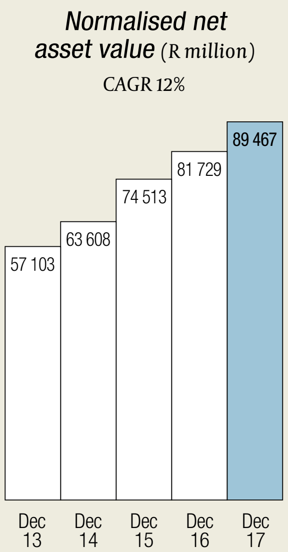
FirstRand Bank (FRB or the bank) is a wholly-owned subsidiary of FirstRand Limited (FirstRand or the group), which is listed on the Johannesburg Stock Exchange (JSE) and the Namibian Stock Exchange (NSX). The bank provides a comprehensive range of retail, commercial, corporate and investment banking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

Normalised earnings	ROE	ROA
↑ 1%	↓ 21.1%	↓ 1.64%
2016: 18%	2016: 22.6%	2016: 1.75%

Credit loss ratio	NPLs as % of advances	CET1
↑ 0.84%	↓ 2.17%	↓ 13.9%
2016: 0.79%	2016: 2.36%	2016: 14.1%

FNB	RMB	WesBank
Normalised earnings	Normalised earnings	Normalised earnings
↑ 9%	↑ 12%	↓ 27%
2016: 6%	2016: 43%	2016: 13%


Normalised earnings
(R million)
and ROE (%)
CAGR 9%
24.3
22.9
21.1
22.6
21.1
6 582
7 139
7 712
9 081
9 168
Dec 13
Dec 14
Dec 15
Dec 16
Dec 17


Normalised net asset value (R million)
CAGR 12%
57 103
63 608
74 513
81 729
89 467
Dec 13
Dec 14
Dec 15
Dec 16
Dec 17

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Earnings performance				
Attributable earnings – IFRS (refer page 90)	**9 437**	9 339	1	18 300
Headline earnings	**9 361**	9 301	1	18 269
Normalised earnings	**9 168**	9 081	1	18 089
Normalised net asset value	**89 467**	81 729	9	84 373
Tangible normalised net asset value	**89 217**	81 550	9	84 140
Average normalised net asset value	**86 920**	80 324	8	81 646
Capital adequacy* – IFRS				
Capital adequacy ratio (%)	**17.3**	17.7		17.3
Tier 1 ratio (%)	**14.1**	14.5		14.3
Common Equity Tier 1 ratio (%)	**13.9**	14.1		14.1
Balance sheet				
Normalised total assets	**1 160 365**	1 049 273	11	1 082 151
Advances (net of credit impairment)	**839 866**	767 013	9	799 419
Ratios and key statistics				
ROE (%)	**21.1**	22.6		22.2
ROA (%)	**1.64**	1.75		1.71
Average loan-to-deposit ratio (%)	**92.3**	93.2		93.5
Diversity ratio (%)	**43.3**	41.7		42.5
Credit impairment charge	**3 524**	3 087	14	6 984
NPLs as % of advances	**2.17**	2.36		2.27
Credit loss ratio (%)	**0.84**	0.79		0.88
Specific coverage ratio (%)	**38.0**	38.2		38.6
Total impairment coverage ratio (%)	**81.1**	78.7		80.3
Performing book coverage ratio (%)	**0.96**	0.98		0.97
Cost-to-income ratio (%)	**55.2**	53.8		54.4
Effective tax rate (%)	**24.6**	25.0		22.9
Number of employees	**36 319**	36 325	–	35 979

* *Includes foreign branches. Ratios include unappropriated profits.*

CONDENSED INCOME STATEMENT – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2017**	2016	% change	2017
Net interest income before impairment of advances	**20 668**	19 964	4	39 849
Impairment charge	**(3 524)**	(3 087)	14	(6 984)
Net interest income after impairment of advances	**17 144**	16 877	2	32 865
Non-interest revenue	**15 799**	14 269	11	29 506
– Fee and commission income	**11 494**	10 594	8	21 203
– Insurance income	**491**	489	–	996
– Markets, client and other fair value income	**1 884**	1 533	23	3 692
– Investment income	**153**	32	>100	137
– Other non-interest revenue	**1 777**	1 621	10	3 478
Income from operations	**32 943**	31 146	6	62 371
Operating expenses	**(20 146)**	(18 404)	9	(37 721)
Income before tax	**12 797**	12 742	–	24 650
Indirect tax	**(475)**	(473)	–	(876)
Profit before tax	**12 322**	12 269	–	23 774
Income tax expense	**(3 036)**	(3 070)	(1)	(5 448)
Profit for the period	**9 286**	9 199	1	18 326
NCNR preference shareholders	**(118)**	(118)	–	(237)
Normalised earnings attributable to ordinary equityholders of the bank	**9 168**	9 081	1	18 089

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Profit for the period	**9 286**	9 199	1	18 326
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**594**	45	>100	(150)
Fair value gains/(losses) arising during the period	**832**	116	>100	(141)
Reclassification adjustments for amounts included in profit or loss	**(7)**	(53)	(87)	(67)
Deferred income tax	**(231)**	(18)	>100	58
Available-for-sale financial assets	**(69)**	(134)	(49)	(393)
Losses arising during the year	**(89)**	(125)	(29)	(483)
Reclassification adjustments for amounts included in profit or loss	**–**	(64)	–	(67)
Deferred income tax	**20**	55	(64)	157
Exchange differences on translating foreign operations	**(237)**	(432)	(45)	(512)
Losses arising during the period	**(237)**	(432)	(45)	(512)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**13**	(26)	(>100)	288
Gains/(losses) arising during the period	**18**	(36)	(>100)	400
Deferred income tax	**(5)**	10	(>100)	(112)
Other comprehensive income/(loss) for the period	**301**	(547)	(>100)	(767)
Total comprehensive income for the period	**9 587**	8 652	11	17 559
Attributable to				
Ordinary equityholders	**9 469**	8 534	11	17 322
NCNR preference shareholders	**118**	118	–	237
Total comprehensive income for the period	**9 587**	8 652	11	17 559

CONDENSED STATEMENT OF FINANCIAL POSITION – NORMALISED

R million	Six months ended 31 December 2017	Six months ended 31 December 2016*	Year ended 30 June 2017*
ASSETS			
Cash and cash equivalents	**50 552**	51 035	53 924
Derivative financial instruments	**53 364**	35 389	35 098
Commodities	**15 489**	9 110	14 380
Investment securities	**145 581**	131 470	127 972
Advances	**839 866**	767 013	799 419
– Advances to customers	**784 327**	721 235	752 479
– Marketable advances	**55 539**	45 778	46 940
Accounts receivable	**6 094**	7 245	5 651
Current tax asset	**174**	315	1
Amounts due by holding company and fellow subsidiaries	**32 464**	31 674	28 869
Property and equipment	**15 281**	14 631	14 928
Intangible assets	**250**	179	233
Deferred income tax asset	**1 250**	1 212	1 676
Total assets	**1 160 365**	1 049 273	1 082 151
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 231**	13 828	15 211
Derivative financial instruments	**57 406**	44 983	43 660
Creditors, accruals and provisions	**13 170**	11 471	13 079
Current tax liability	**46**	98	123
Deposits	**932 699**	847 786	876 690
– Deposits from customers	**687 092**	620 695	637 833
– Debt securities	**195 934**	164 935	186 021
– Other	**49 673**	62 156	52 836
Employee liabilities	**7 480**	6 624	8 840
Other liabilities	**4 274**	5 382	4 225
Amounts due to holding company and fellow subsidiaries	**18 101**	14 780	14 580
Tier 2 liabilities	**19 491**	19 592	18 370
Total liabilities	**1 067 898**	964 544	994 778
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**72 659**	64 921	67 565
Capital and reserves attributable to ordinary equityholders	**89 467**	81 729	84 373
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**92 467**	84 729	87 373
Total equities and liabilities	**1 160 365**	1 049 273	1 082 151

* *Restated, refer to page 99 for more detailed information.*

On a net basis there are no reconciling items between the condensed IFRS and normalised statements of financial position.

FLOW OF FUNDS ANALYSIS – NORMALISED

R million	December 2017 vs June 2017 6-month movement	December 2016 vs June 2016 6-month movement	June 2017 vs June 2016 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**5 094**	2 810	5 454
Working capital movement	**(1 561)**	(3 932)	2 809
Short trading positions and derivative financial instruments	**(4 500)**	(1 500)	(1 149)
Deposits and long-term liabilities	**57 130**	23 293	50 975
Total	**56 163**	20 671	58 089
Application of funds			
Advances	**(40 447)**	(2 925)	(35 331)
Investments	**(1 479)**	2 332	(3 289)
Cash and cash equivalents	**3 372**	(38)	(2 927)
Investment securities (e.g. liquid asset portfolio)	**(17 609)**	(20 040)	(16 542)
Total	**(56 163)**	(20 671)	(58 089)

> "FirstRand Bank's performance was once again characterised by quality non-interest revenue growth, effective cost management and ongoing conservatism in both origination and provisioning strategies, partially offset by lower net interest income due to a new MotoNovo securitisation transaction."

JOHAN BURGER
CEO

INTRODUCTION

FirstRand is a portfolio of integrated financial services businesses operating in South Africa, certain markets in sub-Saharan Africa, India and the UK. Many of these businesses are market leaders in their respective segments and markets, and represent a universal set of transactional, lending, investment, and insurance products and services.

FirstRand can provide its customers with differentiated and competitive value propositions due to its unique and highly flexible model of leveraging the most appropriate brand, distribution channel, licence and operating platforms available within the portfolio. This approach, which is underpinned by the disciplined allocation of financial resources, allows the group to fully optimise the value of its portfolio. This has resulted in a long track record of consistent growth in high quality earnings and superior and sustainable returns for shareholders.

The group executes its strategy through the appropriate platforms (legal entities) of which FirstRand Bank is one. The simplified group structure on page 01 outline the various platforms and shows that FRB is one of the group's wholly-owned subsidiaries.

GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective.

Currently group earnings are tilted to its domestic market and are generated predominantly by lending and transactional activities, which have resulted in deep and loyal client bases, and the group is focused on protecting and growing these valuable banking businesses. It also believes that through the utilisation of the origination capabilities, operating platforms and distribution networks of these businesses, it can diversify and capture a larger share of profits from providing savings, insurance and investment products.

The growth opportunity is significant given the level of annual flows to other providers from FNB's customer base alone. Through the manufacture and sale of its own insurance, savings and investment products, the group will, over time, offer differentiated value propositions for customers and generate new and potentially meaningful revenue streams.

With regards to the group strategy outside of its domestic market, in the rest of Africa it is growing its presence and offerings in nine markets where it believes it can organically build competitive advantage and scale over time. In the UK, the group is acquiring Aldermore plc and will integrate its existing retail VAF business into the Aldermore portfolio. This will provide the group with a diversified lending business with a sustainable funding franchise.

Execution on this new framework has picked up momentum in the period under review as the customer-facing operating franchises increasingly leverage group-wide technology platforms, customer bases, distribution channels, licences and skills.

In South Africa, the bank continues to focus on:

- growing profitable market share;
- cross-sell and up-sell; and
- leveraging the group's building blocks (i.e. customer bases, distribution channels and systems).

Whether or not these platforms are part of FirstRand Bank, the optimal leverage of group-wide resources is key to protecting and growing FirstRand's large and successful lending and transactional franchises. For example, the manufacture of credit funds on the asset management platform provides protection and upside to RMB's origination franchise. Sales of investment products, manufactured on the asset management platform, create non-interest revenue (NIR) growth for FNB.

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

THE MACROECONOMIC ENVIRONMENT

Whilst the South African economy experienced a mild recovery, persistent elevated risk and ongoing political uncertainty resulted in weak economic performance during the period under review. GDP growth remained low, although agricultural production rebounded, business investment rose and lower inflation increased real income growth. Expenditure also received some support from slightly lower debt service costs after the South African Reserve Bank (SARB) cut the repo rate to 6.75% in July 2017. Business and consumer confidence, however, remained depressed on the back of policy and political uncertainty.

In the rest of Africa, improved rainfall and higher commodity prices created a more supportive macro backdrop which allowed some countries to recover. Countries with links to SA were, however, weighed down by low growth in the region's largest economy, causing activity levels to remain subdued.

Growth in the UK remained surprisingly resilient despite continued uncertainty around Brexit, as its labour market continued to tighten and higher European growth supported demand for imports.

OVERVIEW OF RESULTS continued

OVERVIEW OF RESULTS

Against this difficult backdrop, FirstRand Bank's performance was again characterised by quality NIR growth, effective cost management and ongoing conservatism in both origination and provisioning strategies partially offset by lower net interest income (NII) due to a new MotoNovo securitisation transaction. The bank continued to strengthen its balance sheet and protect its return profile.

Normalised earnings for the six months to 31 December 2017 increased 1% with a normalised ROE of 21.1%. The overall period-on-period performance of the bank was negatively impacted by a change in the MotoNovo securitisations in the current year, resulting in a reduction in NII of >R700 million, as well as the non-recovery of certain operational expenses relating to the group's rest of Africa operations of >R150 million. Excluding these impacts, the bank's operational performance was up 8% period-on-period.

The table following shows a breakdown of sources of normalised earnings from the portfolio per operating business.

Sources of normalised earnings

	Six months ended 31 December					Year ended 30 June	
R million	2017	% composition	2016	% composition	% change	2017	% composition
FNB	**6 206**	**67**	5 708	63	9	11 415	62
RMB	**2 265**	**25**	2 016	22	12	4 089	23
WesBank	**898**	**10**	1 231	14	(27)	2 313	13
FCC (including Group Treasury) and other*	**(83)**	**(1)**	244	2	(>100)	509	3
NCNR preference dividend	**(118)**	**(1)**	(118)	(1)	–	(237)	(1)
Normalised earnings	**9 168**	**100**	9 081	100	1	18 089	100

* *Includes capital endowment, the impact of accounting mismatches, interest rate management and improvement in foreign currency liquidity management.*

FNB's results reflect another strong operating performance driven by good NIR growth on the back of ongoing customer gains and increased transactional volumes, and high quality NII growth, particularly from deposit generation.

RMB's portfolio also delivered strong, high quality growth across most of its activities underpinned by disciplined cost management and a significant reduction in the impairment charge due to the conservative proactive provisioning in previous reporting periods.

WesBank's performance showed a mixed picture. The South African VAF business experienced a tough six months on the back of worse than expected arrears and non-performing loans, however, the personal loans and corporate business performed strongly and MotoNovo delivered a solid performance (excluding the impact of the new MotoNovo securitisation referred to above, which eliminates on consolidation at a FirstRand group level).

At a bank level, total NII increased 4%, underpinned by good growth in deposits (+10%) and solid advances growth (+9%), offset by the negative impact of >R700 million of the new MotoNovo securitisation facility. Lending margins remained under pressure from continued elevated term funding and liquidity costs, and competitive pressures. Term lending in RMB and WesBank's corporate businesses remained muted due to ongoing discipline in origination to preserve returns.

Bank NIR increased 11% and reflects strong fee and commission income growth of 8%. This was driven mainly by higher volumes across FNB's digital and electronic channels and growth in customer numbers.

Total cost growth of 9% continues to trend above inflation due to ongoing investment in new platforms to extract further efficiencies and unrecoverable cost associated with building the footprint in the rest of Africa. As a result, operating jaws were negative and the cost-to-income ratio deteriorated to 55.2% (December 2016: 53.8%).

The bank's credit impairment ratio of 84 bps remains below the through-the-cycle threshold and well within expectations. Many of the bank's lending books are either trending in line or better than expected, particularly unsecured and corporate credit. This is mainly due to the bank's early and proactive approach to origination and provisioning.

The impairment charge, however, increased 14% and was driven by the following:

- a deterioration in WesBank's SA VAF charge, mainly due to higher than expected arrears as well as increased levels of conservatism in portfolio impairments;
- growth in the MotoNovo impairment charge, reflecting new business strain given strong book growth over multiple periods, increased conservatism in portfolio impairments and deterioration in arrears levels; and
- an increase in FNB's commercial segment, reflecting new business strain which was expected given the continued growth in new customers, cross-sell and up-sell strategies, and the impact of the ongoing drought in certain areas of South Africa.

Portfolio impairments in the retail and commercial portfolios increased at a franchise level. The bank believes this is prudent given that the rebound in the macro environment in the six months to December 2017 was modest.

Corporate portfolio impairments decreased period-on-period, reflecting the benefit of proactive provisioning in prior reporting periods.

Overall portfolio provisions increased 7% and remain conservative, resulting in a performing book coverage ratio of 96 bps, which is still above the actual charge.

OPERATING REVIEWS

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products. FNB grew its pre-tax profits 9% to R8.6 billion.

FNB financial highlights

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Normalised earnings	**6 206**	5 708	9	11 415
Normalised profit before tax	**8 642**	7 928	9	15 855
Total assets	**359 300**	341 962	5	347 611
Total liabilities	**350 613**	334 086	5	331 885
NPLs (%)	**2.90**	2.96		2.97
Credit loss ratio (%)	**1.07**	1.10		1.12
Cost-to-income ratio (%)	**54.5**	53.9		54.5

Segment results

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Normalised profit before tax				
Retail	**5 053**	4 681	8	9 213
Commercial	**3 914**	3 475	13	7 083
FNB Africa*	**(325)**	(228)	43	(441)
Total FNB	**8 642**	7 928	9	15 855

* *Relates to head office costs. Earnings of the subsidiaries in the rest of Africa form part of FREMA and are not reported in the bank.*

FNB's performance reflects the success of its strategy to:

- grow and retain core transactional accounts;
- provide market-leading digital platforms to deliver cost effective and innovative transactional propositions to its customers;
- use its deep customer relationships and sophisticated data analytics to effectively cross-sell and up-sell a broad range of financial services products;
- apply disciplined origination strategies;
- provide innovative savings products to grow its retail deposit franchise; and
- right-size its physical infrastructure to achieve efficiencies.

FNB continued to see growth in customers as shown in the table below.

Customer segment	Period-on-period growth: Customer numbers %
Consumer	**1**
Premium	**12**
Commercial	**7**

The table below breaks down advances and deposit growth on a segment basis and demonstrates FNB's success in continuing to attract deposits.

Segment analysis of advances and deposit growth

Segment	Deposit growth %	Deposit growth R billion	Advances growth %	Advances growth R billion
Retail	**14**	**27.6**	**4**	**10.7**
– Consumer	**10**	**7.4**	**3**	**1.1**
– Premium	**17**	**20.2**	**5**	**9.6**
Commercial	**11**	**20.4**	**8**	**6.7**
FNB Africa*	**(100)**	**(0.3)**	**(91)**	**(0.5)**
Total FNB	**13**	**47.6**	**5**	**16.9**

* *The discontinued activities of FNB India.*

The subdued overall advances growth reflects ongoing prudency in FNB's origination strategies, particularly in the consumer segment where households are still experiencing pressure on disposable income. FNB's focus on cross-selling into its core transactional retail and commercial customer bases continues to be the main driver of both advances and deposit growth in the premium and commercial segments.

OVERVIEW OF RESULTS continued

The tables below unpack advances, at both a segment and product level, and reflect the targeted nature of FNB's risk appetite and origination strategies. The consumer segment saw good growth in its affordable housing book but unsecured lending contracted on the back of conservative risk appetite. In the premium segment, mortgages showed muted growth as FNB continued to focus on low risk origination, however, unsecured advances grew strongly on the back of cross-sell and up-sell strategies to the existing customer base.

	Consumer		
	Advances		
R million	2017	2016	% change
Residential mortgages	**23 811**	21 339	12
Card	**9 061**	9 192	(1)
Personal loans	**6 965**	7 926	(12)
Retail other	**3 033**	3 309	(8)

	Premium		
	Advances		
R million	2017	2016	% change
Residential mortgages	**174 893**	170 098	3
Card	**16 002**	13 303	20
Personal loans	**7 597**	6 505	17
Retail other	**12 068**	11 049	9

	Commercial		
R million	2017	2016	% change
Advances	**87 890**	81 159	8

The quality of FNB's transactional franchise is clearly demonstrated in strong NIR growth of 11%, with the premium and commercial segments delivering growth of 16% and 10%, respectively. Premium's NIR reflects the inclusion for the first time of a portion of the wealth and investment management (WIM) activities. In addition, the benefits of the actions taken last year are clearly showing up in consumer's NIR growth of 10%, albeit off a low base.

Overall fee and commission income benefited from strong volume growth of 15% driven by digital and electronic channels, as can be seen from the table below.

Channel volumes

Thousands of transactions	2017	2016	% change
ATM/ADT	**121 389**	115 141	5
Internet	**104 024**	105 141	(1)
Banking app	**73 590**	44 400	66
Mobile	**22 776**	22 161	3
Point-of-sale	**659 783**	585 418	13

Cost growth continues to trend above inflation at 10%, mainly on the back of investment in diversification strategies and certain unrecoverable costs associated with the rest of Africa expansion. The cost-to-income ratio deteriorated to 54.5%.

FNB's overall bad debts and NPLs increased period-on-period (NPLs +3%). Retail NPLs are well within expectations at this point in the cycle. This reflects the quality of new business written, appropriate pricing strategies and the positive effect of cutbacks in higher risk origination buckets. NPL formation in the commercial book is ticking up, but this is not unexpected given previous book growth and some residual pressure in the agricultural sector due to the drought. Overall provisioning levels and overlays have increased.

RMB

RMB represents the bank's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients. This, combined with an expanding market-making and distribution product offering contributes to a well-diversified and sustainable earnings base. The 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			Year ended 30 June
	2017	2016	% change	2017
Normalised earnings	**2 265**	2 016	12	4 089
Normalised profit before tax	**3 147**	2 807	12	5 686
Total assets	**405 905**	365 942	11	379 171
Total liabilities	**402 512**	363 323	11	374 290
Credit loss ratio (%)	**0.04**	0.11		0.24
Cost-to-income ratio (%)	**50.9**	52.3		51.9

*Breakdown of profit contribution by activity**

R million	Six months ended 31 December			Year ended 30 June
	2017	2016	% change	2017
Investment banking and advisory	**1 561**	1 307	19	3 286
Corporate and transactional banking	**634**	596	6	1 215
Markets and structuring	**539**	572	(6)	1 255
Investing**	**80**	11	>100	37
Investment management	**(20)**	(36)	(44)	(35)
Other	**353**	357	(1)	(72)
Total	**3 147**	2 807	12	5 686

* *Refer to additional business unit disclosure on page 30.*

** *The majority of investing activities (private equity) are in FRIHL, and thus falls outside the bank.*

RMB delivered a strong operational performance, with pre-tax profits increasing 12% to R3.1 billion. RMB's balance sheet remains robust, with high quality earnings and solid operational leverage. Cost growth was well below inflation due to the benefits of platform investment and ongoing automation, despite continued spend on regulatory and compliance initiatives.

The performance of investment banking and advisory activities was underpinned by good lending income aided by strong advances growth in prior periods, resilient fee income on the back of advisory and capital market mandates, lower credit impairments given historical proactive provisioning and strong operational leverage due to a continued focus on cost management. The macroeconomic environment, however, constrained advances growth in the current period, which also dampened origination and structuring fee income. The business remains disciplined in its financial resource allocation to ensure preservation of returns and maintained its strong credit provisioning levels.

Corporate and transactional banking's continued focus on leveraging platforms, managing costs and expanding product offerings locally contributed to good profit growth. In particular, increased demand for working capital solutions bolstered the results.

Markets and structuring activities delivered a resilient performance, reflecting good client flow, robust structuring opportunities and an ability to successfully navigate volatile fixed income and foreign exchange markets. Earnings were, however, constrained by weaker performances in the credit trading and hard commodities portfolios.

Other activities benefited from higher endowment earned on capital invested. This was offset by costs associated with the bank's market infrastructure programme which is aimed at driving efficiencies, ensuring regulatory and legislative compliance and improving risk mitigation.

OVERVIEW OF RESULTS continued

WesBank

WesBank represents the bank's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and, 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, strong point-of-sale presence and innovative channel origination strategies.

WesBank financial highlights

	Six months ended 31 December			Year ended 30 June
R million	**2017**	2016	% change	2017
Normalised earnings	**898**	1 231	(27)	2 313
Normalised profit before tax	**1 246**	1 710	(27)	3 214
Total assets	**178 703**	156 886	14	170 523
Total liabilities	**177 494**	155 206	14	167 327
NPLs (%)	**4.49**	4.38		4.37
Credit loss ratio (%)	**2.04**	1.78		1.80
Cost-to-income ratio (%)	**49.4**	45.4		45.8
Net interest margin (%)	**4.45**	5.40		4.99

WesBank's pre-tax profits declined 27% period-on-period primarily driven by the impacts of a change in securitisation structures within the MotoNovo portfolio, which now includes an on-balance sheet warehousing facility where there is no day-one future margin recognition. In the comparative period MotoNovo recognised in excess of R700 million future margin as a result of securitisation transactions. These amounts eliminate at a group level. In addition, retail SA VAF saw declining margins as a result of regulatory caps in the personal loans portfolio and elevated impairments in the retail SA VAF portfolio.

Overall advances increased 15% period-on-period, positively impacted by the change in the structure of the MotoNovo securitisation transaction. The new structure resulted in securitised advances remaining on-balance sheet. In addition, the quantum of securitised advances in the SA retail VAF portfolio stabilised. New business production in the local retail portfolios showed positive trends for the period, however, corporate production was negatively impacted by the lengthening of replenishment cycles and reduced market demand. MotoNovo new business volumes flattened in local currency (GBP+0.3%), reflecting results of actions taken in origination strategy changes, including targeted risk cuts and termination of certain origination relationships which were resulting in higher risk new business.

NPLs as a percentage of advances are up 3% period-on-period. NPLs continue to be inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement, have never defaulted or have balances lower than when these entered debt review. WesBank continues to monitor vintage performance closely. Higher than expected NPLs in the self-employed and small business segments are a result of operational issues with some scorecards, including third-party data quality. Some of this has been addressed, however, the impact of these issues will continue in the second half of the year.

Overall NPLs continue to be impacted by lengthening recovery timelines and customers opting for court orders for repossessions. These factors require higher coverage ratios and provisioning in the underlying portfolio. MotoNovo's impairments reflect increased conservatism in impairment models and a deterioration in underlying arrears levels. This in turn has resulted in increased portfolio provisions.

NIR growth of 6% has largely tracked book growth in SA retail VAF of 5% but there is increasing competitive pressure particularly in the dealer VAPS segment and resultant commission income.

Operating expenditure growth of 12% was largely due to salary increases, increased profit shares payable to alliance partners and investment costs in platforms for both efficiency and regulatory requirements. Core operational costs were well maintained.

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

*Breakdown of profit contribution by activity**

	Six months ended 31 December			Year ended 30 June
R million	**2017**	2016	% change	2017
Normalised PBT				
VAF	**1 030**	1 507	(32)	2 758
– Retail SA	**631**	657	(4)	1 414
– MotoNovo**	**201**	685	(71)	1 010
– Corporate and commercial	**198**	165	20	334
Personal loans	**216**	203	6	456
Total WesBank	**1 246**	1 710	(27)	3 214

* *Refer to additional segment disclosure on page 31.*

** *MotoNovo (UK) decreased by 70% in GBP terms to GBP11 million.*

Retail SA VAF pre-tax profits declined 4% period-on period, mainly as a result of the recognition of lower deferred expenses related to advances securitised during the current period relative to the prior period (which eliminates at a FirstRand group level), as well as an increase in credit impairments.

MotoNovo's performance was negatively impacted by a change in the structure of the securitisation transactions in the current period. This change resulted in MotoNovo not recognising future margin of >R700 million on securitised advances. Previous securitisation transactions were structured such that future margin on securitised assets were recognised on transaction date resulting in a negative impact on NII period-on-period.

Adjusting for this impact, profits would have increased 3% in GBP terms and 2% in rand terms. These securitisation accounting impacts reverse at a FirstRand group level. The current period performance was further impacted by higher than expected levels of additional investment, particularly in its collections area and the building out of the personal loans offering. In addition, new business growth slowed on the back of relationship terminations in certain distribution channels showing elevated risk and some adjustment to credit appetite.

WesBank's personal loans business performed well, on the back of strong advances growth of 14% period-on-period. Margins have stabilised post the NCAA rate caps and targeted risk cuts, and the impairment ratio has consistently trended downwards on the back of collection strategies and active management of the debt-review portfolio.

The local corporate business posted a strong operational performance, albeit off a low base. This was mainly driven by resumed growth in new business and the non-repeat of provisions created in the previous reporting period.

Segment analysis of normalised earnings

R million	Six months ended 31 December 2017	% composition	2016	% composition	% change	Year ended 30 June 2017	% composition
Retail	**4 143**	**45**	4 318	48	(4)	8 388	45
– FNB*	**3 388**		3 206			6 315	
– WesBank	**755**		1 112			2 073	
Commercial	**2 961**	**32**	2 621	29	13	5 340	30
– FNB	**2 818**		2 502			5 100	
– WesBank	**143**		119			240	
Corporate and investment banking	**2 265**	**25**	2 016	22	12	4 089	23
– RMB	**2 265**		2 016			4 089	
Other	**(201)**	**(2)**	126	1	(>100)	272	2
– FCC (including Group Treasury) and elimination adjustments**	**(83)**		244			509	
– Dividends paid on NCNR preference shares	**(118)**		(118)			(237)	
Normalised earnings	**9 168**	**100**	9 081	100	1	18 089	100

* *Includes FNB Africa, which relate to head office costs.*
** *Includes the central credit overlay.*

STRATEGIC RATIONALE FOR PROPOSED ACQUISITION OF ALDERMORE PLC

On 6 November 2017, FirstRand announced its formal offer for Aldermore plc. The offer, at 313 pence per share, valued Aldermore at approximately GBP1.1 billion (R20 billion) and represented a premium of 22% to Aldermore's closing price on 12 October 2017, being the day before the first transaction announcement. The offer also implied a price to net tangible book value multiple of 1.80 times.

FirstRand's stated strategy is to achieve a more diversified revenue profile across products, segments and geographies. Currently 4% of total group earnings is generated by the group's UK business MotoNovo, one of the largest providers of motor finance for second-hand vehicles in the country. The success of this business, since it was acquired in 2006, can largely be attributed to the introduction of WesBank's operating model. FirstRand, however, believes that MotoNovo is currently undiversified from a product and market perspective and the acquisition of Aldermore will accelerate the diversification process using the strength of Aldermore's position in the SME, mortgage and savings markets.

FirstRand recognises that the existing management team of Aldermore has a deep understanding of the business environment within which Aldermore operates. MotoNovo, which has built a meaningful market share in financing second-hand vehicles and is organically building a more diversified product set, including personal loans and insurance, will be integrated within Aldermore to form a separate pillar. Phillip Monks, Aldermore's CEO will lead the new combined UK business.

Once MotoNovo and Aldermore are integrated, new business will be funded through further scaling Aldermore's deposit and funding platform supported by some securitisations. MotoNovo's back books, which are currently in the bank's London branch, will be run down over time. This has the added benefit for FirstRand that hard currency funding capacity currently allocated to MotoNovo from FirstRand's domestic balance sheet can be redeployed into its South African and rest of Africa growth strategies.

FirstRand will work closely with Aldermore's management team to identify growth opportunities that Aldermore can explore under FirstRand's ownership. FirstRand already sees the potential to broaden the business model of the combined platform. FirstRand also believes further UK growth can be unlocked through cross-selling the current product offerings across the MotoNovo and Aldermore customer bases, and, in the longer term, developing further financial services offerings.

Aldermore and MotoNovo are both highly profitable businesses delivering returns above FirstRand group hurdles, and FirstRand believes it can unlock further value in the short to medium term through applying its proven practices in financial resource management. FirstRand defines financial resource management as capital, funding, liquidity and risk capacity, and its approach is a recognised key differentiator and a significant contributor to its outperformance relative to peers.

FirstRand had carefully considered how current and potential macroeconomic future scenarios in the UK could impact the broader business. The group is comfortable that the financial impact of this transaction is supportive of FirstRand's previous guidance to shareholders on growth, returns, capital position and dividend policy.

OVERVIEW OF RESULTS continued

MANAGEMENT OF FINANCIAL RESOURCES

The management of the group's financial resources, which it defines as capital, funding and liquidity, and risk capacity, is critical and supportive to the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite. Forecast growth in earnings and balance sheet risk weighted assets is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers, regulators and rating agencies. The expected outcomes and constraints are then stress tested and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level. These stress scenarios include further sovereign downgrades below investment grade on a local currency basis.

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 portfolio's growth, return and volatility targets, to deliver shareholder value. The group continues to monitor and proactively manage a fast-changing regulatory environment and ongoing macroeconomic challenges.

The group adopts a disciplined approach to the management of its foreign currency balance sheet. The framework for the management of external debt takes into account sources of sovereign risk and foreign currency funding capacity, as well as the macroeconomic vulnerabilities of South Africa. The group employs a self-imposed structural borrowing limit and a liquidity risk limit more onerous than required in terms of regulations. This philosophy has translated into a resilient and sustainable foreign currency balance sheet and has limited the impact on the group of the sovereign rating downgrade to sub-investment grade in March 2017 by S&P Global Ratings. Prior to the downgrade, numerous steps to protect and enhance FirstRand's counterparty status in international funding, payments and derivative markets provided the group with enhanced access to international financial market infrastructure and greater liquidity pools.

Balance sheet strength

Capital and leverage position

The bank's current targeted ranges and actual ratios are summarised below.

	Capital			
%	CET1	Tier 1	Total	Leverage[#]
Regulatory minimum*	7.3	8.5	10.8	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual**	**13.9**	**14.1**	**17.3**	**7.3**

* *Excluding the bank-specific capital requirements.*
** *FRB including foreign branches and unappropriated profits.*
[#] *Based on Basel III regulations.*

The bank has maintained its strong capital position. Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital is determined taking into account businesses' organic growth plans, corporate transactions and stress-testing scenario outcomes. In addition, the group considers external issues that could impact capital levels, which include regulatory, accounting and tax changes, macroeconomic conditions and outlook. The bank continues to actively manage its capital composition and, to this end, issued R2.75 billion Basel III-compliant Tier 2 instruments in the domestic market during the period. This resulted in a more efficient capital structure which is closely aligned with the bank's internal targets. It remains the bank's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments in domestic and/or international markets. This ensures sustainable support for ongoing growth initiatives and compensates for the haircut applied to Tier 2 instruments which are not compliant with Basel III, as well as the maturity of existing Tier 2 instruments.

Liquidity position

Given the liquidity risk introduced by its business activities across various currencies, the group's objective is to optimise its funding profile within structural and regulatory constraints to enable its businesses to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets (HQLA) that are available as protection against unexpected events or market disruptions as well as to facilitate the variable liquidity needs of the operating businesses. 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 these 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 activities.

The bank exceeds the 80% minimum liquidity coverage ratio (LCR) requirement set out by the Basel Committee for Banking Supervision (BCBS) with the LCR at 101% (December 2016: 104%).

At 31 December 2017, the bank's available HQLA sources of liquidity per the LCR amounted to R165 billion, with an additional R650 million of management liquidity available. FirstRand expects to be fully compliant with the net stable funding ratio (NSFR) requirements once implemented.

ACCOUNTING

IFRS 9 Financial Instruments

The bank's IFRS 9 implementation project continues to meet its objective of ensuring a high-quality implementation. The project adheres to strict governance practices.

The bank has elected not to restate its comparative information included in the analysis of financial results or annual financial statements for the year ending 30 June 2019. In the annual financial statements and analysis of financial results for the year ending 30 June 2019, the 2019 financial information will be based on IFRS 9 and the 2018 financial information will be based on *IAS 39 Financial Instruments: Recognition and Measurement*. The amended disclosure requirements of *IFRS 7 Financial instruments: Disclosures* will also be prospectively applied by the bank.

The bank, however, will publish detailed information about the impact of transitioning to IFRS 9 during the fourth quarter of the 2018 calendar year. The external auditors have been involved in the process, within allowed and acceptable practice as per the auditing regulations. This will facilitate compliance with Directive 5/2017, *Regulatory treatment of accounting provisions – interim approach and transitional arrangements including disclosure and auditing aspects*, which requires the IFRS 9 implementation to be audited within five months of the effective date.

PROSPECTS

Since the outcome of the ANC elective conference in December 2017, sentiment and markets have staged a material recovery and the outlook for South Africa is more positive than it has been for some time.

FirstRand believes that the government should build on this renewed certainty, provide clear policy direction, and appear willing to deal immediately with poor governance at some of the large and systemic SOEs, address corruption and state capture, and strengthen fiscal discipline.

In the medium to longer term, given the market leading positions of its businesses and the growth strategies it is executing on, FirstRand considers itself strategically well positioned to benefit from renewed growth.

Given the structural nature of many of South Africa's challenges, the group believes that the domestic fundamentals will not change quickly, therefore, it expects a similar macro picture for the remainder of its financial year to June 2018. The group remains committed to delivering real growth in earnings and superior returns to shareholders.

EVENTS AFTER REPORTING PERIOD

Since 31 December 2017 the group received final regulatory approval for the Aldermore transaction. As disclosed in the SENS announcement of 1 March 2018.

The directors are not aware of any other material events that have occurred between the end of the reporting period and the date of this report.

BOARD CHANGES

Benedict James van der Ross retired as an independent non-executive director of FirstRand Limited and FirstRand Bank Limited on 30 November 2017.

Jan Hendrik van Greuning retired as an independent non-executive director of FirstRand Limited and FirstRand Bank Limited on 30 November 2017.

Lauritz Lanser Dippenaar will retire as board chairman and non-executive director of FirstRand Limited and FirstRand Bank Limited on 31 March 2018.

William Rodger Jardine has been appointed board chairman of FirstRand Limited and FirstRand Bank Limited, effective 1 April 2018.

MANAGEMENT CHANGES

On 27 February 2018, FirstRand announced the following changes:

- Johan Petrus Burger will retire as CEO of FirstRand Limited and FirstRand Bank Limited on 31 March 2018. He will remain an executive director of FirstRand Limited and FirstRand Bank Limited until 31 August 2018 and, subject to regulatory approval, become a non-executive director of FirstRand Limited and FirstRand Bank Limited on 1 September 2018.
- Alan Patrick Pullinger, currently deputy CEO, has been appointed CEO of FirstRand Limited and FirstRand Bank Limited, effective 1 April 2018.
- Mary Vilakazi has been appointed as COO and executive director of FirstRand Limited and FirstRand Bank Limited, effective 1 July 2018.

SEGMENT REPORT

	For the six months ended 31 December 2017							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	2 164	1 286	1 268	3 220	**7 938**	4 741	(4)	**12 675**
Impairment charge	(144)	(295)	(400)	(635)	**(1 474)**	(333)	(1)	**(1 808)**
Net interest income after impairment of advances	2 020	991	868	2 585	**6 464**	4 408	(5)	**10 867**
Non-interest revenue	204	1 014	397	5 056	**6 671**	3 844	420	**10 935**
Income from operations	2 224	2 005	1 265	7 641	**13 135**	8 252	415	**21 802**
Operating expenses	(914)	(1 058)	(459)	(5 392)	**(7 823)**	(4 317)	(739)	**(12 879)**
Income before tax	1 310	947	806	2 249	**5 312**	3 935	(324)	**8 923**
Indirect tax	(6)	(32)	(9)	(212)	**(259)**	(21)	(1)	**(281)**
Profit before tax	1 304	915	797	2 037	**5 053**	3 914	(325)	**8 642**
Income tax expense	(365)	(256)	(223)	(578)	**(1 422)**	(1 096)	82	**(2 436)**
Profit for the period	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**
Attributable to								
Ordinary equityholders	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**
Attributable earnings to ordinary equityholders	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	939	659	574	1 459	**3 631**	2 818	(243)	**6 206**

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

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

** *Refer to additional activity disclosure on page 30.*

\# *Refer to additional segmental information on page 31.*

	For the six months ended 31 December 2017							
	RMB							
	Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
	2 016	780	**2 796**	**4 758**	439	**20 668**	(504)	**20 164**
	(47)	(6)	**(53)**	**(1 775)**	112	**(3 524)**	–	**(3 524)**
	1 969	774	**2 743**	**2 983**	551	**17 144**	(504)	**16 640**
	3 042	817	**3 859**	**1 391**	(386)	**15 799**	1 256	**17 055**
	5 011	1 591	**6 602**	**4 374**	165	**32 943**	752	**33 695**
	(2 433)	(954)	**(3 387)**	**(3 035)**	(845)	**(20 146)**	(396)	**(20 542)**
	2 578	637	**3 215**	**1 339**	(680)	**12 797**	356	**13 153**
	(65)	(3)	**(68)**	**(93)**	(33)	**(475)**	–	**(475)**
	2 513	634	**3 147**	**1 246**	(713)	**12 322**	356	**12 678**
	(704)	(178)	**(882)**	**(348)**	630	**(3 036)**	(87)	**(3 123)**
	1 809	456	**2 265**	**898**	(83)	**9 286**	269	**9 555**
	1 809	456	**2 265**	**898**	(201)	**9 168**	269	**9 437**
	–	–	**–**	**–**	118	**118**	–	**118**
	1 809	456	**2 265**	**898**	(83)	**9 286**	269	**9 555**
	1 809	456	**2 265**	**898**	(201)	**9 168**	269	**9 437**
	–	–	**–**	**–**	–	**–**	(76)	**(76)**
	1 809	456	**2 265**	**898**	(201)	**9 168**	193	**9 361**
	–	–	**–**	**–**	–	**–**	(137)	**(137)**
	–	–	**–**	**–**	–	**–**	(56)	**(56)**
	1 809	456	**2 265**	**898**	(201)	**9 168**	–	**9 168**

SEGMENT REPORT continued

	For the six months ended 31 December 2017							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	Retail	Commercial	FNB Africa**	Total FNB
Cost-to-income ratio (%)	38.6	46.0	27.6	65.2	**53.5**	50.3	>100	**54.5**
Diversity ratio (%)	8.6	44.1	23.8	61.1	**45.7**	44.8	>100	**46.3**
Credit loss ratio (%)	0.15	2.41	5.53	8.48	**1.17**	0.77	1.24	**1.07**
NPLs as a percentage of advances (%)	2.28	3.96	8.75	5.27	**3.00**	2.54	100.00	**2.90**
Income statement includes								
Depreciation	(2)	(2)	(1)	(746)	**(751)**	(22)	(1)	**(774)**
Amortisation	–	(4)	–	(22)	**(26)**	–	–	**(26)**
Impairment charges	–	–	–	(14)	**(14)**	(1)	(161)	**(176)**
Statement of financial position includes								
Advances (after ISP – before impairments)	198 704	25 063	14 562	15 101	**253 430**	87 890	50	**341 370**
NPLs net of ISP	4 535	993	1 274	796	**7 598**	2 235	50	**9 883**
Total deposits	677	1 714	–	215 364	**217 755**	206 666	–	**424 421**
Total assets	197 237	24 102	13 163	35 632	**270 134**	88 634	532	**359 300**
Total liabilities*	196 871	23 658	12 751	30 149	**263 429**	86 359	825	**350 613**
Capital expenditure	4	16	1	884	**905**	30	1	**936**

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

* *Total liabilities are net of interdivisional balances.*

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

\# *Refer to additional activity disclosure on page 30.*

† *Refer to additional segmental information on page 31.*

	For the six months ended 31 December 2017								
	RMB								
	Investment banking	Corporate banking	Total RMB[#]	WesBank[†]	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	48.1	59.7	**50.9**	**49.4**	>100	**55.2**	–	**55.2**
	60.1	51.2	**58.0**	**22.6**	(>100)	**43.3**	–	**45.8**
	0.04	0.03	**0.04**	**2.04**	(0.03)	**0.84**	–	**0.84**
	0.28	0.07	**0.24**	**4.49**	–	**2.17**	–	**2.17**
	(75)	(3)	**(78)**	**(315)**	(6)	**(1 173)**	–	**(1 173)**
	(17)	–	**(17)**	**(2)**	(1)	**(46)**	–	**(46)**
	–	–	**–**	**5**	–	**(171)**	–	**(171)**
	225 440	48 532	**273 972**	**178 452**	61 129	**854 923**	(281)	**854 642**
	633	35	**668**	**8 014**	–	**18 565**	–	**18 565**
	77 127	115 875	**193 002**	**44**	315 232	**932 699**	–	**932 699**
	354 514	51 391	**405 905**	**178 703**	216 457	**1 160 365**	–	**1 160 365**
	351 926	50 586	**402 512**	**177 494**	137 279	**1 067 898**	–	**1 067 898**
	55	20	**75**	**763**	4	**1 778**	–	**1 778**

SEGMENT REPORT continued

	For the six months ended 31 December 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	1 860	1 224	1 376	3 030	**7 490**	4 282	9	**11 781**
Impairment charge	(132)	(289)	(565)	(509)	**(1 495)**	(264)	(6)	**(1 765)**
Net interest income after impairment of advances	1 728	935	811	2 521	**5 995**	4 018	3	**10 016**
Non-interest revenue	213	868	415	4 496	**5 992**	3 498	359	**9 849**
Income from operations	1 941	1 803	1 226	7 017	**11 987**	7 516	362	**19 865**
Operating expenses	(890)	(991)	(478)	(4 699)	**(7 058)**	(4 021)	(588)	**(11 667)**
Income before tax	1 051	812	748	2 318	**4 929**	3 495	(226)	**8 198**
Indirect tax	(7)	(30)	(8)	(203)	**(248)**	(20)	(2)	**(270)**
Profit before tax	1 044	782	740	2 115	**4 681**	3 475	(228)	**7 928**
Income tax expense	(292)	(219)	(207)	(593)	**(1 311)**	(973)	64	**(2 220)**
Profit for the period	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**
Attributable to								
Ordinary equityholders	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**
Attributable earnings to ordinary shareholders	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	752	563	533	1 522	**3 370**	2 502	(164)	**5 708**

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

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

** *Refer to additional activity disclosure on page 30.*

Refer to additional segmental information on page 31.

For the six months ended 31 December 2016							
RMB							
Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
1 970	732	**2 702**	**4 678**	803	**19 964**	(766)	**19 198**
(99)	(37)	**(136)**	**(1 436)**	250	**(3 087)**	–	**(3 087)**
1 871	695	**2 566**	**3 242**	1 053	**16 877**	(766)	**16 111**
2 727	853	**3 580**	**1 317**	(477)	**14 269**	1 281	**15 550**
4 598	1 548	**6 146**	**4 559**	576	**31 146**	515	**31 661**
(2 333)	(950)	**(3 283)**	**(2 721)**	(733)	**(18 404)**	(155)	**(18 559)**
2 265	598	**2 863**	**1 838**	(157)	**12 742**	360	**13 102**
(54)	(2)	**(56)**	**(128)**	(19)	**(473)**	–	**(473)**
2 211	596	**2 807**	**1 710**	(176)	**12 269**	360	**12 629**
(624)	(167)	**(791)**	**(479)**	420	**(3 070)**	(102)	**(3 172)**
1 587	429	**2 016**	**1 231**	244	**9 199**	258	**9 457**
1 587	429	**2 016**	**1 231**	126	**9 081**	258	**9 339**
–	–	**–**	**–**	118	**118**	–	**118**
1 587	429	**2 016**	**1 231**	244	**9 199**	258	**9 457**
1 587	429	**2 016**	**1 231**	126	**9 081**	258	**9 339**
–	–	**–**	**–**	–	**–**	(38)	**(38)**
1 587	429	**2 016**	**1 231**	126	**9 081**	220	**9 301**
–	–	**–**	**–**	–	**–**	(166)	**(166)**
–	–	**–**	**–**	–	**–**	(54)	**(54)**
1 587	429	**2 016**	**1 231**	126	**9 081**	–	**9 081**

SEGMENT REPORT continued

	For the six months ended 31 December 2016							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.9	47.4	26.7	62.4	**52.4**	51.7	>100	**53.9**
Diversity ratio (%)	10.3	41.5	23.2	59.7	**44.4**	45.0	97.6	**45.5**
Credit loss ratio (%)	0.14	2.60	7.83	7.09	**1.24**	0.66	1.82	**1.10**
NPLs as a percentage of advances (%)	2.33	3.62	8.50	5.01	**2.98**	2.75	23.66	**2.96**
Income statement includes								
Depreciation	(2)	(4)	(1)	(771)	**(778)**	(22)	(2)	**(802)**
Amortisation	–	(2)	–	(15)	**(17)**	–	(1)	**(18)**
Impairment charges	–	–	–	(6)	**(6)**	–	–	**(6)**
Statement of financial position includes								
Advances (after ISP – before impairments)	191 437	22 495	14 431	14 358	**242 721**	81 159	558	**324 438**
NPLs net of ISP	4 462	814	1 226	719	**7 221**	2 235	132	**9 588**
Total deposits‡	698	1 611	1	187 886	**190 196**	186 291	341	**376 828**
Total assets	190 008	21 696	13 050	36 115	**260 869**	80 168	925	**341 962**
Total liabilities*	189 813	21 322	12 719	29 422	**253 276**	79 659	1 151	**334 086**
Capital expenditure	2	18	–	1 206	**1 226**	17	4	**1 247**

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

* *Total liabilities are net of interdivisional balances.*

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

\# *Refer to additional activity disclosure on page 30.*

† *Refer to additional segmental information on page 31.*

‡ *Restated, refer to page 99 for more detailed information.*

For the six months ended 31 December 2016							
RMB							
Investment banking	Corporate banking	**Total RMB[#]**	**WesBank[†]**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
49.7	59.9	**52.3**	**45.4**	>100	**53.8**	–	**53.4**
58.1	53.8	**57.0**	**22.0**	(>100)	**41.7**	–	**44.8**
0.09	0.20	**0.11**	**1.78**	(0.06)	**0.79**	–	**0.79**
0.90	0.18	**0.79**	**4.38**	–	**2.36**	–	**2.36**
(48)	(1)	**(49)**	**(267)**	(9)	**(1 127)**	–	**(1 127)**
(7)	–	**(7)**	**(3)**	(1)	**(29)**	–	**(29)**
–	(1)	**(1)**	**(8)**	(1)	**(16)**	–	**(16)**
220 305	38 658	**258 963**	**155 205**	42 907	**781 513**	(281)	**781 232**
1 979	71	**2 050**	**6 796**	–	**18 434**	–	**18 434**
80 720	109 704	**190 424**	**48**	280 486	**847 786**	–	**847 786**
326 904	39 038	**365 942**	**156 886**	184 483	**1 049 273**	–	**1 049 273**
325 039	38 284	**363 323**	**155 206**	111 929	**964 544**	–	**964 544**
685	2	**687**	**677**	3	**2 614**	–	**2 614**

SEGMENT REPORT continued

	For the year ended 30 June 2017							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 824	2 486	2 699	6 296	**15 305**	8 731	3	**24 039**
Impairment charge	(285)	(699)	(1 071)	(1 062)	**(3 117)**	(531)	(15)	**(3 663)**
Net interest income after impairment of advances	3 539	1 787	1 628	5 234	**12 188**	8 200	(12)	**20 376**
Non-interest revenue	413	1 782	826	9 004	**12 025**	7 064	816	**19 905**
Income from operations	3 952	3 569	2 454	14 238	**24 213**	15 264	804	**40 281**
Operating expenses	(1 728)	(2 000)	(919)	(9 902)	**(14 549)**	(8 141)	(1 242)	**(23 932)**
Income before tax	2 224	1 569	1 535	4 336	**9 664**	7 123	(438)	**16 349**
Indirect tax	(13)	(62)	(16)	(360)	**(451)**	(40)	(3)	**(494)**
Profit before tax	2 211	1 507	1 519	3 976	**9 213**	7 083	(441)	**15 855**
Income tax expense	(619)	(422)	(425)	(1 114)	**(2 580)**	(1 983)	123	**(4 440)**
Profit for the year	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**
Attributable to								
Ordinary equityholders	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**
Attributable earnings to ordinary shareholders	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 592	1 085	1 094	2 862	**6 633**	5 100	(318)	**11 415**

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

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

** *Refer to additional activity disclosure on page 30.*

Refer to additional segmental information on page 31.

	For the year ended 30 June 2017							
	RMB							
	Investment banking	Corporate banking	Total RMB**	WesBank#	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	FRB – IFRS
	3 973	1 484	**5 457**	**9 205**	1 148	**39 849**	(1 200)	**38 649**
	(544)	(75)	**(619)**	**(3 052)**	350	**(6 984)**	–	**(6 984)**
	3 429	1 409	**4 838**	**6 153**	1 498	**32 865**	(1 200)	**31 665**
	6 225	1 671	**7 896**	**2 781**	(1 076)	**29 506**	1 443	**30 949**
	9 654	3 080	**12 734**	**8 934**	422	**62 371**	243	**62 614**
	(5 074)	(1 860)	**(6 934)**	**(5 488)**	(1 367)	**(37 721)**	52	**(37 669)**
	4 580	1 220	**5 800**	**3 446**	(945)	**24 650**	295	**24 945**
	(109)	(5)	**(114)**	**(232)**	(36)	**(876)**	–	**(876)**
	4 471	1 215	**5 686**	**3 214**	(981)	**23 774**	295	**24 069**
	(1 257)	(340)	**(1 597)**	**(901)**	1 490	**(5 448)**	(84)	**(5 532)**
	3 214	875	**4 089**	**2 313**	509	**18 326**	211	**18 537**
	3 214	875	**4 089**	**2 313**	272	**18 089**	211	**18 300**
	–	–	**–**	**–**	237	**237**	–	**237**
	3 214	875	**4 089**	**2 313**	509	**18 326**	211	**18 537**
	3 214	875	**4 089**	**2 313**	272	**18 089**	211	**18 300**
	–	–	**–**	**–**	–	**–**	(31)	**(31)**
	3 214	875	**4 089**	**2 313**	272	**18 089**	180	**18 269**
	–	–	**–**	**–**	–	**–**	(63)	**(63)**
	–	–	**–**	**–**	–	**–**	(117)	**(117)**
	3 214	875	**4 089**	**2 313**	272	**18 089**	–	**18 089**

SEGMENT REPORT continued

	For the year ended 30 June 2017							
	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	40.8	46.9	26.1	64.7	**53.2**	51.5	>100	**54.5**
Diversity ratio (%)	9.7	41.8	23.4	58.8	**44.0**	44.7	99.6	**45.3**
Credit loss ratio (%)	0.15	3.05	7.43	7.27	**1.28**	0.66	2.90	**1.12**
NPLs as a percentage of advances (%)	2.33	3.89	8.54	5.77	**3.05**	2.71	17.95	**2.97**
Income statement includes								
Depreciation	(4)	(3)	(2)	(1 549)	**(1 558)**	(43)	(11)	**(1 612)**
Amortisation	–	(5)	–	(32)	**(37)**	–	(7)	**(44)**
Impairment charges	–	–	–	(9)	**(9)**	2	–	**(7)**
Statement of financial position includes								
Advances (after ISP – before impairments)	195 498	23 800	14 372	14 863	**248 533**	84 132	273	**332 938**
NPLs net of ISP	4 560	926	1 227	858	**7 571**	2 280	49	**9 900**
Total deposits‡	665	1 554	1	197 743	**199 963**	193 031	27	**393 021**
Total assets	194 044	22 877	12 997	31 962	**261 880**	85 012	719	**347 611**
Total liabilities*	193 562	22 148	12 273	22 148	**250 126**	80 601	1 158	**331 885**
Capital expenditure	4	19	1	2 076	**2 100**	189	–	**2 289**

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

* *Total liabilities are net of interdivisional balances.*

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

\# *Refer to additional activity disclosure on page 30.*

† *Refer to additional segmental information on page 31.*

‡ *Restated, refer to page 99 for more detailed information.*

	For the year ended 30 June 2017							
	RMB							
	Investment banking	Corporate banking	**Total RMB#**	**WesBank†**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
	49.8	59.0	**51.9**	**45.8**	>100	**54.4**	–	**54.1**
	61.0	53.0	**59.1**	**23.2**	(>100)	**42.5**	–	**44.5**
	0.25	0.20	**0.24**	**1.80**	(0.04)	**0.88**	–	**0.88**
	0.50	0.09	**0.44**	**4.37**	–	**2.27**	–	**2.27**
	(129)	(3)	**(132)**	**(552)**	(15)	**(2 311)**	–	**(2 311)**
	(42)	–	**(42)**	**(5)**	(3)	**(94)**	–	**(94)**
	–	(1)	**(1)**	**3**	–	**(5)**	4	**(1)**
	227 642	39 545	**267 187**	**170 195**	43 958	**814 278**	(281)	**813 997**
	1 137	35	**1 172**	**7 437**	–	**18 509**	–	**18 509**
	74 164	102 444	**176 608**	**41**	307 020	**876 690**	–	**876 690**
	337 012	42 159	**379 171**	**170 523**	184 846	**1 082 151**	–	**1 082 151**
	333 704	40 586	**374 290**	**167 327**	121 276	**994 778**	–	**994 778**
	839	9	**848**	**1 361**	3	**4 501**	–	**4 501**

ADDITIONAL ACTIVITY DISCLOSURE – RMB

	Six months ended 31 December 2017						
R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Normalised profit before tax							
Global Markets	**–**	**–**	**562**	**–**	**(20)**	**(75)***	**467**
IBD	**1 561**	**–**	**–**	**4**	**–**	**–**	**1 565**
Private Equity	**–**	**–**	**–**	**76**	**–**	**–**	**76**
Other RMB	**–**	**–**	**(23)**	**–**	**–**	**428**	**405**
Investment banking	**1 561**	**–**	**539**	**80**	**(20)**	**353**	**2 513**
Corporate banking	**–**	**634**	**–**	**–**	**–**	**–**	**634**
Total RMB	**1 561**	**634**	**539**	**80**	**(20)**	**353**	**3 147**

	Six months ended 31 December 2016						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised profit before tax							
Global Markets	–	–	557	–	(36)	(60)*	461
IBD	1 307	–	15	24	–	–	1 346
Private Equity	–	–	–	(13)	–	–	(13)
Other RMB	–	–	–	–	–	417	417
Investment banking	1 307	–	572	11	(36)	357	2 211
Corporate banking	–	596	–	–	–	–	596
Total RMB	1 307	596	572	11	(36)	357	2 807

	Year ended 30 June 2017						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised profit before tax							
Global Markets	–	–	1 280	–	(35)	(197)*	1 048
IBD	3 336	–	17	16	–	–	3 369
Private Equity	–	–	–	21	–	–	21
Other RMB	(50)	–	(42)	–	–	125	33
Investment banking	3 286	–	1 255	37	(35)	(72)	4 471
Corporate banking	–	1 215	–	–	–	–	1 215
Total RMB	3 286	1 215	1 255	37	(35)	(72)	5 686

Note:
IB&A – investment banking and advisory
C&TB – corporate and transactional banking
M&S – markets and structuring
INV – investing
IM – investment management
* *Includes investments in market's infrastructure programme.*

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Six months ended 31 December 2017				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	**2 178**	**973**	**287**	**1 320**	**4 758**
Impairment of advances	**(901)**	**(329)**	**(19)**	**(526)**	**(1 775)**
Normalised profit before tax	**631**	**201**	**198**	**216**	**1 246**
Normalised earnings	**454**	**145**	**143**	**156**	**898**
Advances	**97 069**	**37 369**	**29 767**	**14 247**	**178 452**
NPLs (Net of ISP)	**5 916**	**263**	**240**	**1 595**	**8 014**
Advances margin (%)	**3.64**	**2.43**	**2.16**	**18.54**	**4.45**
NPLs (%)	**6.09**	**0.70**	**0.81**	**11.20**	**4.49**
Credit loss ratio (%)	**1.87**	**1.95**	**0.12**	**7.58**	**2.04**

	Six months ended 31 December 2016				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	1 966	1 248	277	1 187	4 678
Impairment charge	(686)	(222)	(23)	(505)	(1 436)
Normalised profit before tax	657	685	165	203	1 710
Normalised earnings	473	493	119	146	1 231
Advances	92 016	22 236	28 485	12 468	155 205
NPLs (Net of ISP)	5 094	197	267	1 238	6 796
Advances margin (%)	3.52	9.38	2.28	19.15	5.40
NPLs (%)	5.54	0.89	0.94	9.93	4.38
Credit loss ratio (%)	1.44	1.74	0.16	8.30	1.78

	Year ended 30 June 2017				
	VAF				
	Retail				
R million	South Africa	MotoNovo	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	4 056	2 171	557	2 421	9 205
Impairment charge	(1 503)	(476)	(66)	(1 007)	(3 052)
Normalised profit before tax	1 414	1 010	334	456	3 214
Normalised earnings	1 018	727	240	328	2 313
Advances	95 285	30 029	31 364	13 517	170 195
NPLs (Net of ISP)	5 662	172	258	1 345	7 437
Advances margin (%)	3.51	6.98	2.10	18.65	4.99
NPLs (%)	5.94	0.57	0.82	9.95	4.37
Credit loss ratio (%)	1.55	1.62	0.22	7.93	1.80

income statement analysis

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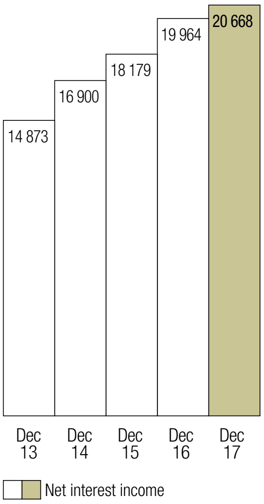
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES)

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 4%

Net interest income

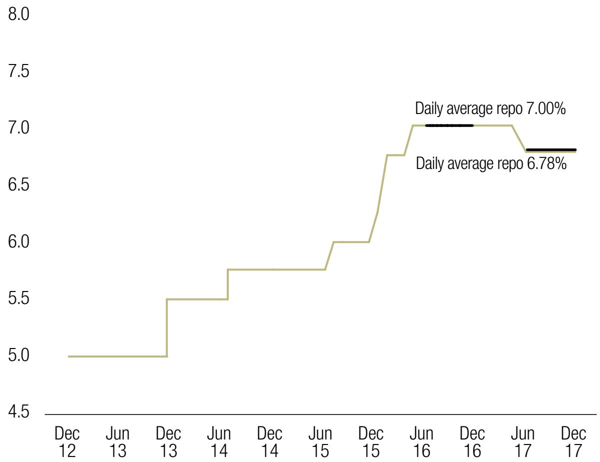
R million

CAGR 9%



Repo rate

%



Note: R193 billion = average endowment book for the period. Rates were lower by 22 bps on average in the current period, which translates into a negative endowment impact of approximately R217 million for the period.

Margin cascade table

Percentage of average interest-earning banking assets	%
December 2016 normalised margin	**5.22**
Capital and deposit endowment	**(0.01)**
– Volume	**0.05**
– Average rate	**(0.06)**
Interest earning assets	**(0.17)**
– Change in balance sheet mix	**0.06**
– Asset pricing	**(0.04)**
– Impact of securitisation*	**(0.19)**
Liabilities	**(0.01)**
– Change in funding mix	**0.11**
– Deposit pricing	**(0.12)**
Group Treasury and other movements	**0.04**
– Accounting mismatches (MTM vs accrual on term issuance)	**0.06**
– Liquidity management	**(0.05)**
– Increase in HQLA and liquidity mismatches	**(0.02)**
– Term funding costs	**(0.03)**
– Interest rate and FX management	**(0.05)**
– Other NII in operating franchises	**0.08**
December 2017 normalised margin	**5.07**

* *Includes the effects of the change in the MotoNovo securitisation structure and the reduction in future margin recognised period-on-period.*

Activity analysis of net interest income before impairment of advances

R million	Six months ended 31 December 2017	2016**	% change	Year ended 30 June 2017
Net interest income				
Lending	**9 675**	9 148	6	18 702
Transactional*	**7 411**	6 872	8	14 190
Deposits	**1 475**	1 429	3	2 720
Capital endowment	**2 773**	2 677	4	4 963
Group Treasury	**(336)**	(6)	>100	30
Other (negative endowment e.g. fixed assets)	**(330)**	(156)	>100	(756)
Total net interest income	**20 668**	19 964	4	39 849

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

** *2016 numbers were restated in order to provide better attribution of NII by nature of activity. Includes investment income which is lending in nature, e.g. HQLA corporate advances.*

KEY DRIVERS

- NII growth was supported by:
  - higher capital levels; and
  - advances and deposit growth of 9% and 10%, respectively.
- Negative capital and deposit endowment rate impact from the 25 bps decrease in the repo rate in July 2017, which resulted in an average decrease of 22 bps in the repo rate period-on-period, offset by higher capital and deposit volumes.
- FNB's deposit margins decreased 26 bps, impacted by negative endowment due to the reduction in the repo rate and by a change in mix with strong growth in lower margin deposit products as well as increased competitive pressures. Advances margins lifted modestly, reflecting an increase in residential mortgage margins, as a result of repricing initiatives, and lower funding costs and mix changes. Some pressure resulted from lower unsecured lending margins, which were negatively impacted by the implementation of the NCAA rate caps in 2016 as well as higher levels of suspended interest on NPLs.
- WesBank's VAF margins decreased 1.29 bps, impacted by the mix change in new business in the retail SA VAF book. The decrease in MotoNovo's margins was due to higher growth in lower risk advances and a change to the securitisation structure in the current period. The new structure includes an on-balance sheet securitisation facility where assets are not derecognised and future margin is not recognised. The decrease in loans margins is due to NCAA rate caps and high growth in debt-review accounts.
- Despite an increase in margin due to a change in asset mix, investment banking advances margins remained under pressure, impacted by elevated funding and liquidity costs as well as competitive pricing pressures, especially in the investment-grade space.
- Group Treasury NII was impacted by;
  - a reduction in income from financial resource activities of >R200 million;
  - the non-repeat of fair value gains on economic interest rate hedges in the comparative period;
  - a decrease of R63 million (December 2016: R96 million decrease) in Group Treasury on the dollar funding carry costs relating to pre-funding dollar liquidity in previous financial years, due to the partial deployment of a portion of the funding into higher yielding asset classes and a reduction in the level of surplus funding period-on-period; and
  - positive mark-to-market movements of R224 million (December 2016: R430 million negative movement) on fair value term funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) continued

Average balance sheet and margins

		December 2017			December 2016†		
R million	Notes	Average balance#	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.28**			10.50
Balances with central banks		**21 281**			19 665	–	–
Cash and cash equivalents		**16 511**	**321**	**3.86**	13 392	276	4.09
Liquid assets portfolio		**89 329**	**3 445**	**7.65**	94 803	3 646	7.63
Loans and advances to customers	1	**681 379**	**37 269**	**10.85**	630 834	35 542	11.18
Interest-earning assets		**808 500**	**41 035**	**10.07**	758 694	39 464	10.32
INTEREST-BEARING LIABILITIES							
Average JIBAR				**7.15**			7.35
Deposits due to customers	2	**(518 039)**	**(12 913)**	**4.94**	(472 062)	(11 775)	4.95
Group Treasury funding		**(305 221)**	**(10 663)**	**6.93**	(273 634)	(9 270)	6.72
Interest-bearing liabilities		**(823 260)**	**(23 576)**	**5.68**	(745 696)	(21 045)	5.60
ENDOWMENT AND TRADING BOOK							
Other assets*		**230 144**			195 445	–	–
Other liabilities**		**(124 335)**			(124 512)	–	–
NCNR preference shareholders		**(3 000)**			(3 000)	–	–
Equity		**(88 049)**			(80 931)	–	–
Endowment and trading book		**14 760**	**3 209**	**43.13**	(12 998)	1 545	(23.58)
Total interest-bearing liabilities, endowment and trading book		**(808 500)**	**(20 367)**	**5.00**	(758 694)	(19 500)	5.10
Net interest margin on average interest-earning assets		**808 500**	**20 668**	**5.07**	758 694	19 964	5.22

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

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

** *Includes trading liabilities.*

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

† *Comparatives have been restated due to refinements in calculations.*

Note 1 – Margin analysis on loans and advances to customers

R million	December 2017 Average balance	December 2017 Average margin %	December 2016 Average balance	December 2016 Average margin %
Average prime rate (RSA)		**10.28**		10.50
ADVANCES				
Retail – secured	**321 895**	**2.46**	305 427	2.76
Residential mortgages	**195 643**	**1.88**	189 355	1.60
VAF	**126 252**	**3.37**	116 072	4.66
Retail – unsecured	**70 637**	**11.96**	66 104	12.49
Card	**24 652**	**8.90**	22 512	9.43
Personal loans	**30 618**	**16.06**	29 032	16.60
– FNB	**16 328**	**13.89**	16 569	14.68
– WesBank	**14 290**	**18.54**	12 463	19.15
Retail other	**15 367**	**8.69**	14 560	9.00
Corporate and commercial	**288 847**	**2.32**	259 303	2.23
FNB commercial	**83 722**	**3.53**	78 394	3.41
– Mortgages	**20 293**	**2.43**	18 726	2.30
– Overdrafts	**31 144**	**4.55**	28 886	4.31
– Term loans	**32 285**	**3.24**	30 782	3.23
WesBank corporate	**28 312**	**2.16**	27 448	2.28
RMB investment banking*	**137 330**	**1.86**	122 385	1.60
RMB corporate banking	**39 483**	**1.50**	31 076	1.67
Total advances	**681 379**	**3.39**	630 834	3.56

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

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

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 bank operates a transfer pricing framework as explained on page 74 which incorporates liquidity cost and regulatory costs into product pricing.

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

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) continued

Note 2 – Margin analysis on deposits due to customers

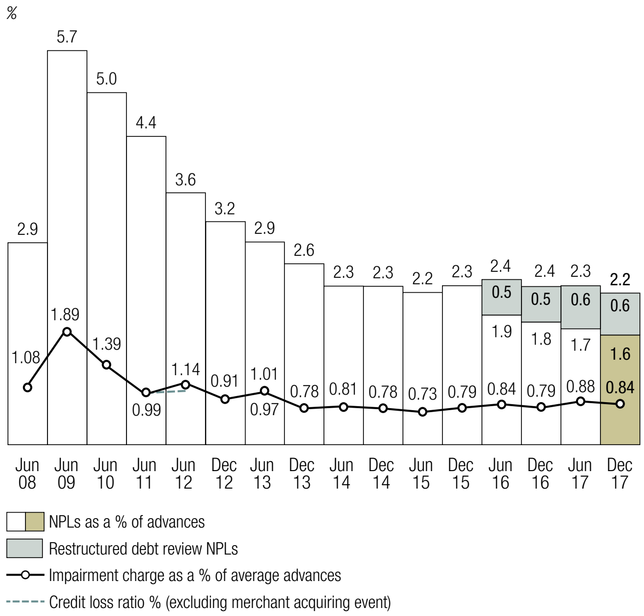
	December 2017		December 2016*	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**10.28**		10.50
DEPOSITS				
Retail	**188 944**	**2.60**	166 853	2.96
Current and savings	**55 548**	**6.54**	53 436	6.76
Call	**59 181**	**1.11**	44 089	1.39
Term	**74 215**	**0.85**	69 328	1.03
Commercial	**200 677**	**2.76**	175 415	2.94
Current and savings	**74 004**	**5.79**	65 088	6.09
Call	**70 429**	**1.43**	66 524	1.47
Term	**56 244**	**0.44**	43 803	0.47
Corporate and investment banking	**128 418**	**0.90**	129 794	0.83
Current and savings	**60 395**	**1.36**	59 838	1.37
Call	**50 289**	**0.49**	47 235	0.47
Term	**17 734**	**0.49**	22 721	0.16
Total deposits	**518 039**	**2.24**	472 062	2.37

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

* *Comparatives have been restated due to refinements in the methodology and product allocation.*

CREDIT HIGHLIGHTS

NPLs and impairment history



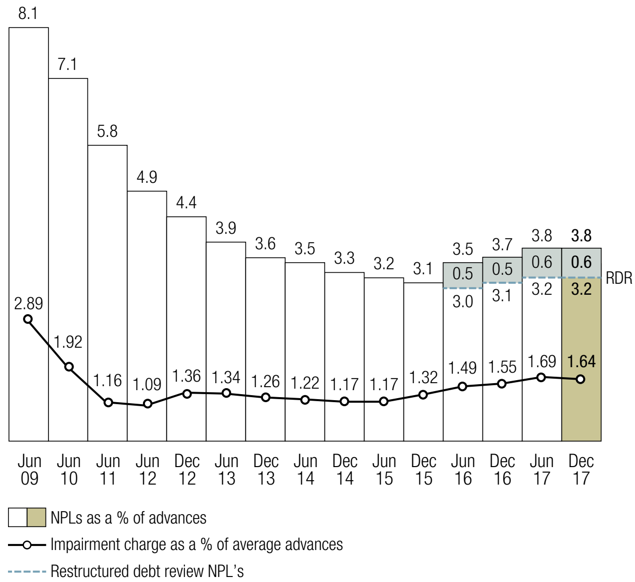
Credit highlights at a glance

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Total gross advances	**854 923**	781 513	9	814 278
NPLs	**18 565**	18 434	1	18 509
NPLs as a % of advances	**2.17**	2.36		2.27
Impairment charge	**3 524**	3 087	14	6 984
Credit loss ratio (%)	**0.84**	0.79		0.88
Total impairments	**15 057**	14 500	4	14 859
– Portfolio impairments	**8 007**	7 456	7	7 711
– Specific impairments	**7 050**	7 044	–	7 148
Specific coverage ratio (%)*	**38.0**	38.2		38.6
Total impairment coverage ratio (%)**	**81.1**	78.7		80.3
Performing book coverage ratio (%)#	**0.96**	0.98		0.97

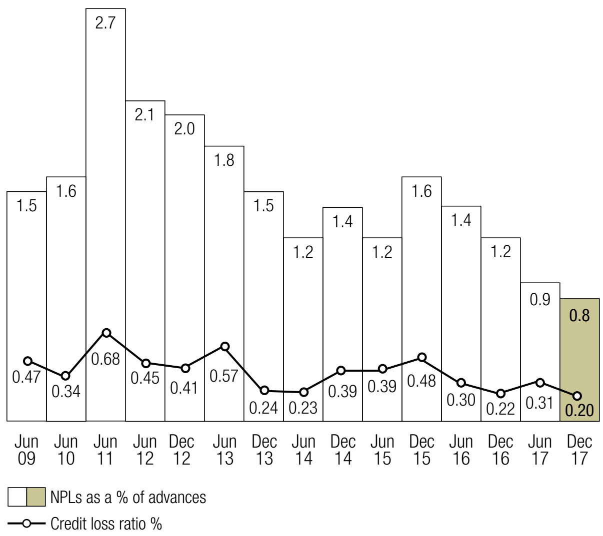
* *Specific impairments as a percentage of NPLs.*
** *Total impairments as a percentage of NPLs.*
\# *Portfolio impairments as a percentage of the performing book.*

CREDIT HIGHLIGHTS continued

Retail NPLs and impairments



Corporate and commercial NPLs and impairments



Credit impairments increased 14%, with the credit loss ratio rising to 84 bps from 79 bps at December 2016, although down compared to June 2017 (88 bps), reflecting the benefit of the conservative origination and provisioning policies adopted over the last two financial years across the portfolio.

Retail credit impairment charge reflected a deterioration period-on-period to 164 bps (December 2016: 155 bps), although showing a marginal improvement from 169 bps for the six months ended June 2017.

Commercial impairments reflected a marginal deterioration to 77 bps, in line with through-the-cycle expectations.

The RMB IB portfolio reflected a zero charge benefiting from proactive provisioning in prior periods.

Portfolio impairments increased 7%, reflecting continued conservative provisioning in response to book growth and the constrained macroeconomic environment in South Africa, as well as an increase in emergence periods in certain retail portfolios. Proactive provisioning by RMB in previous periods was driven primarily in response to the deteriorating macros and anticipated sovereign downgrade, as well as pressure on commodity prices. The subsequent improvement in commodity prices over the last 18 months, and the utilisation of existing provisions for sovereign downgrade, resulted in a significant reduction of impairments raised in the current period.

The total impairment coverage ratio increased from 78.7% to 81.1% (June 2017: 80.3%), reflecting the benefit of increased conservatism in certain retail portfolios and the work-out and write-off of certain large corporate exposures, in spite of a partial central overlay release.

NPLs increased 1% from December 2016 but were flat (+0.3%) when compared to June 2017.

Retail NPLs increased 12%, primarily driven by an increase in VAF and unsecured lending. This was partially offset by a 31% reduction in corporate and commercial NPLs.

KEY DRIVERS

- Retail NPLs as a percentage of advances decreased to 3.28% (December 2016: 3.72%, June 2017: 3.81%), driven primarily by the increase in restructured debt-review accounts which the group reflects in NPLs and are not re-aged:
  – Residential mortgage NPLs increased 2% period-on-period, primarily driven by an expected normalisation given the cycle, especially in affordable housing. This resulted in lower cure rates and an increase in new NPL formation. The increase was further impacted by growth in debt-review NPLs.
  – NPLs increased 4% in FNB loans and 22% in card. The low growth in FNB loans reflects the benefit of a more conservative credit appetite, especially in the consumer segment over the last 12 – 18 months, and strong collections across the portfolio. The increase in card NPLs reflects expected new business strain given the seasoning of the book following strong advances growth over previous periods and the increasing number of debt-review NPLs. Debt-review NPLs comprise 40% and 46%, respectively, of the FNB loans and card NPL portfolios.
  – Retail SA VAF NPLs increased 16%. The increase reflects:
    - an increase in the proportion of restructured debt-review NPLs;
    - higher than expected NPLs in the self-employed and small business segments; and
    - lengthening recovery timelines and more customers opting for court orders for repossessions.
  – WesBank personal loans NPLs increased 29%. The increase was due to:
    - higher debt-review accounts; and
    - a change in write-off policy.
  – The total retail SA VAF charge of 1.87% (December 2016: 1.44%, June 2017 1.55%) was impacted by the growth in NPLs and increased conservatism in portfolio provisions. The reduction in the WesBank loans impairment ratio reflects the positive impact of risk cuts in prior years and continued focus on lower risk business.
  – NPLs in MotoNovo VAF increased 27% (GBP +30%). The growth was largely expected, given the historic book growth and the impact of business written before the risk cuts in the prior year.
- RMB CIB NPLs decreased 67% since December 2016 specifically due to the work-out and write-off of certain real estate and large resource-related exposures in the RMB investment banking advances book which were originated in previous reporting periods.
- FNB commercial NPLs remained flat, with an expected increase in agric offset by decreases in other portfolios.
- Post write-off recoveries remained robust at R1 0855 million (December 2016: R1 054 million, June 2017: R2 093 million) driven by card, the personal loans portfolios and retail SA VAF.

CREDIT HIGHLIGHTS continued

The table below provides an overview of the restructured debt-review and non-debt review NPLs.

R million	Operational NPLs*	Restructured debt-review NPLs	Total NPLs	Total NPLs % change	Operational NPLs % change	Debt-review NPLs as a % of total NPLs
December 2017						
Residential mortgages	**4 086**	**449**	**4 535**	**2**	**–**	**10**
Card	**535**	**458**	**993**	**22**	**(13)**	**46**
Personal loans	**760**	**514**	**1 274**	**4**	**(14)**	**40**
Retail other	**619**	**177**	**796**	**11**	**16**	**22**
FNB retail NPLs	**6 000**	**1 598**	**7 598**	**5**	**(2)**	**21**
WesBank loans	**542**	**1 053**	**1 595**	**29**	**50**	**66**
SA VAF	**3 543**	**2 373**	**5 916**	**16**	**15**	**40**
WesBank retail NPLs	**4 085**	**3 426**	**7 511**	**19**	**19**	**46**
Total NPLs	**13 541**	**5 024**	**18 565**	**1**	**(6)**	**27**
December 2016						
Residential mortgages	4 098	364	4 462	4	(4)	8
Card	618	196	814	53	16	24
Personal loans	882	344	1 226	77	28	28
Retail other	533	186	719	31	(3)	26
FNB retail NPLs	6 131	1 090	7 221	20	1	15
WesBank loans	362	876	1 238	22	3	71
SA VAF	3 077	2 017	5 094	18	11	40
WesBank retail NPLs	3 439	2 893	6 332	18	10	46
Total NPLs	14 451	3 983	18 434	5	(7)	22
June 2017						
Residential mortgages	4 090	470	4 560	(2)	(5)	10
Card	689	237	926	22	23	26
Personal loans	798	429	1 227	12	(1)	35
Retail other	677	181	858	9	2	21
FNB retail NPLs	6 254	1 317	7 571	4	(1)	17
WesBank loans	347	998	1 345	19	(6)	74
SA VAF	3 351	2 311	5 662	17	9	41
WesBank retail NPLs	3 698	3 309	7 007	17	7	47
Total NPLs	13 883	4 626	18 509	(2)	(10)	25

* *Operational NPLs include older debt review accounts that migrated into NPLs prior to May 2016 as well as other types of restructured exposures and special arrangements undertaken by the bank that are non performing.*

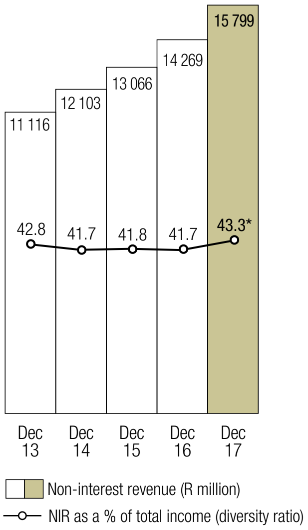
	Restructured debt-review coverage			Non-debt review coverage			Total NPL coverage				
Coverage ratio (%)	Dec 2017	June 2017	Dec 2016	Dec 2017	June 2017	Dec 2016	Dec 2017	June 2017	Dec 2016	Change	
FNB credit card	**52.5**	45.1	42.2	**78.6**	74.2	75.7	**66.9**	67.0	67.6	(0.7)	↓
FNB retail other	**36.2**	37.9	43.4	**80.4**	75.5	79.8	**70.0**	67.0	71.6	(1.6)	↓
FNB loans	**48.5**	48.2	71.5	**68.5**	69.2	70.1	**60.4**	61.9	70.5	(10.1)	↓
WesBank loans	**18.0**	26.3	26.7	**72.8**	71.9	70.0	**36.6**	38.1	39.4	(2.8)	↓
SA VAF	**9.5**	9.4	10.5	**42.9**	43.1	40.3	**29.6**	29.4	28.6	1.0	↑

NON-INTEREST REVENUE

NON-INTEREST REVENUE – UP 11%

Non-interest revenue and diversity ratio

NIR CAGR 9%



* *The current period benefited from stronger NIR growth, driven by fee and commission income and a slow down in NII growth.*

Analysis of non-interest revenue

R million	Notes	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Fee, commission and insurance income		**11 985**	11 083	8	22 199
– Fee and commission income	1	**11 494**	10 594	8	21 203
– Insurance income	2	**491**	489	–	996
Markets, client and other fair value income	3	**1 884**	1 533	23	3 692
Investment income		**153**	32	>100	137
Other non-interest revenue	4	**1 777**	1 621	10	3 478
Non-interest revenue		**15 799**	14 269	11	29 506

A strong NIR performance was underpinned by solid fee and commission income growth, benefiting from robust electronic transaction volume growth combined with a pleasing increase in customer numbers. Fee, commission and insurance income represents 76% (December 2016: 78%) of NIR.

NON-INTEREST REVENUE continued

Note 1 – Fee and commission income – up 8%

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Bank commissions and fee income	**12 518**	11 276	11	22 546
– Card commissions	**1 997**	1 725	16	3 437
– Cash deposit fees	**851**	854	–	1 623
– Commissions on bills, drafts and cheques	**1 154**	1 087	6	2 206
– Bank charges	**8 516**	7 610	12	15 280
– Commitment fees	**706**	619	14	1 305
– Other bank charges*	**7 810**	6 991	12	13 975
Knowledge-based fees	**572**	727	(21)	1 448
Management fees	**399**	370	8	765
Other non-bank commissions	**362**	310	17	710
Gross fee and commission income	**13 851**	12 683	9	25 469
Fee and commission expenditure	**(2 357)**	(2 089)	13	(4 266)
Total fee and commission income	**11 494**	10 594	8	21 203

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

KEY DRIVERS

- FNB reflected strong NIR growth of 11%, driven by a continued increase in the main-banked active client base and ongoing increased cross-sell and up-sell into the client base.
- Transaction volume growth remained robust at 10%. Electronic volumes increased 11%, whilst manual volumes only grew 4%, with branch transaction volumes decreasing 17% and cash centre transaction volumes down 10%.

	Increase in transaction volumes %
ADT/ATM deposits	**5**
Internet banking	**(1)**
Banking app	**66**
Mobile (excluding prepaid)	**3**
Point-of-sale	**13**

- Whilst knowledge-based fees decreased, the underlying performance remained resilient, underpinned by key advisory and capital markets mandates. Origination and structuring fees were dampened by muted deal volumes driven by lower corporate activity in the period to December 2017.
- The bank's management and fiduciary fee income growth of 8% reflects increased management fees from the group's associates and joint ventures.

Note 2 – Insurance income – flat

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Insurance commission	**350**	344	2	702
Insurance brokerage	**141**	145	(3)	294
Total insurance income	**491**	489	–	996

KEY DRIVERS

- Insurance commissions increased marginally due to renewed focus on cross-selling of insurance products within FNB and a strong performance from MotoNovo.

Note 3 – Markets, client and other fair value income – up 23%

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Client	**962**	699	38	1 832
Markets	**506**	483	5	1 185
Other	**416**	351	19	675
Total markets, client and other fair value income	**1 884**	1 533	23	3 692

KEY DRIVERS

- Client revenues remained resilient, benefiting from good client flow and a satisfactory structuring performance.
- Flow trading and residual risk activities delivered a balanced performance, reflecting heightened levels of volatility in the foreign exchange and fixed income markets. This was partially offset by a softer performance in the hard commodities and credit trading portfolios.
- The increase in other fair value income is due to positive mark-to-market movements on economic foreign exchange hedges. This was partially offset by a loss on the total return swap (TRS) in spite of the upward move in the group's share price, due to a lower number of shares hedged through the TRS and further impacted by the difference in the grant and vesting values of the various schemes.

Note 4 – Other non-interest revenue – up 10%

KEY DRIVERS

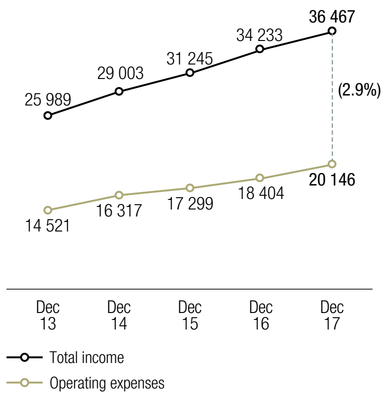
- The most significant other non-interest income item relates to various intercompany charges to other FirstRand group companies, for the provision of services which generate revenue in the form of service charges and management fees. These eliminate on a group level.
- The remaining significant other non-interest income items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank in particular showing strong growth in its full maintenance leasing (FML) book.

OPERATING EXPENSES

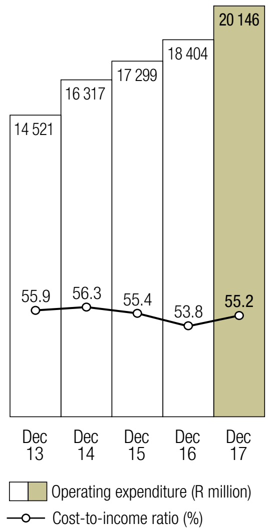
OPERATING EXPENSES – UP 9%

Operating jaws

R million



Operating efficiency



Operating expenses

	Six months ended 31 December			Year ended 30 June
R million	**2017**	2016	% change	2017
Staff expenditure	**11 391**	10 432	9	21 847
– Direct staff expenditure	**7 679**	7 322	5	14 508
– Other staff-related expenditure	**3 712**	3 110	19	7 339
Depreciation of property and equipment	**1 173**	1 127	4	2 311
Amortisation of intangible assets	**46**	29	59	94
Advertising and marketing	**626**	612	2	1 114
Insurance	**126**	120	5	231
Lease charges	**628**	644	(2)	1 267
Professional fees	**734**	812	(10)	1 636
Audit fees	**121**	122	(1)	246
Computer expenses	**970**	989	(2)	1 912
Repairs and maintenance	**508**	539	(6)	1 145
Telecommunications	**174**	133	31	275
Cooperation agreements and joint ventures	**343**	284	21	646
Property	**424**	409	4	834
Business travel	**176**	170	4	313
Assets costing less than R7 000	**159**	125	27	245
Stationery and printing	**91**	91	–	173
Donations	**237**	217	9	218
Other expenditure	**2 219**	1 549	43	3 214
Total operating expenses	**20 146**	18 404	9	37 721

KEY DRIVERS

- Cost growth of 9% reflects the bank's ongoing cost management efforts, in spite of continuing investment spend on new initiatives and platforms.
- Staff costs, which comprise 57% of the bank's total operating expenses, increased 9%.

	% change	REASONS
Direct staff costs	5	Impacted by unionised increases at an average of 7.8% in August 2017. Local operations decreased headcount 1%. This decrease was offset by a more than 20% increase in MotoNovo.
Other staff-related expenditure	19	The significant increase in variable costs reflects the strong growth in earnings and NIACC (in particular from FNB and RMB) in the current period compared to the more subdued levels in the previous period. Normalised share-based payment expenses increased marginally, given the increase in the group's share price, resulting in higher grant values.

- The 4% increase in depreciation was driven by strong growth in WesBank's FML book, continuing investment in infrastructure (e.g. ATMs/ADTs), ongoing investment in electronic platforms and the commissioning of new premises over the three previous financial years.
- The 59% increase in amortisation of intangibles is due to software capitalisation in FNB and RMB.
- The decline in lease charges reflects the acquisition of office buildings previously leased, which resulted in an increase in depreciation and property expenses.
- Professional fees and computer expenses decreased by 10% and 2%, respectively, despite continued spend on projects related to various electronic platforms and infrastructure upgrades. The decrease in cost reflects the maturing of certain projects resulting in an increase in the component of costs being capitalised as the projects enter the implementation and "go live" phase.
- Repairs and maintenance decreased 6% due to base adjustments in the FML book in the prior period, which have now stabilised.
- The 31% increase in telecommunications was driven by increased bandwidth and related costs emanating from the use of different channels for advertising, marketing and communications.
- Cooperation agreements and joint venture costs increased 21%, driven by a strong performance by the Discovery card book and improved performance in the underlying alliances within the WesBank portfolio.

balance sheet analysis and financial resource management

50 – 83

ECONOMIC VIEW OF THE BALANCE SHEET

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

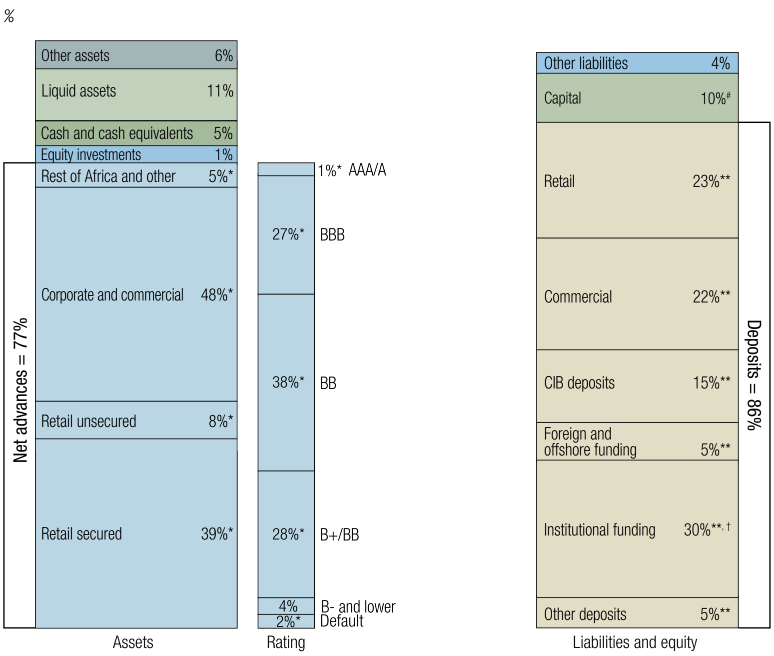
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 77% of total assets. The composition of the net advances portfolio consists of retail secured (38%), retail unsecured (9%), corporate and commercial (48%), and rest of Africa and other (5%) with 94% of advances rated B or better. At 31 December 2017, total NPLs were R18.6 billion (2.17% as a percentage of advances) with a credit loss ratio of 0.84%.

Cash and cash equivalents, and liquid assets represent 5% and 11%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low.

FRB's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the bank has continued to improve its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the bank's institutional funding was 34 months at 31 December 2017 (December 2016: 32 months).

The bank's capital ratios remained strong with the CET1 ratio 13.9%, Tier 1 ratio 14.1% and total capital adequacy ratio 17.3%. Gearing decreased to 12.9 times (December 2016: 13.0 times).

Economic view of the balance sheet

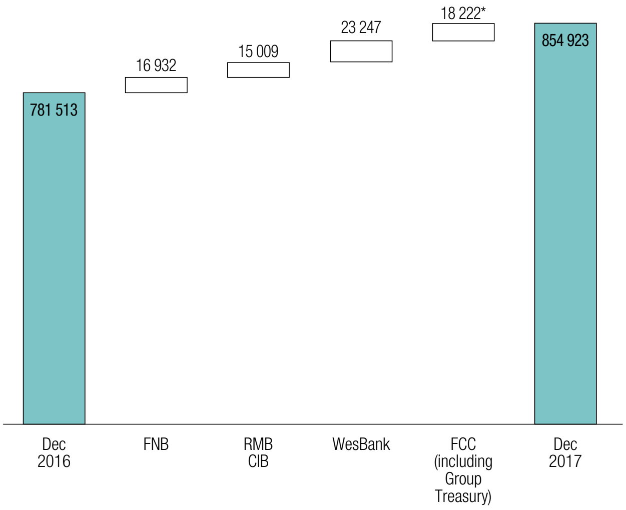


* As a proportion of loans and advances.
** As a proportion of deposit franchise.
\# Ordinary equity (8%) and NCNR preference shares and Tier 2 liabilities (2%).
† Includes CIB institutional funding and foreign branch platform.
Derivative-, securities lending- and short trading position assets and liabilities have been netted off.

ADVANCES – UP 9%

Gross advances growth by franchise

R million



* *Managed by the Group Treasurer and includes HQLA advances.*

Advances

	As at 31 December			As at 30 June
R million	**2017**	2016	% change	2017
Gross advances	**854 923**	781 513	9	814 278
Impairment of advances	**(15 057)**	(14 500)	4	(14 859)
Net advances	**839 866**	767 013	9	799 419

Advances increased 9% compared to a 5% increase recorded for the financial year ended 30 June 2017.

Growth rates remained modest across most of the retail portfolios, which reflects the ongoing impact of the difficult macroeconomic environment leading to disciplined resource allocation and the strengthening of the rand against the US dollar and British pound period-on-period. On a constant-currency basis, the bank achieved 10% advances growth.

The economic environment, higher funding costs and disciplined pricing of financial resources continues to place pressure on the corporate portfolio, specifically in the investment grade segment in South Africa. Despite this, the portfolio produced solid balance sheet growth.

ADVANCES continued

PORTFOLIO/PRODUCT	% CHANGE	KEY DRIVERS
FNB retail	**4**	
Residential mortgages	4	• 3% growth in FNB HomeLoans, reflecting a slowdown in nominal house price inflation and lower demand. • Satisfactory growth of 12% in secured affordable housing on the back of client demand.
Card	11	• Underpinned by targeted client acquisition, ongoing client migration as well as increased limits, and utilisation in the premium segment. Growth in the consumer segment has been marginally negative given reduced risk appetite.
Personal loans	1	• Low growth reflects a more conservative origination appetite specifically in the consumer segment where the book contracted. The premium segment showed strong growth of 17%.
Retail other	5	• Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating from the prior period, due to risk appetite.
FNB commercial	**8**	• Reflecting targeted new client acquisition in the business segment, resulting in growth of 11% in agric and 10% in commercial property finance.
RMB CIB core	**11**	• Growth from the SA core advances book was solid in spite of the constrained macroeconomic environment and competitive pressures. Cross-border growth was up 8% in constant currency terms, reflecting drawdowns of pre-existing facilities and targeted new credit extension. In rand terms, the cross-border book decreased 3% period-on-period.
WesBank	**15**	• Production in overall retail SA VAF has grown by 11% period-on-period, whilst advances have grown by 5%, impacted by the run-off of business written on associates' balance sheet. • New business volumes in MotoNovo remained resilient with the continued focus on reducing higher risk business. The 71% growth (GBP terms) in advances is as a result of an evolution in securitisation structuring within MotoNovo to include an on-balance sheet securitisation facility, which historically would have been moved to an entity outside of the bank. • Loans reflected good advances growth of 14% benefiting from increased growth in lower risk segments of the market, offset by cuts in higher risk buckets and impacted by the introduction of NCAA rate caps.

CREDIT

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		Six months ended 31 December			Year ended 30 June
R million	Notes	2017	2016	% change	2017
Total gross advances	1	**854 923**	781 513	9	814 278
NPLs	2	**18 565**	18 434	1	18 509
NPLs as a % of advances	2	**2.17**	2.36		2.27
Impairment charge	3	**3 524**	3 087	14	6 984
Credit loss ratio (%)	3	**0.84**	0.79		0.88
Total impairments	4	**15 057**	14 500	4	14 859
– Portfolio impairments		**8 007**	7 456	7	7 711
– Specific impairments		**7 050**	7 044	–	7 148
Specific coverage ratio (%)*	4	**38.0**	38.2		38.6
Total impairment coverage ratio (%)**	4	**81.1**	78.7		80.3
Performing book coverage ratio (%)#		**0.96**	0.98		0.97

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

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

CREDIT continued

NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2017	2016	% change	2017	2017
Retail	**402 115**	369 441	9	**47**	387 364
Retail – secured	**332 206**	305 689	9	**38**	320 317
Residential mortgages	**198 704**	191 437	4	**23**	195 498
VAF	**133 502**	114 252	17	**15**	124 819
– SA	**97 069**	92 016	5	**11**	95 285
– MotoNovo*	**36 433**	22 236	64	**4**	29 534
Retail – unsecured	**69 909**	63 752	10	**9**	67 047
Card	**25 063**	22 495	11	**3**	23 800
Personal loans	**29 745**	26 899	11	**4**	28 384
– FNB	**14 562**	14 431	1	**2**	14 372
– WesBank	**14 247**	12 468	14	**2**	13 517
– MotoNovo	**936**	–	>100	**–**	495
Retail other	**15 101**	14 358	5	**2**	14 863
Corporate and commercial	**408 609**	387 469	5	**48**	401 227
FNB commercial	**87 890**	81 159	8	**10**	84 132
WesBank corporate	**29 767**	28 485	5	**3**	31 364
RMB investment banking**	**225 440**	220 305	2	**27**	227 642
RMB corporate banking	**48 532**	38 658	26	**6**	39 545
HQLA corporate advances#	**16 980**	18 862	(10)	**2**	18 544
FNB Africa	**50**	558	(91)	**–**	273
FCC (including Group Treasury)	**44 149**	24 045	84	**5**	25 414
Securitisation notes	**24 238**	17 812	36	**3**	19 223
Other	**19 911**	6 233	>100	**2**	6 191
Total advances	**854 923**	781 513	9	**100**	814 278
Of which:					
Accrual book	**645 094**	538 541	20	**75**	583 234
Fair value book†	**209 829**	242 972	(14)	**25**	231 044

* *MotoNovo VAF book GBP2.19 billion (+66%) (December 2016: GBP1.32 billion; June 2017: GBP1.74 billion).*
** *Includes activities in India and represents the in-country balance sheet.*
# *Managed by Group Treasurer.*
† *Includes advances classified as available-for-sale.*

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

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2017	2016	% change	2017	2017
Corporate and investment banking advances	**273 972**	258 963	6	**100**	267 187
Less: assets under agreements to resell	**(19 580)**	(30 246)	(35)	**7**	(29 047)
RMB advances net of assets under agreements to resell*	**254 392**	228 717	11	**93**	238 140

* *Excludes HQLA.*

Strategy view of CIB advances

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2017	2016	% change	2017	2017
RMB investment banking	**225 440**	220 305	2	**83**	227 642
Less: assets under agreements to resell	**(19 472)**	(29 248)	(33)	**(7)**	(28 448)
RMB investment banking core advances	**205 968**	191 057	8	**76**	199 194
– South Africa	**183 685**	169 244	9	**68**	175 900
– Cross-border (rest of Africa)	**22 283**	21 813	2	**8**	23 294
RMB corporate banking	**48 532**	38 658	26	**18**	39 545
Less: assets under agreements to resell	**(108)**	(998)	(89)	**-**	(599)
RMB corporate banking core advances	**48 424**	37 660	29	**18**	38 946
– South Africa	**40 226**	28 078	43	**15**	31 830
– Cross-border (rest of Africa)	**8 198**	9 582	(14)	**3**	7 116
HQLA corporate advances	**16 980**	18 862	(10)	**6**	18 544
CIB total core advances	**271 372**	247 579	10	**100**	256 684

CIB core advances – South Africa*	**240 891**	216 184	11	**89**	226 273
CIB core advances – rest of Africa**	**30 481**	31 395	(3)	**11**	30 410
CIB total core advances	**271 372**	247 579	10	**100**	256 684

* *CIB core advances – South Africa is the sum of RMB IB SA core advances, RMB CB SA advances and HQLA corporate advances.*

** *CIB core advances – rest of Africa is the sum of RMB IB cross-border core advances, RMB CB cross-border advances and RMB rest of Africa in-country advances.*

CREDIT continued

Sector and geographic analysis of advances

	Advances				
	As at 31 December			% composition	As at 30 June
R million	2017	2016	% change	2017	2017
Gross advances	**856 651**	783 170	9	100	815 960
Less: interest in suspense	**(1 728)**	(1 657)	4	–	(1 682)
Advances net of interest in suspense	**854 923**	781 513	9	100	814 278
Sector analysis					
Agriculture	**30 094**	29 365	2	4	30 220
Banks	**19 493**	5 297	>100	2	4 951
Financial institutions*	**142 884**	119 245	20	17	132 200
Building and property development	**44 672**	48 154	(7)	5	42 637
Government, Land Bank and public authorities	**22 504**	22 220	1	3	22 740
Individuals	**387 184**	340 054	14	44	372 740
Manufacturing and commerce	**99 669**	90 001	11	12	92 148
Mining	**10 031**	16 100	(38)	1	16 461
Transport and communication	**16 857**	16 994	(1)	2	18 635
Other services*	**81 535**	94 083	(13)	10	81 546
Total advances	**854 923**	781 513	9	100	814 278
Geographic analysis					
South Africa	**759 580**	716 763	6	89	739 728
Other Africa	**27 331**	26 551	3	3	26 982
UK	**55 324**	26 189	>100	6	35 810
Other Europe	**5 716**	4 725	21	1	5 475
North America	**2 406**	2 690	(11)	–	1 727
South America	**–**	16	–	–	434
Australasia	**1**	19	(95)	–	1
Asia	**4 565**	4 560	–	1	4 121
Total advances	**854 923**	781 513	9	100	814 278

* *An analysis of other services resulted in R17 812 million being restated to financial institutions in the prior period.*

NOTE 2: ANALYSIS OF NPLs

The table below provides an 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	2017	2016	% change	2017	2017	2017	2016	2017
Retail	**15 372**	13 750	12	**84**	14 750	**3.82**	3.72	3.81
Retail – secured	**10 702**	9 753	10	**59**	10 393	**3.22**	3.19	3.24
Residential mortgages	**4 535**	4 462	2	**25**	4 560	**2.28**	2.33	2.33
VAF	**6 167**	5 291	17	**34**	5 833	**4.62**	4.63	4.67
– SA	**5 916**	5 094	16	**33**	5 662	**6.09**	5.54	5.94
– MotoNovo*	**251**	197	27	**1**	171	**0.69**	0.89	0.58
Retail – unsecured	**4 670**	3 997	17	**25**	4 357	**6.68**	6.27	6.50
Card	**993**	814	22	**5**	926	**3.96**	3.62	3.89
Personal loans	**2 881**	2 464	17	**16**	2 573	**9.69**	9.16	9.06
– FNB	**1 274**	1 226	4	**7**	1 227	**8.75**	8.50	8.54
– WesBank	**1 595**	1 238	29	**9**	1 345	**11.20**	9.93	9.95
– MotoNovo	**12**	–	>100	**–**	1	**1.28**	–	0.20
Retail other	**796**	719	11	**4**	858	**5.27**	5.01	5.77
Corporate and commercial	**3 143**	4 552	(31)	**16**	3 710	**0.77**	1.17	0.92
FNB commercial	**2 235**	2 235	–	**12**	2 280	**2.54**	2.75	2.71
WesBank corporate	**240**	267	(10)	**1**	258	**0.81**	0.94	0.82
RMB investment banking	**633**	1 979	(68)	**3**	1 137	**0.28**	0.90	0.50
RMB corporate banking	**35**	71	(51)	**–**	35	**0.07**	0.18	0.09
HQLA corporate advances**	**–**	–	–	**–**	–	**–**	–	–
FNB Africa	**50**	132	(62)	**–**	49	**100.00**	23.66	17.95
FCC (including Group Treasury)	**–**	–	–	**–**	–	**–**	–	–
Securitisation notes	**–**	–	–	**–**	–	**–**	–	–
Other	**–**	–	–	**–**	–	**–**	–	–
Total NPLs	**18 565**	18 434	1	**100**	18 509	**2.17**	2.36	2.27
Of which:								
Accrual book	**18 239**	16 876	8	**98**	17 706	**2.83**	3.13	3.04
Fair value book	**326**	1 558	(79)	**2**	803	**0.16**	0.64	0.35

* *MotoNovo VAF NPLs of GBP15 million (+30%) (December 2016: GBP12 million; June 2017: GBP10 million).*
** *Managed by Group Treasurer.*

CREDIT continued

Sector and geographic analysis of NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December			% com-position	As at 30 June	As at 31 December		As at 30 June
R million	2017	2016	% change	2017	2017	2017	2016	2017
Sector analysis								
Agriculture	**661**	580	14	**4**	620	**2.20**	1.98	2.05
Banks	**–**	–	–	**–**	–	**–**	–	–
Financial institutions	**309**	121	>100	**2**	94	**0.22**	0.10	0.07
Building and property development	**612**	1 348	(55)	**3**	1 060	**1.37**	2.80	2.49
Government, Land Bank and public authorities	**13**	14	(7)	**–**	27	**0.06**	0.06	0.12
Individuals	**14 693**	12 830	15	**79**	14 084	**3.79**	3.77	3.78
Manufacturing and commerce	**708**	784	(10)	**4**	950	**0.71**	0.87	1.03
Mining	**435**	1 073	(59)	**2**	485	**4.34**	6.66	2.95
Transport and communication	**178**	207	(14)	**1**	152	**1.06**	1.22	0.82
Other services	**956**	1 477	(35)	**5**	1 037	**1.17**	1.57	1.27
Total NPLs	**18 565**	18 434	1	**100**	18 509	**2.17**	2.36	2.27
Geographic analysis								
South Africa	**17 796**	17 088	4	**97**	17 761	**2.34**	2.38	2.40
Other Africa	**84**	595	(86)	**–**	111	**0.31**	2.24	0.41
UK	**263**	197	34	**1**	172	**0.48**	0.75	0.48
Other Europe	**24**	16	50	**–**	58	**0.42**	0.34	1.06
North America	**348**	405	(14)	**2**	358	**14.46**	15.06	20.73
South America	**–**	–	–	**–**	–	**–**	–	–
Australasia	**–**	–	–	**–**	–	**–**	–	–
Asia	**50**	133	(62)	**–**	49	**1.10**	2.92	1.19
Total NPLs	**18 565**	18 434	1	**100**	18 509	**2.17**	2.36	2.27

Security and recoverable amounts by portfolio

	As at 31 December 2017			As at 31 December 2016			As at 30 June 2017		
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	**15 372**	**9 868**	**5 504**	13 750	8 768	4 982	14 750	9 523	5 227
Retail – secured	**10 702**	**7 784**	**2 918**	9 753	7 188	2 565	10 393	7 633	2 760
Residential mortgages	**4 535**	**3 516**	**1 019**	4 462	3 474	988	4 560	3 567	993
VAF	**6 167**	**4 268**	**1 899**	5 291	3 714	1 577	5 833	4 066	1 767
– SA	**5 916**	**4 164**	**1 752**	5 094	3 637	1 457	5 662	3 995	1 667
– MotoNovo	**251**	**104**	**147**	197	77	120	171	71	100
Retail – unsecured	**4 670**	**2 084**	**2 586**	3 997	1 580	2 417	4 357	1 890	2 467
Card	**993**	**329**	**664**	814	264	550	926	306	620
Personal loans	**2 881**	**1 516**	**1 365**	2 464	1 112	1 352	2 573	1 301	1 272
– FNB	**1 274**	**504**	**770**	1 226	362	864	1 227	468	759
– WesBank	**1 595**	**1 011**	**584**	1 238	750	488	1 345	833	512
– MotoNovo	**12**	**1**	**11**	–	–	–	1	–	1
Retail other	**796**	**239**	**557**	719	204	515	858	283	575
Corporate and commercial	**3 143**	**1 624**	**1 519**	4 552	2 584	1 968	3 710	1 809	1 901
FNB commercial	**2 235**	**1 278**	**957**	2 235	1 213	1 022	2 280	1 224	1 056
WesBank corporate	**240**	**124**	**116**	267	106	161	258	111	147
RMB investment banking	**633**	**201**	**432**	1 979	1 229	750	1 137	453	684
RMB corporate banking	**35**	**21**	**14**	71	36	35	35	21	14
HQLA corporate advances*	**–**	**–**	**–**	–	–	–	–	–	–
FNB Africa	**50**	**23**	**27**	132	38	94	49	29	20
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–	–	–	–
Other	**–**	**–**	**–**	–	–	–	–	–	–
Total	**18 565**	**11 515**	**7 050**	18 434	11 390	7 044	18 509	11 361	7 148

* *Managed by the Group Treasurer.*

CREDIT continued

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

Income statement impairments

	Total impairment charge				As a % of average advances#			
	Year ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June	Six months ended 30 June
R million	2017	2016	% change	2017	2017	2016	2017	2017
Retail	**3 230**	2 908	11	6 103	**1.64**	1.55	1.59	1.69
Retail – secured	**1 352**	1 040	30	2 252	**0.83**	0.67	0.71	0.77
Residential mortgages	**144**	132	9	285	**0.15**	0.14	0.15	0.16
VAF	**1 208**	908	33	1 967	**1.87**	1.50	1.56	1.77
– SA	**901**	686	31	1 503	**1.87**	1.44	1.55	1.74
– MotoNovo*	**307**	222	38	464	**1.86**	1.74	1.59	1.87
Retail – unsecured	**1 878**	1 868	1	3 851	**5.48**	5.91	5.94	6.06
Card	**295**	289	2	699	**2.41**	2.60	3.05	3.54
Personal loans	**948**	1 070	(11)	2 090	**6.52**	8.04	7.64	7.38
– FNB	**400**	565	(29)	1 071	**5.53**	7.83	7.43	7.03
– WesBank	**526**	505	4	1 007	**7.58**	8.30	7.93	7.73
– MotoNovo	**22**	–	>100	12	**6.15**	–	4.85	9.70
Retail other	**635**	509	25	1 062	**8.48**	7.09	7.27	7.57
Corporate and commercial	**405**	423	(4)	1 216	**0.20**	0.22	0.31	0.40
FNB commercial	**333**	264	26	531	**0.77**	0.66	0.66	0.65
WesBank corporate	**19**	23	(17)	66	**0.12**	0.16	0.22	0.29
RMB investment banking	**47**	99	(53)	544	**0.04**	0.09	0.25	0.40
RMB corporate banking	**6**	37	(84)	75	**0.03**	0.20	0.20	0.19
HQLA corporate advances**	**–**	–	–	–	**–**	–	–	–
FNB Africa	**1**	6	(83)	15	**1.24**	1.82	2.90	4.33
FCC (including Group Treasury)	**(112)**	(250)	(55)	(350)	**(0.03)**	(0.06)	(0.04)	(0.03)
Securitisation notes	**–**	–	–	–	**–**	–	–	–
Other	**(112)**	(250)	(55)	(350)	**(0.03)**	(0.06)	(0.04)	(0.03)
Total impairment charge	**3 524**	3 087	14	6 984	**0.84**	0.79	0.88	0.98
Of which:								
Portfolio impairment charge	**326**	(31)	(>100)	454	**0.08**	(0.01)	0.06	0.12
Specific impairment charge	**3 198**	3 118	3	6 530	**0.76**	0.80	0.82	0.86

* *MotoNovo VAF impairment charge of GBP17 million (+40%) (December 2016: GBP12 million; June 2017: GBP27 million). Impairment charge as a percentage of average advances in GBP terms (December 2017: 1.77%; December 2016: 1.79% and June 2017: 1.71%).*

** *Managed by the Group Treasurer.*

\# *Percentages calculated on total average advances.*

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

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

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments				Coverage ratios (% of NPLs)		
	As at 31 December			As at 30 June	As at 31 December		As at 30 June
R million	2017	2016	% change	2017	2017	2016	2017
Specific impairments*							
Retail	**5 504**	4 982	10	5 227	**35.8**	36.2	35.4
Retail – secured	**2 918**	2 565	14	2 760	**27.3**	26.3	26.6
Residential mortgages	**1 019**	988	3	993	**22.5**	22.1	21.8
VAF	**1 899**	1 577	20	1 767	**30.8**	29.8	30.3
– SA*	**1 752**	1 457	20	1 667	**29.6**	28.6	29.4
– MotoNovo	**147**	120	23	100	**58.6**	60.9	58.5
Retail – unsecured	**2 586**	2 417	7	2 467	**55.4**	60.5	56.6
Card	**664**	550	21	620	**66.9**	67.6	67.0
Personal loans	**1 365**	1 352	1	1 272	**47.4**	54.9	49.4
– FNB*	**770**	864	(11)	759	**60.4**	70.5	61.9
– WesBank*	**584**	488	20	512	**36.6**	39.4	38.1
– MotoNovo	**11**	–	>100	1	**91.7**	–	100.0
Retail other*	**557**	515	8	575	**70.0**	71.6	67.0
Corporate and commercial	**1 519**	1 968	(23)	1 901	**48.3**	43.2	51.2
FNB commercial	**957**	1 022	(6)	1 056	**42.8**	45.7	46.3
WesBank corporate	**116**	161	(28)	147	**48.3**	60.3	57.0
RMB investment banking	**432**	750	(42)	684	**68.2**	37.9	60.2
RMB corporate banking	**14**	35	(60)	14	**40.0**	49.3	40.0
HQLA corporate advances**	**–**	–	–	–	**–**	–	–
FNB Africa	**27**	94	(71)	20	**54.0**	71.2	40.8
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Securitisation notes	**–**	–	–	–	**–**	–	–
Other	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default#	**7 050**	7 044	–	7 148	**38.0**	38.2	38.6
Portfolio impairments†	**8 007**	7 456	7	7 711	**43.1**	40.5	41.7
Total impairments/total impairment coverage ratio‡	**15 057**	14 500	4	14 859	**81.1**	78.7	80.3

* *The coverage ratio is negatively impacted 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 bank's policy not to reclassify accounts out of NPLs when clients have repaid all arrears.*

** *Managed by the Group Treasurer.*

\# *Specific impairments as a percentage of NPLs.*

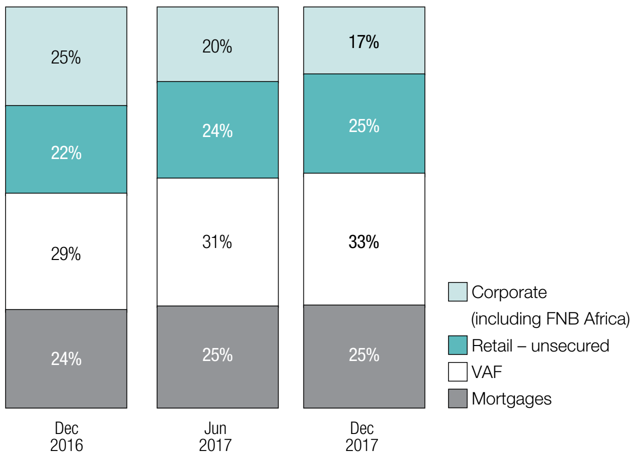
† *Portfolio impairments as a percentage of NPLs.*

‡ *Total impairments as a percentage of NPLs.*

CREDIT continued

The graph below provides the NPL distribution over the last two financial years across all portfolios, showing a decrease in corporate NPLs and an increase in the proportion of VAF and unsecured lending NPLs.

NPL distribution



RECONCILIATION OF IMPAIRMENTS

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

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	2017	2016	2017	2017	2016	2017	2017	2016	2017
Non-performing book	**6 901**	6 497	6 734	**149**	547	414	**7 050**	7 044	7 148
Performing book	**6 048**	5 125	5 589	**1 959**	2 331	2 122	**8 007**	7 456	7 711
Total impairments	**12 949**	11 622	12 323	**2 108**	2 878	2 536	**15 057**	14 500	14 859

The following table provides a reconciliation of the balance sheet impairments.

Total balance sheet impairments

	As at 31 December			As at 30 June
R million	2017	2016	% change	2017
Opening balance	**14 859**	14 818	1	14 818
Acquisitions	**6**	27	(78)	26
Exchange rate difference	**(50)**	(85)	(41)	(111)
Unwinding and discounted present value on NPLs	**(59)**	(48)	23	(79)
Bad debts written off	**(4 308)**	(4 353)	(1)	(8 872)
Net new impairments created	**4 609**	4 141	11	9 077
Closing balance	**15 057**	14 500	4	14 859

Income statement impairments

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

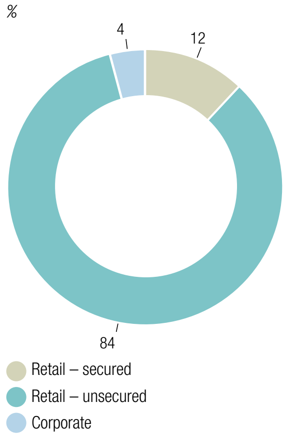
R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Specific impairment charge	**4 283**	4 171	3	8 623
Specific impairment charge – amortised cost	**4 295**	4 115	4	8 493
Credit fair value adjustments – non-performing book	**(12)**	56	(>100)	130
Portfolio impairment charge	**326**	(30)	(>100)	454
Portfolio impairment charge – amortised cost	**482***	(23)	(>100)	440
Credit fair value adjustments – performing book	**(156)***	(7)	>100	14
Total impairments before recoveries	**4 609**	4 141	11	9 077
Recoveries of bad debts written off	**(1 085)**	(1 054)	3	(2 093)
Total impairments	**3 524**	3 087	14	6 984

* *In anticipation of IFRS 9, a significant portion of new originated investment banking advances in RMB, which would previously have been recognised at fair value, is now recognised as amortised cost advances. This has resulted in a shift between fair value and amortised cost performing book portfolio impairments.*

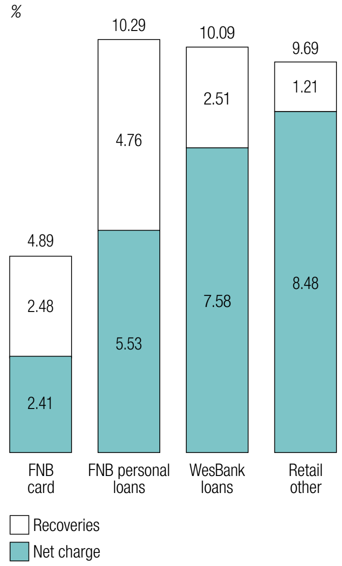
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R1 085 million (December 2016: R1 054 million; June 2017: R2 093 million), primarily emanating from the unsecured retail lending portfolio, specifically FNB loans, WesBank loans and FNB card.

Post write-off recoveries split



Retail credit loss ratios and recoveries



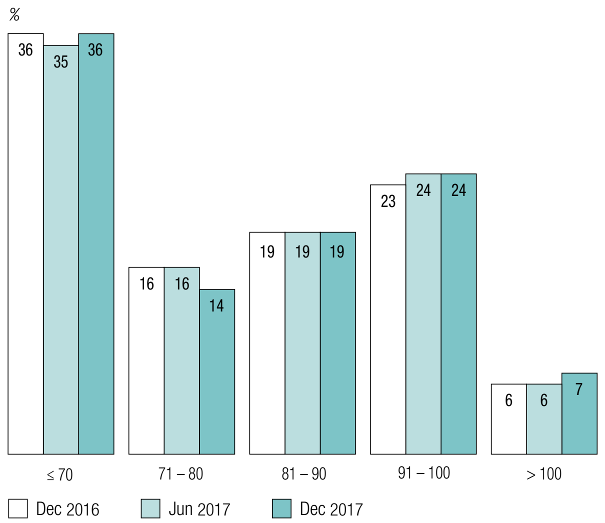
CREDIT continued

RISK ANALYSES

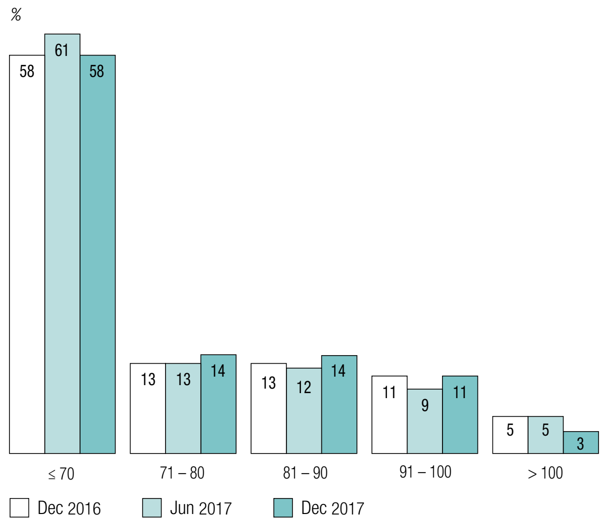
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

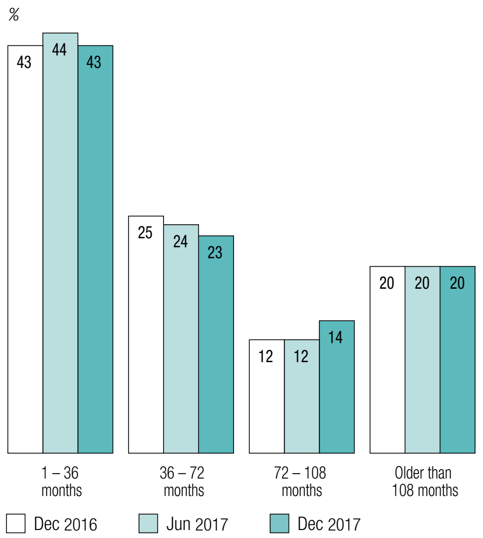
Residential mortgages balance-to-original value



Residential mortgages balance-to-market value



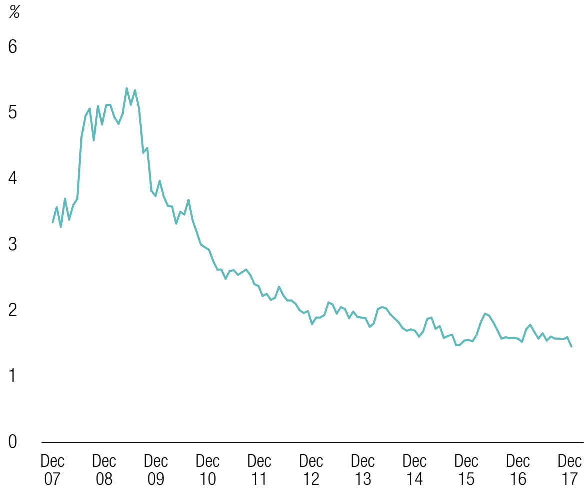
Residential mortgages age distribution



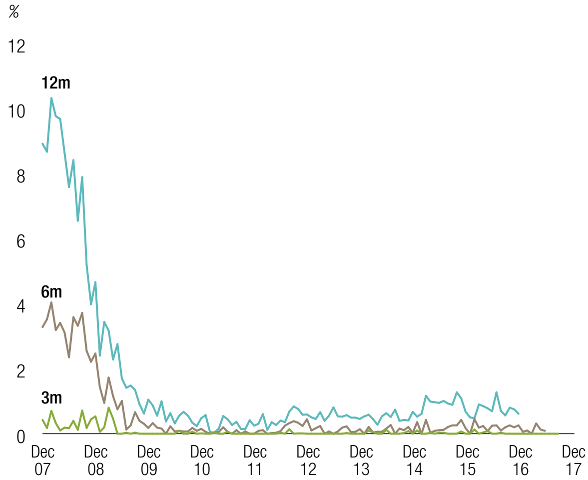
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears, expressed as a percentage of total advances. The increase in arrears in the 12-month period from December 2015 to December 2016 reflected the reclassification of restructured debt review accounts to arrear status. Since then arrears have stabilised and as a percentage of advances, trended downwards. The 30- and 60-day arrears percentages have reduced as collections improved and book growth has remained modest.

Vintages in FNB HomeLoans has remained stable as collections were strong. Lower new business volumes constrained book growth for most of the current period.

FNB HomeLoans arrears



FNB HomeLoans vintage analysis

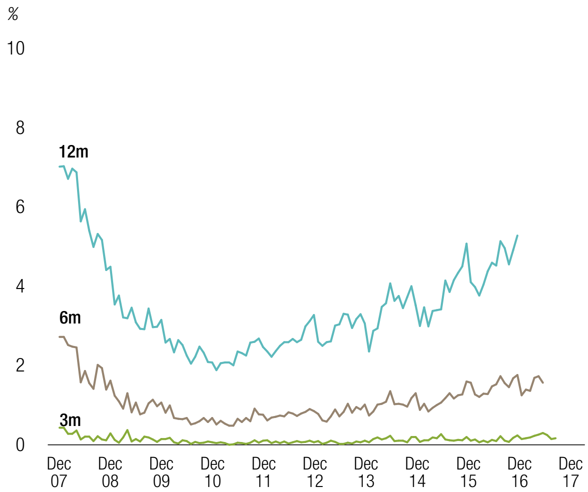


CREDIT continued

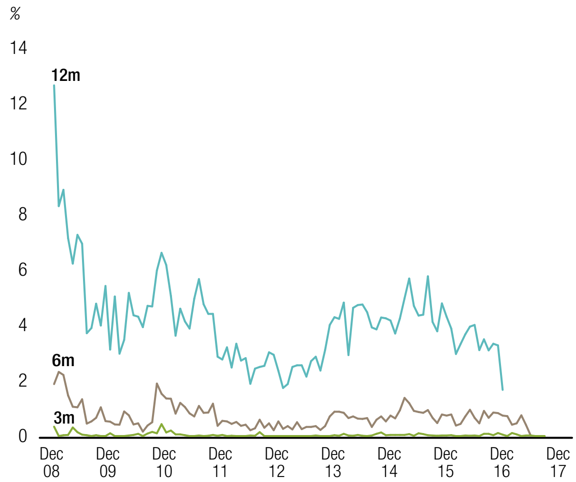
The retail SA VAF vintages continued to increase to levels similar to that of December 2015. The increase reflects the impact of deterioration in the self-employed and small business segments, lengthening recovery timelines and more customers opting for court orders for repossessions, the challenging macroeconomic environment as well as the ongoing increase in debt-review NPLs. Risk appetite was adjusted during the latter part of 2017, with a continued focus on originating a greater proportion of low-risk business. In the six- and three-month vintages, the risk appetite adjustments have already led to a reduction of the early vintages.

FNB card growth differed across segments over the past six month period. Card growth in premium benefited from customer growth, while the book contracted in the consumer segment as appetite remained conservative. The vintages trended lower given the change in mix and better collections.

WesBank retail SA VAF vintage analysis



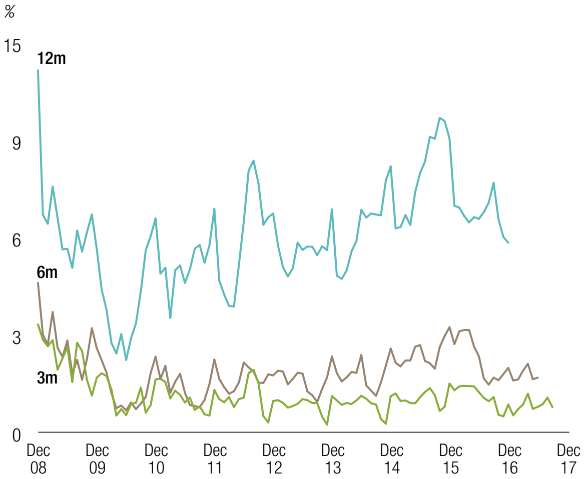
FNB card vintage analysis



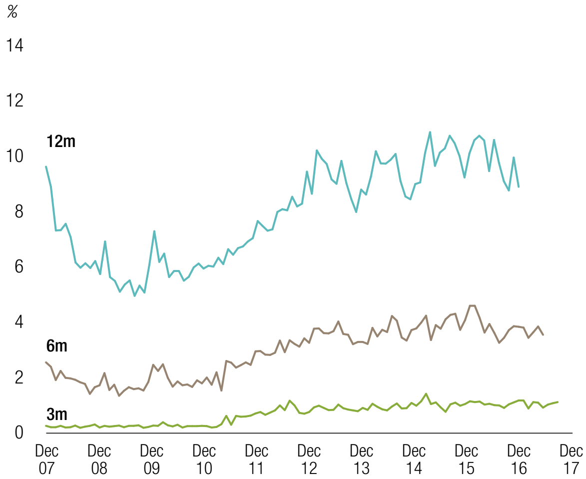
FNB personal loans growth was also concentrated in the premium segment. The change in risk mix and effective collections resulted in vintages trending downwards since December 2016. Although, the debt-review NPL portfolio grew proportionally more when compared to the performing book, it still remains a relatively small percentage when compared to the total book. Collections in the debt-review book are, however better than normal NPLs, further improving vintages.

WesBank personal loans vintages have been stable since December 2013 due to continuous adjustments to risk appetite. This proactive approach is proving to be effective and assisted in countering macroeconomic conditions.

FNB personal loans vintage analysis



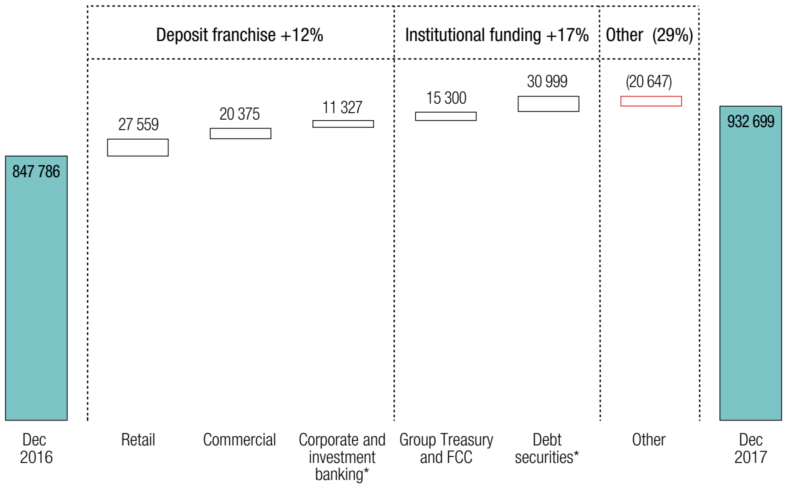
WesBank personal loans vintage analysis



DEPOSITS – UP 10%

Funding portfolio period-on-period growth

R million



* *Includes reclassification of inflation-linked and credit-linked notes previously disclosed as corporate and investment banking deposits.*

KEY DRIVERS

- FNB's deposits increased 13%:
  - retail deposit growth of 14% was supported by ongoing product innovation, with particularly strong growth of 17% from the premium segment; and
  - commercial deposit growth of 11% was driven by new client acquisition and cross-sell.
- RMB corporate banking grew average daily operational deposits 1%, against a backdrop of a tough client operating environment.
- In line with the SA banking sector, FirstRand Bank receives institutional funding in the form of Group Treasury deposits (which grew 15%) and debt securities, which grew 19%. This was impacted by:
  - foreign currency funding, structured issuances in the domestic market, NCDs and debt securities; and
  - given favourable liquidity conditions in the last quarter of 2017, the bank elected to pre-fund liquidity requirements ahead of ratings or political uncertainty.
- Other deposits include repurchase agreements and cash collateral, both of which decreased during the year.

FUNDING AND LIQUIDITY

INTRODUCTION AND OBJECTIVES

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

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

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

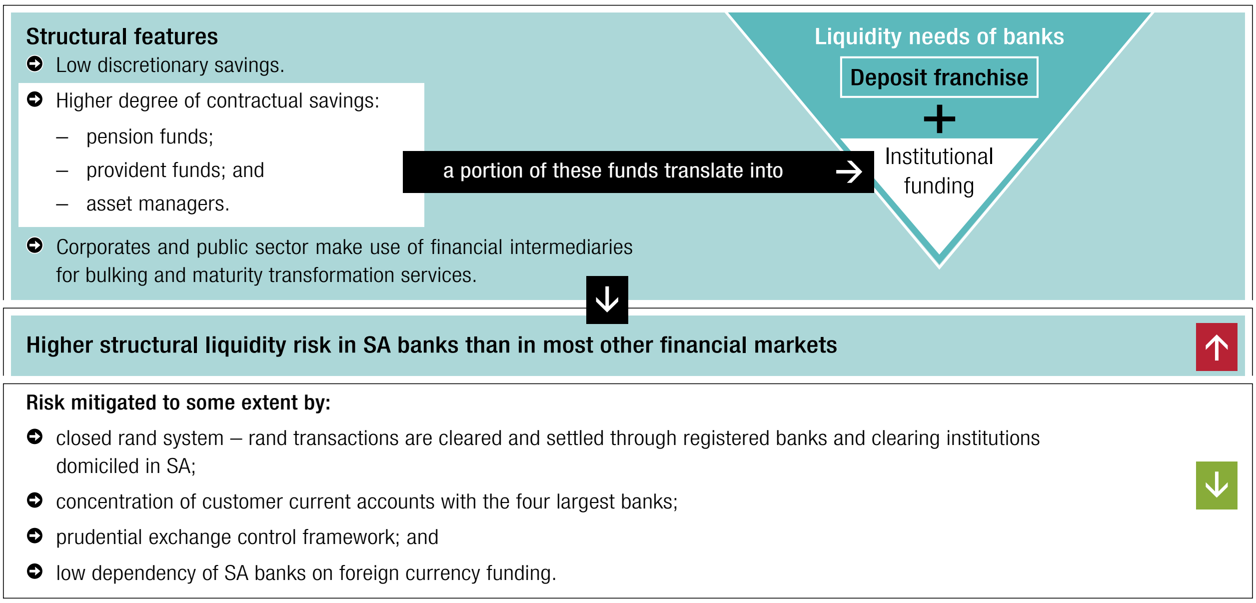
Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity in line with risk appetite over the period. The bank utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase available liquidity holdings.

At 31 December 2017, the bank exceeded the 80% minimum LCR requirement with a LCR of 101% (December 2016: 104%).

At 31 December 2017, the bank's available HQLA sources of liquidity per the LCR amounted to R165 billion, with an additional R650 million of management liquidity available.

FUNDING MANAGEMENT

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



FUNDING AND LIQUIDITY continued

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

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

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

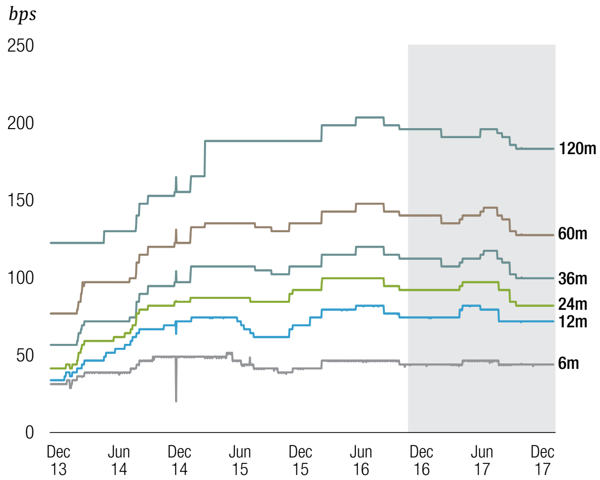
The following graph is a representation of the market cost of liquidity, which is measured as the spread paid on NCDs relative to the prevailing swap curve for that tenor. The liquidity spread graph is based on the most actively-traded money market instrument issued by banks, namely 12-month NCDs. The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

12-month floating rate note mid-market spread

Source: Bloomberg (RMBP screen) and Reuters.

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

Long-term funding spreads



Source: Bloomberg (RMBP screen) and Reuters.

Funding measurement and activity

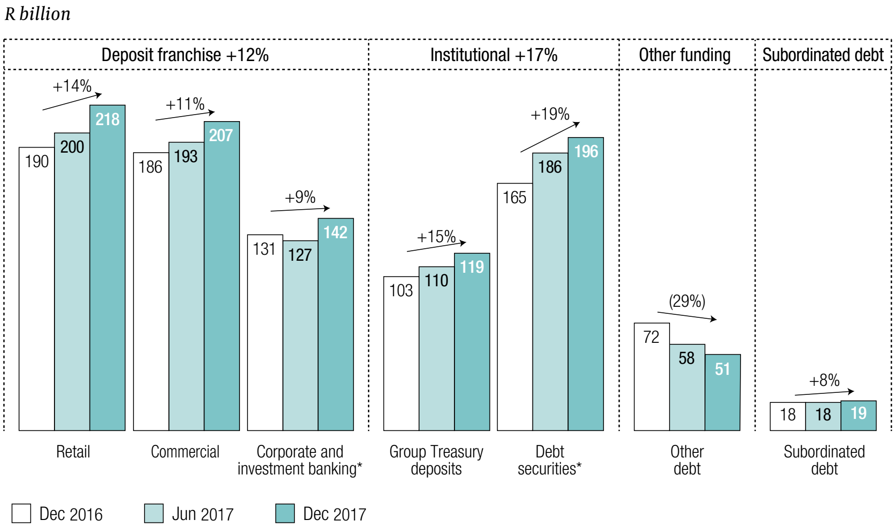
FirstRand Bank, as FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously.

The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents 60% of total bank funding as at 31 December 2017 (2016: 61%).

The bank continued to focus on growing its deposit franchise across all segments, with increasing emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the bank accesses the domestic money markets daily and, from time to time, capital markets. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis with strong support from investors, both domestically and internationally.

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

Funding portfolio growth



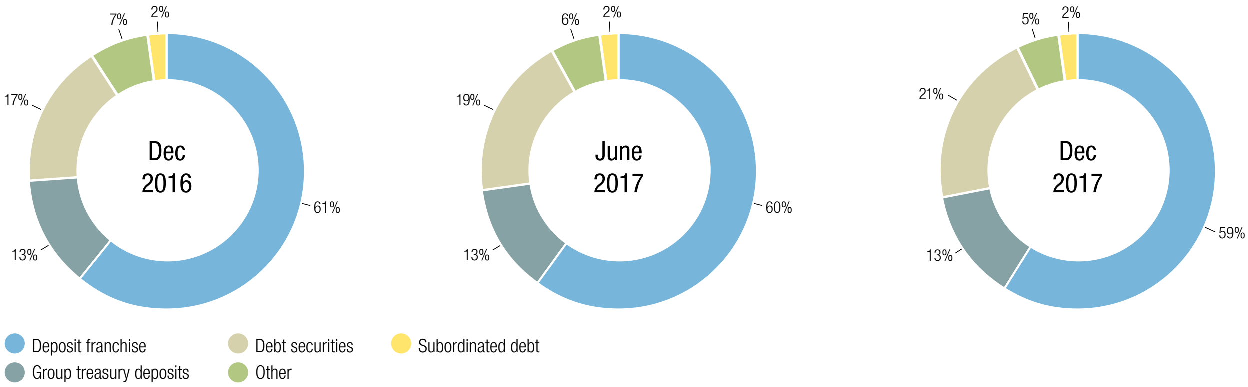
Note 1: Percentage growth is based on actual, not rounded numbers shown in the bar graphs.

Note 2: The above graph is completed using the bank segmental reporting split based on the funding product type and, therefore, differs from the risk counterparty view on page 68, which is product agnostic. These views highlight primarily the bank's strength in raising deposits through the segments, as well as the diversification of the bank's funding from a counterparty perspective.

* *The December 2016 and June 2017 numbers have been restated due to a resubmission of the BA900 returns due to a reclassification of credit-linked notes and inflation-linked notes previously disclosed as CIB deposits.*

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

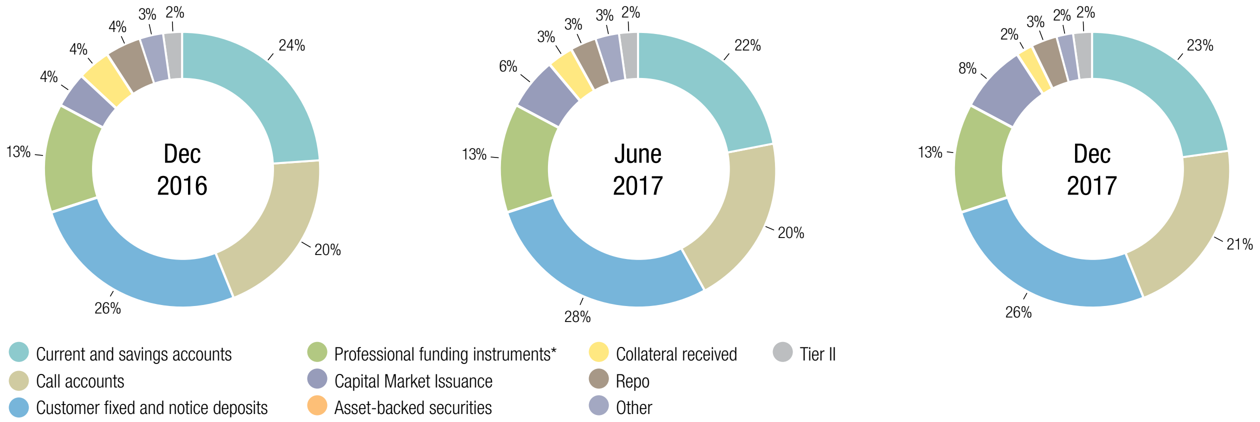
Bank's funding mix



FUNDING AND LIQUIDITY continued

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

Bank's funding analysis by instrument type



* *Includes NCD and equivalent Fixed rate notes with institutional client, these were previously disclosed as NCD and fixed notice deposits.*

Note: The December 2016 and June 2017 numbers have been restated due to a resubmission of the BA900 returns due to a reclassification of credit-linked notes and inflation-linked notes previously disclosed as CIB deposits.

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

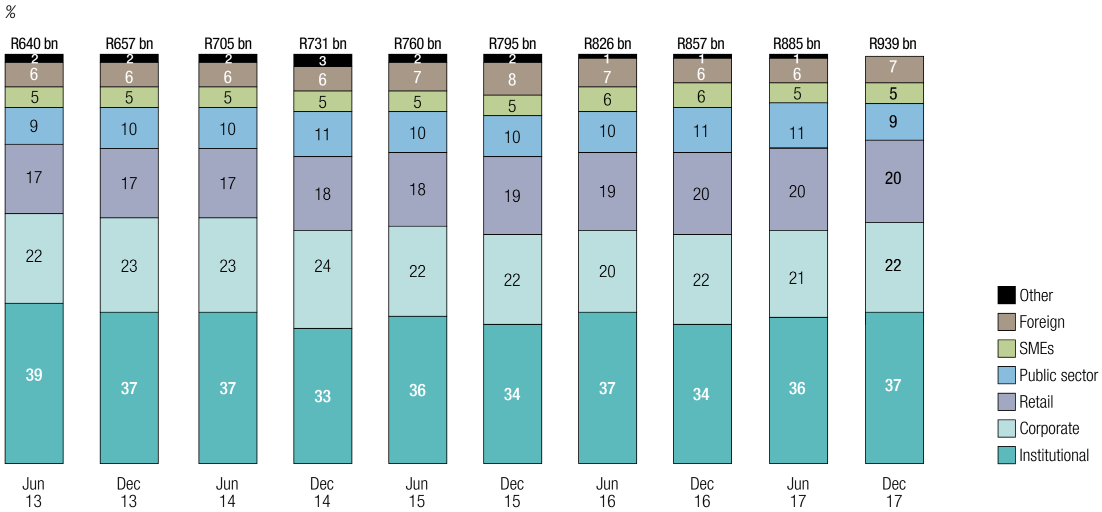
The table below provides an analysis of the bank's funding sources per counterparty type as opposed to the FirstRand segment view.

	December 2017				December 2016*	June 2017*
% of funding liabilities	Total	Short term	Medium term	Long term	Total	Total
Institutional funding	**36.8**	**11.7**	**7.7**	**17.4**	35.2	37.0
Deposit franchise	**63.2**	**50.0**	**7.6**	**5.6**	64.8	63.0
Corporate	**21.9**	**18.7**	**2.3**	**0.9**	22.6	20.1
Retail	**20.2**	**16.2**	**2.6**	**1.4**	19.9	19.2
SMEs	**5.3**	**4.4**	**0.6**	**0.3**	5.4	5.5
Governments and parastatals	**9.0**	**7.2**	**1.1**	**0.7**	10.4	10.2
Foreign	**6.8**	**3.5**	**1.0**	**2.3**	6.4	6.9
Other	**–**	**–**	**–**	**–**	0.1	1.1
Total	**100.0**	**61.7**	**15.3**	**23.0**	100.0	100.0

* *The December 2016 and June 2017 numbers have been restated due to a resubmission of the BA900 returns due to a reclassification of credit-linked notes and inflation-linked notes previously disclosed as CIB deposits.*

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

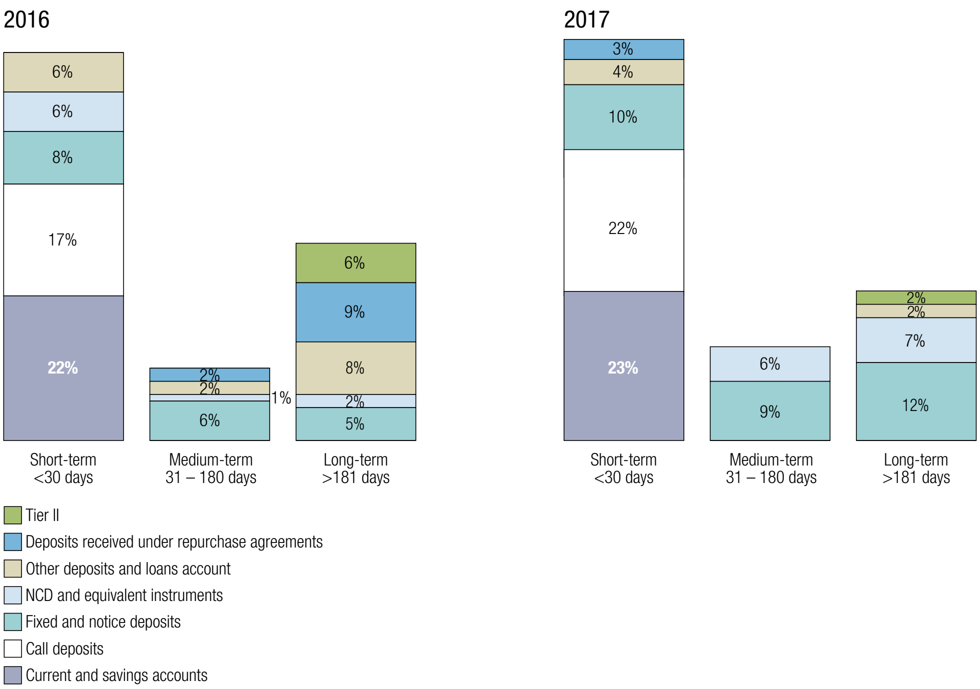
Funding analysis by source of FirstRand Bank (excluding foreign branches)



* *The December 2016 and June 2017 numbers have been restated due to a resubmission of the BA900 returns due to a reclassification of credit-linked notes and inflation-linked notes previously disclosed as CIB deposits.*

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

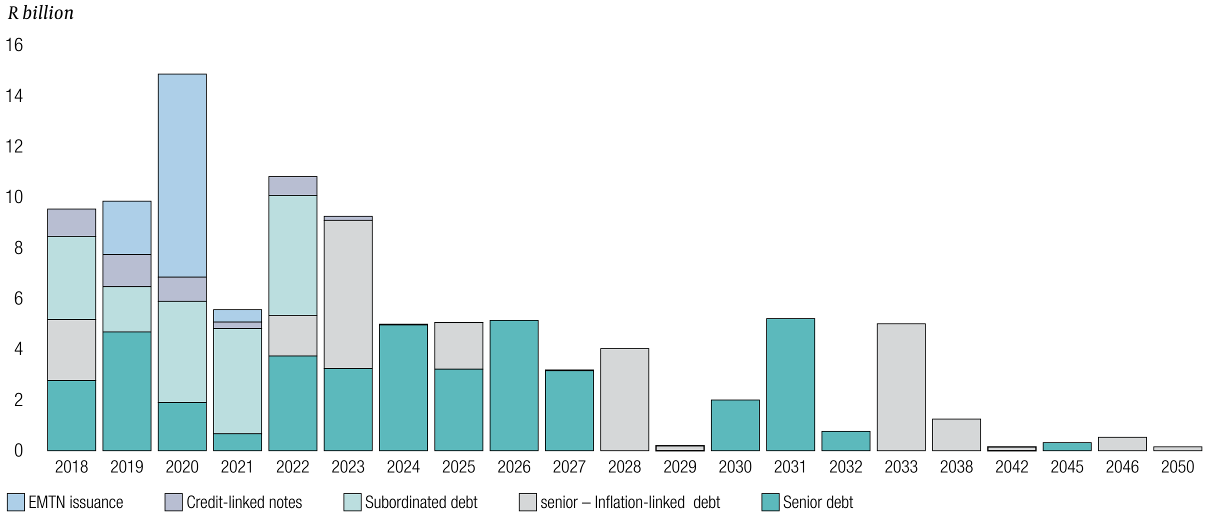
Bank's funding liabilities by instrument type and term



FUNDING AND LIQUIDITY continued

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

Maturity profile of capital market instruments of the bank (including foreign branches)



Funds transfer pricing

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

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

FOREIGN CURRENCY BALANCE SHEET

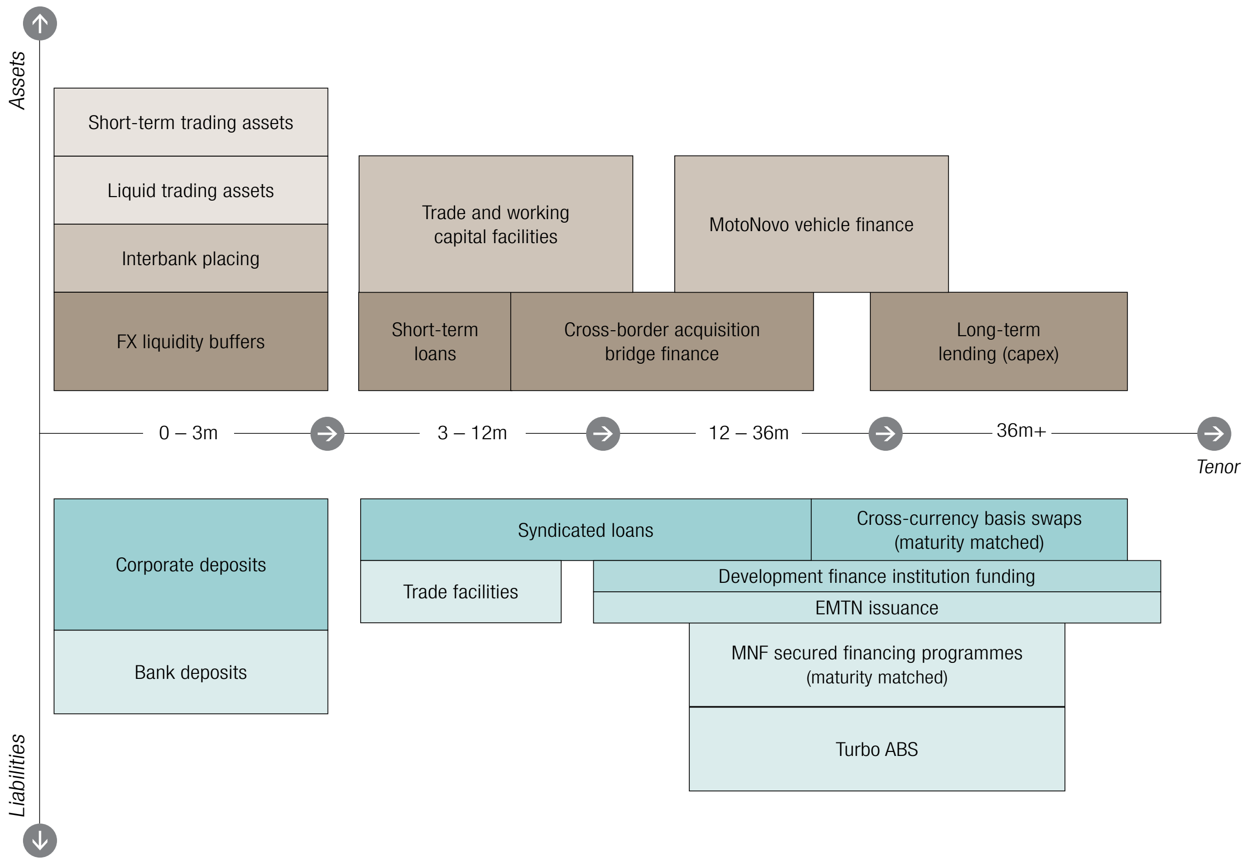
Given that the group continues to grow its businesses in the rest of Africa, and the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk within the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

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

Philosophy on foreign currency external debt

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

Graphical representation of the foreign currency balance sheet



FUNDING AND LIQUIDITY continued

REGULATORY UPDATE

BASEL III REFORMS	The BCBS finalised the Basel Ill reforms in December 2017, with specific focus on reducing the variability of risk weighted assets. The BCBS has agreed on a lengthy five-year transitional period, starting 1 January 2022. The 2017 reforms aim to address weaknesses identified during the global financial crisis, i.e. credibility of the risk-based capital framework and to introduce constraints on the estimates banks use in the internal models for regulatory capital purposes. The impact on the group capital position depends on the final implementation by the SARB given a level of national discretion, however, the group continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms. Based on the Basel guidelines, the group is expected to comfortably meet these requirements over the transitional period.
LIQUIDITY COVERAGE RATIO	The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility (CLF). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 80%, with 10% incremental step-ups each calendar year to 100% on 1 January 2019. The bank remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.
DISCLOSURE REQUIREMENTS	The BCBS published the liquidity coverage ratio disclosure standards in March 2014 with the objective to reduce market uncertainty around liquidity positions. The standardised templates are completed semi-annually and the bank publishes the quarterly disclosure templates on its website. These disclosures reveal industry reporting inconsistencies which are being addressed via the Banking Association South Africa with SARB and the South African Institute of Chartered Accountants.
NET STABLE FUNDING RATIO	The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The industry continues to await communication from the SARB in terms of prudential requirements in relation to NSFR prudential requirements at a bank level. In line with *Directive 4/2016*, banks have been submitting a monthly NSFR monitoring template since August 2016 to enable the SARB to assess the readiness of banks to comply with the 100% NSFR requirement from 1 January 2018 per the Bank of International Settlements (BIS) timelines. Banks have been engaging on a bilateral basis on interpretive matters relating to this form. The SARB, via proposed directive 15/8 of 2017, has employed national discretion with respect to the calibration of the NSFR. The SARB, after due consideration and noting that rand funding is contained in the financial system has concluded it to be appropriate to apply a 35% available stable funding (ASF) to deposits from financial institutions less than six months. In line with several other international regulators the SARB has also provided clarity on the alignment of the LCR and NSFR, applying a 5% required stable funding (RSF) to the assets net of their haircut eligible for CLF purposes. These changes are anchored in the assessment of the true liquidity risk and will significantly assist the South African banking sector in meeting the NSFR requirements.
RESOLUTION FRAMEWORK	The South African regulatory architecture is currently undergoing significant transformation to create a regulatory framework that will support an effective resolution regime. The country is in the process of adopting a twin peaks supervisory framework model that will reduce the number of agencies involved in supervision, with the establishment of two new regulatory agencies: the Prudential Authority (PA) in the SARB, and a Market Conduct Authority (MCA) that will replace the Financial Services Board. Whilst the PA/SARB is responsible for monitoring and enhancing financial stability as part of its explicit financial stability mandate, the SARB will also be responsible for assisting with the prevention of systemic events by means of its designation as the Resolution Authority (RA). In January 2018, a draft resolution framework was released to the banking industry for initial review following which it will be released to the public for general comment. This draft framework sets out the broad principles for the resolution of banks, systemically-important non-bank financial institutions and holding companies of banks, and highlights the various legislative amendments required to ensure the framework is enforceable. Detailed definitions of key elements of the resolution framework are subject to finalisation, and directives or addendums to this framework will be published once finalised. The resolution plans will allow the PA to prepare for an event from which the group's recovery actions have failed or are deemed likely to fail. Bank resolution plans will be owned and maintained by the RA, but will require a significant amount of bilateral engagement and input from the individual banks to enable the RA to develop a customised plan that is most appropriate to each bank. As part of the Resolution Framework and powers of the Resolution Authority, deposit insurance scheme (DIS) is proposed to protect depositors and enhance financial stability. A discussion paper on designing a DIS was issued in May 2017. Given the significant impact on the banks of funding the DIS, banks continue to actively engage with the SARB on the size of the fund and the funding mechanics.

LIQUIDITY RISK POSITION

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

Bank's composition of liquid assets

	Marketable assets	HQLA Basel III view after haircut					Management view after haircut		
R billion	Total Dec 2017	Level 1	Level 2	Total Dec 2017	Total Dec 2016	Total Jun 2017	Total Dec 2017	Total Dec 2016	Total Jun 2017
Cash and deposits with central banks	**30**	29		**29**	29	29	**29**	29	29
Government bonds and bills	**101**	101		**101**	97	93	**101**	97	93
Other liquid assets	**46**		35	**35**	32	33	**36**	40	43
Total	**177**	130	35	**165**	158	155	**166**	166	165

* *The surplus high quality liquid assets holdings by subsidiaries and foreign branches in excess of the minimum required LCR of 80% (2016: 70%), have been excluded in the calculation of the consolidated bank LCR.*

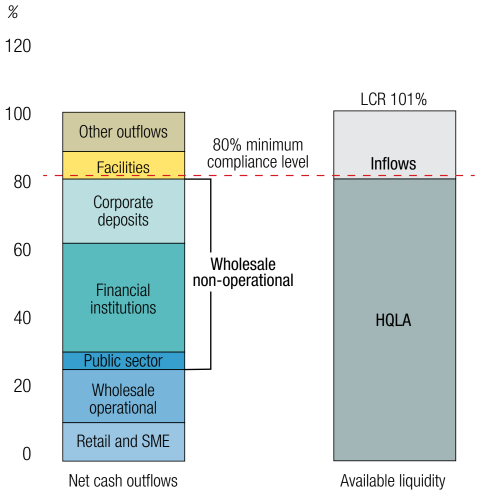
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at-risk and the market liquidity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

The bank's LCR decreased from 104% to 101% at December 2017 due to an increase in HQLA holdings of R20 billion offsetting an increase in net cash outflows of R24 billion.

The following graph illustrates the bank's LCR position and demonstrates compliance with the 80% (December 2016: 70%) minimum requirement. FirstRand's LCR was 107% at 31 December 2017 (December 2016: 95%).

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

FRB LCR



CAPITAL

The bank actively manages its capital base commensurate with its strategy, risk appetite and risk profile. The optimal level and composition of capital and leverage is determined after taking the following into account.

- Prudential requirements
- Rating agencies' considerations
- Investor expectations
- Peer comparison

- Strategic and organic growth
- Economic and regulatory capital requirements
- Proposed regulatory, tax and accounting changes
- Macro environment and stress test impacts
- Issuance of additional capital instruments

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which includes expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss-absorbing capital and remains well capitalised in the current environment. The bank's internal targets have been aligned to the SARB end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations. No changes were made to the internal targets during the period.

The bank is currently subject to the SARB transitional capital requirements, which include a 50% phased-in requirement for both the capital conservation and domestic systemically important banks (D-SIB) buffer add-ons. The SARB has not implemented any countercyclical buffer (CCyB) requirement for South African exposures, however, the bank is required to calculate the CCyB requirement on private sector credit exposures in foreign jurisdictions where these buffer requirements are applicable. The BCBS finalised the Basel III reforms in December 2017, with specific focus on reducing the variability of RWA and the introduction of transitional arrangements from 1 January 2022. The impact on the bank capital position depends on final implementation by the SARB given the level of national discretion, however, the bank continues to participate in the BCBS quantitative impact studies to assess and understand the impact of such reforms.

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

PERIOD UNDER REVIEW

The bank comfortably operated above its capital and leverage targets during the period, and its capital adequacy and leverage position is summarised in the table below.

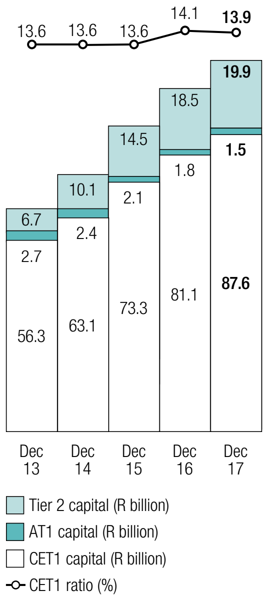
Capital adequacy and leverage position

	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.3	8.5	10.8	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB including foreign branches				
– Including unappropriated profits	**13.9**	**14.1**	**17.3**	**7.3**
– Excluding unappropriated profits	12.4	12.6	15.8	6.5
FRB excluding foreign branches				
– Including unappropriated profits	**14.1**	**14.3**	**17.3**	**7.1**
– Excluding unappropriated profits	12.7	13.0	15.9	6.4

* *Excluding the bank-specific capital requirements.*

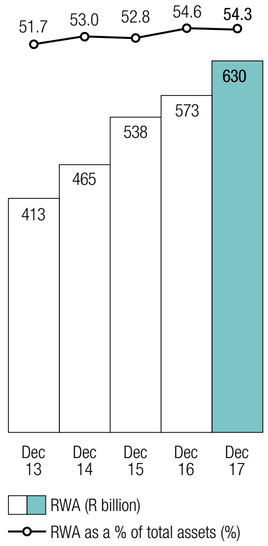
The graphs below show the historical overview of the bank's (including foreign branches) capital adequacy, RWA and leverage.

*Capital adequacy**

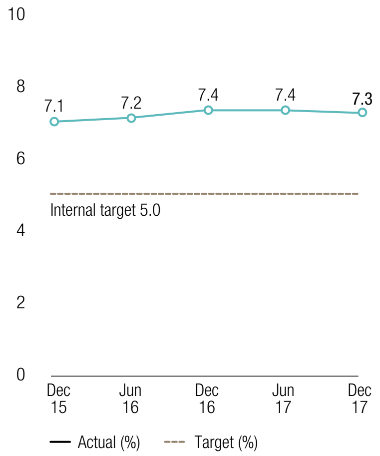


* *Includes unappropriated profits.*

RWA history



*Leverage**



* *Includes unappropriated profits.*

CAPITAL continued

Supply of capital

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

Composition of capital analysis

	As at 31 December		As at 30 June
R million	2017	2016	2017
Including unappropriated profits			
CET1	**87 573**	81 079	83 274
Tier 1	**89 073**	82 879	84 774
Total qualifying capital	**108 973**	101 363	102 527
Excluding unappropriated profits			
CET1	**78 017**	68 297	72 565
Tier 1	**79 517**	70 097	74 065
Total qualifying capital	**99 417**	88 581	91 818

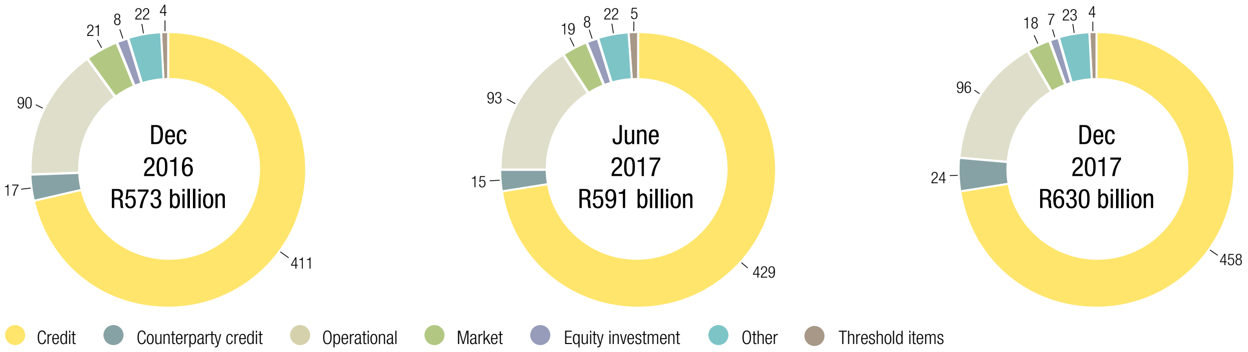
KEY DRIVERS: DECEMBER 2017 VS DECEMBER 2016		
CET1 capital	↑	Ongoing internal capital generation through earnings.
AT1 capital	↓	Additional 10% haircut on NCNR preference shares not compliant with Basel III.
Tier 2 capital	↑	Issuance of Basel III compliant instruments totalling R2.75 billion (December 2016: R2.3 billion). Additional 10% haircut on Tier 2 instruments not compliant with Basel III, and redemption of FRB11 (R1.5 billion) in December 2017. Tier 2 mix comprises instruments compliant with Basel III of R16.1 billion and old-style instruments of R3.2 billion.

Demand for capital

The graphs below unpack the RWA composition per risk type.

RWA analysis

R billion



KEY DRIVERS: DECEMBER 2017 VS DECEMBER 2016		
Credit	↑	Organic growth and model recalibrations. Incorporates impact of the downgrade on South Africa sovereign, state-owned entities and large corporates.
Counterparty credit	↑	Volumes, mark-to-market and exchange rate movements. Incorporates impact of the downgrade on the South Africa sovereign, state-owned entities and large corporates.
Operational	↑	Recalibration of portfolios subject to the advanced measurement approach. Increase in gross income for entities on the standardised approach.
Market	↓	Volume and mark-to-market movements. Incorporates impact of the downgrade on the South Africa sovereign.

CAPITAL continued

Capital adequacy position for the bank and its foreign branches

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

The RWA and capital adequacy positions of FirstRand Bank and its foreign branches are set out below.

RWA and capital adequacy positions of FirstRand Bank and its foreign branches

	As at 31 December				As at 30 June
	2017			2016	2017
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %	Total capital adequacy %
Basel III (SARB regulations)					
FirstRand Bank*,**	**629 875**	**14.1**	**17.3**	17.7	17.3
FirstRand Bank South Africa*	**580 652**	**14.3**	**17.3**	17.5	17.2
FirstRand Bank London#	**47 824**	**8.7**	**14.0**	20.2	17.8
FirstRand Bank India#	**1 926**	**32.4**	**32.9**	24.7	31.7
FirstRand Bank Guernsey#,†	**196**	**16.5**	**16.5**	36.2	37.9

* *Includes unappropriated profits.*
** *Includes foreign branches.*
\# *Branches of FirstRand Bank Limited.*
† *Trading as FNB Channel Islands.*

In terms of Regulation 43 of the *Regulations relating to Banks*, the following additional common disclosures are required:

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

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

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

CREDIT RATINGS

The following rating actions were taken on the South African sovereign on 24 November 2017:

- S&P Global Ratings (S&P) lowered the long-term foreign currency sovereign credit rating on the South African sovereign to BB from BB+, reflecting its view of further deterioration in South Africa's economic outlook and its public finances. The long-term local currency sovereign credit rating was also lowered to BB+ from BBB-.
- Moody's Investors Service (Moody's) placed the Baa3 sovereign rating on review for downgrade, driven by developments which, in the agency's view, suggested that South Africa's economic and fiscal challenges were more pronounced than it had previously assumed. These included weaker growth prospects, material budgetary revenue shortfalls and increased spending pressures, which the agency believes will cause a faster and larger rise in government debt-to-GDP than previously anticipated.

The table below summarises the South African sovereign ratings following these actions.

Sovereign ratings as at 5 March 2018

	South Africa sovereign – long-term ratings		
	Outlook	Foreign currency	Local currency
S&P	Stable	BB	BB+
Moody's	Rating under review	Baa3	Baa3

Sources: S&P Global Ratings and Moody's Investors Service.

Following the South African sovereign rating actions described above, similar ratings actions were taken on the South African banks. This is because the banks' issuer credit ratings are constrained by the sovereign rating given the direct and indirect impact that sovereign distress would have on domestic banks' operations.

The table below summarises the credit ratings for FirstRand Bank Limited.

FirstRand Bank Limited counterparty credit ratings as at 5 March 2018

	FirstRand Bank Limited					
		Counterparty		National scale		
	Outlook	Long term	Short term	Long term	Short term	Standalone credit rating*
S&P	Stable	BB	B	zaAA-	zaA-1+	bbb-
Moody's	Rating under review	Baa3	P-3	Aaa.za	P-1.za	baa3

* *Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors, e.g. affiliate or government support. S&P uses the standalone credit profile and Moody's the baseline credit assessment.*
Sources: S&P Global Ratings and Moody's Investors Service.

FirstRand Bank's standalone credit ratings continue to reflect its strong market position in South Africa, focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

IFRS information

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PRESENTATION

BASIS OF PRESENTATION

FirstRand Bank prepares its condensed interim financial statements in accordance with and containing information required by:

- International Financial Reporting Standard, *IAS 34 Interim Financial Reporting*;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council;
- SAICA Financial Reporting Guides as issued by the Accounting Practices Committee; and
- requirements of the Companies Act no 71 of 2008.

The condensed interim results for the six months ended 31 December 2017 have not been audited or independently reviewed by the bank's external auditors.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the condensed interim financial statements are in terms of IFRS and are consistent with those applied for the year ended 30 June 2017. The condensed interim financial statements are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The bank has made voluntary changes to the presentation of deposits. These changes relate to the presentation of accrued interest on certain deposits and classification of negotiable notes with specific contractual terms. The changes in presentation have had no impact on the profit or loss or net asset value of the bank and only affects the classification of items on the statement of financial position. Impacts on previously reported results are set out on page 99.

Amendments to *IAS 7 Statement of Cash Flows (IAS 7)* and *IAS 12 Income Taxes (IAS 12)* became effective in the current year. These amendments have not had an impact on the bank's reported earnings, financial position or reserves, or a material impact on the accounting policies.

The amendments to IAS 7 introduce additional disclosures in the statement of cash flows that will enable the users of the financial statements to evaluate changes in liabilities arising from financing activities. This amendment has been applied retrospectively and comparative information has been presented in line with the amended disclosure requirements. The amendment to IAS 12 relates to the recognition of a deferred tax asset for unrealised losses on debt instruments that are measured at fair value for accounting purposes but considered at cost for tax purposes. The bank is accounting for deferred tax on these assets in line with the amendments. The adoption of these amendments has no impact on the bank.

No other new or amended IFRS became effective for the six months ended 31 December 2017 that impacted the bank's reported earnings, financial position or reserves, or the accounting policies.

IFRS 9 UPDATE

The bank completed the classification and measurement phase of the project. The impact will depend on the composition of the bank's balance sheet at 1 July 2018. Based on the work performed to date, the main impact of the revised classification and measurement requirements are:

- certain advances in the RMB Investment Banking division will be reclassified from fair value through profit or loss (FVTPL) to amortised cost;
- the above-mentioned reclassifications from FVTPL to amortised cost will impact revenue recognition of origination fees that are an integral part of generating an involvement with the resulting advance;
- certain investment securities held in the bank's liquidity portfolio will be reclassified from available-for-sale to amortised cost because they are held to collect contractual cash flows and those contractual cash flows are solely the repayments of principal and interest; and
- certain deposits and other liabilities will be reclassified from amortised cost to FVTPL to ensure that the measurement of liabilities match the measurement of the assets which they fund.

The revised hedge accounting requirements will be applied by the bank prospectively, and as such will not have an impact on the amounts recognised in the annual financial statements upon adoption of IFRS 9.

The introduction of IFRS 9 results in earlier loss recognition and higher overall provision requirements than under IAS 39 due to the requirement to calculate provisions for expected credit losses rather than incurred losses. In addition, IFRS 9 requires the calculation of expected credit losses to incorporate probability-weighted forward-looking information, whereas under IAS 39 only current macro-economic conditions are considered. IFRS 9 also requires expected credit losses to be calculated for loan commitments and financial guarantees. IAS 39 did not apply to these off-balance-sheet exposures.

The bank has developed and/or amended the applicable credit and accounting policies to incorporate the new requirements of IFRS 9. In addition, bank-wide definitions, such as the definition of default and significant increase in credit risk, have been finalised to ensure consistent application of key terms in model development across the bank, with the significant items described in the table below.

MODELLING OVERVIEW	The bank will be adopting the probability of default (PD)/loss given default (LGD) approach for the calculation of expected credit losses (ECL) for material advances and a simplified approach for less material balances, such as non-advances e.g. accounts receivable. The ECL will be based on a probability-weighted average of three macroeconomic scenarios weighted by the probability of occurrence. This has resulted in the need for development of the appropriate ECL models, including underlying PD, LGD and exposure of default (EAD) models and parameter term structures, to facilitate the calculation of ECL. All required models are being developed within the bank and are validated independently, both by the independent validations unit in ERM and significant models are validated by the bank's external auditors. Model development has been guided by appropriate frameworks, which articulate minimum required standards, and reference industry guidance and best practice. Where possible, existing methodology used in the regulatory models has been leveraged for the development of IFRS 9 models, e.g. through-the-cycle PDs have been adjusted to IFRS 9 PDs using PD term structures and forward-looking macroeconomic information.
SIGNIFICANT INCREASES IN CREDIT RISK	To determine whether an advance has experienced a significant increase in credit risk, the lifetime PD of the asset calculated at the origination date is compared to that calculated at the reporting date. The origination date is defined to be the most recent date at which the bank had an opportunity to price or reprice the advance based on the outcome of either the original or an up-to-date risk assessment. Any facility that is more than 30 days past due, or in the case of instalment-based products one instalment past due, is automatically considered to have experienced a significant increase in credit risk. In addition to the quantitative assessment based on PDs, qualitative considerations are applied when determining whether individual exposures have experienced a significant increase in credit risk. One such qualitative consideration is the appearance of wholesale and commercial SME facilities on a credit watch list. Any up-to-date facility that has undergone a distressed restructure (i.e. a modification of contractual cash flows to prevent a client from going into arrears) will be considered to have experienced a significant increase in credit risk. The credit risk on an exposure is no longer considered to be significantly higher than at origination if no qualitative indicators of a significant increase in credit risk are triggered, and if comparison of the reporting date PD to the origination date PD no longer indicates that a significant increase in credit risk has occurred.
DEFINITION OF DEFAULT	Advances are considered credit impaired if these meet the definition of default. The bank's definition of default applied for calculating provisions under IFRS 9 has been aligned to the definition applied for regulatory capital calculations across all portfolios, and consider delinquency as well is indicators of unlikeliness to pay. Any distressed restructures of accounts which have experienced a significant increase in credit risk since initial recognition are defined as default events. Accounts are considered to no longer be in default if these meet the stringent cure definition, which is determined at portfolio level with reference to re-default rates.
PERIOD OF EXPOSURE TO CREDIT RISK	Lifetime expected credit losses are measured over the period that the entity is exposed to credit risk for accounts in stages 2 and 3. This period is determined through analysis of historical behavioural data, incorporating pre-payments and early settlements. For non-revolving products, this period is capped at the remaining contractual term of the financial instrument. For revolving products, such as credit cards and overdrafts, no restrictions are imposed on the length of the period of exposure to credit risk.
INCORPORATION OF FORWARD-LOOKING INFORMATION	Forward-looking macroeconomic information will be incorporated into expected loss estimates through the application of quantitative modelling and expert judgement based adjustments. ECL will be calculated for the core (best estimate) scenario, an upside scenario and a downside scenario. The probability-weighted average of the ECL figures calculated under each of these scenarios will be the final ECL figure for the portfolio. Where credit experts have determined that the three macroeconomic scenarios catered for through the quantitative modelling process are not adequately reflective of potential macroeconomic event risk, expert judgement-based adjustments will be made to staging and/or ECL estimates to better reflect potential portfolio-specific impacts. In addition to forward-looking macroeconomic information, other types of forward-looking information, such as specific event risk, will be considered in ECL estimates when required through the application of out-of-model adjustments.

PRESENTATION continued

GOVERNANCE	Existing governance frameworks will be utilised for the governance of IFRS 9-related processes. Overall, no significant changes are anticipated in the governance processes related to impairments. Where necessary, these have been amended to incorporate elements not presently catered for in existing frameworks. One such amendment is the governance process to ensure the independence of the production of forward-looking macroeconomic information which is incorporated into the ECL models.
IMPACT	Impact assessments have been performed on a six-monthly basis since the formal inception of the IFRS 9 project in 2015 and the bank continues to refine the calculations. An accurate indication of the impact of IFRS 9 is dependent on the internal independent validation and external audit of models, which are still ongoing, the distribution of the advances portfolio and on forward-looking macroeconomic expectations, amongst other factors, on the date of adoption.

National Treasury released the *Taxation Laws Amendment Act 2017*, which contains updated requirements for the deductibility of loss allowances relating to impairments in accordance with IFRS 9. The bank will be able to claim the following allowances in their impairment provisions as at the end of the reporting period:

- 25% on stage 1 exposures;
- 40% on stage 2 exposures;
- 85% on stage 3 exposures; and
- 100% on written off advances.

It is expected that the revised allowances will result in an increase in the deferred tax asset recognised by the bank.

IFRS 9 will negatively impact the bank's regulatory capital position due to increased impairment provisions and related deferred tax assets. The SARB issued Directive 5/2017, which allows banks to apply a three-year transitional phase-in for regulatory capital purposes only. The transitional arrangements will only apply to incremental provisions that arise upon adoption of IFRS 9 on 1 July 2018. The bank intends to apply the three-year phase in and will continue to be appropriately capitalised. Once implemented both the phased-in and fully loaded impact on capital will be disclosed.

NORMALISED RESULTS

The bank believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings have been adjusted to take into account non-operational and accounting anomalies, which, in terms of the JSE Listings Requirements, constitute *pro forma* financial information.

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the bank's financial position, changes in equity, and results of operations or cash flows.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

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

Margin-related items included in fair value income

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

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

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

Classification of impairment on restructured advance

Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment. The bank believes that the circumstances that led to the impairment arose prior to the restructure. For normalised reporting, therefore, the bank retained the gross advance and impairment.

IAS 19 remeasurement of plan assets

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

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

Headline earnings adjustments

All adjustments 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 96.

CONDENSED INCOME STATEMENT – IFRS

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Net interest income before impairment of advances	**20 164**	19 198	5	38 649
Impairment and fair value of credit of advances	**(3 524)**	(3 087)	14	(6 984)
Net interest income after impairment of advances	**16 640**	16 111	3	31 665
Non-interest revenue	**17 055**	15 550	10	30 949
Income from operations	**33 695**	31 661	6	62 614
Operating expenses	**(20 542)**	(18 559)	11	(37 669)
Income before tax	**13 153**	13 102	–	24 945
Indirect tax	**(475)**	(473)	–	(876)
Profit before tax	**12 678**	12 629	–	24 069
Income tax expense	**(3 123)**	(3 172)	(2)	(5 532)
Profit for the period	**9 555**	9 457	1	18 537
Attributable to				
Ordinary equityholders	**9 437**	9 339	1	18 300
NCNR preference shareholders	**118**	118	–	237
Profit for the period	**9 555**	9 457	1	18 537

CONDENSED STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Profit for the period	**9 555**	9 457	1	18 537
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**594**	45	>100	(150)
Fair value gains/(losses) arising during the period	**832**	116	>100	(141)
Reclassification adjustments for amounts included in profit or loss	**(7)**	(53)	(87)	(67)
Deferred income tax	**(231)**	(18)	>100	58
Available-for-sale financial assets	**(69)**	(134)	(49)	(393)
Losses arising during the period	**(89)**	(125)	(29)	(483)
Reclassification adjustments for amounts included in profit or loss	**–**	(64)	–	(67)
Deferred income tax	**20**	55	(64)	157
Exchange differences on translating foreign operations	**(237)**	(432)	(45)	(512)
Losses arising during the period	**(237)**	(432)	(45)	(512)
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(43)**	(80)	(46)	171
(Losses)/gains arising during the period	**(60)**	(111)	(46)	237
Deferred income tax	**17**	31	(45)	(66)
Other comprehensive income/(loss) for the period	**245**	(601)	(>100)	(884)
Total comprehensive income for the period	**9 800**	8 856	11	17 653
Attributable to				
Ordinary equityholders	**9 682**	8 738	11	17 416
NCNR preference shareholders	**118**	118	–	237
Total comprehensive income for the period	**9 800**	8 856	11	17 653

CONDENSED STATEMENT OF FINANCIAL POSITION – IFRS

R million	As at 31 December		As at 30 June
	2017	2016*	2017*
ASSETS			
Cash and cash equivalents	**50 552**	51 035	53 924
Derivative financial instruments	**53 364**	35 389	35 098
Commodities	**15 489**	9 110	14 380
Investment securities	**145 581**	131 470	127 972
Advances	**839 866**	767 013	799 419
– Advances to customers	**784 327**	721 235	752 479
– Marketable advances	**55 539**	45 778	46 940
Accounts receivable	**6 094**	7 245	5 651
Current tax asset	**174**	315	1
Amounts due by holding company and fellow subsidiaries	**32 464**	31 674	28 869
Property and equipment	**15 281**	14 631	14 928
Intangible assets	**250**	179	233
Deferred income tax asset	**1 250**	1 212	1 676
Total assets	**1 160 365**	1 049 273	1 082 151
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 231**	13 828	15 211
Derivative financial instruments	**57 406**	44 983	43 660
Creditors, accruals and provisions	**13 170**	11 471	13 079
Current tax liability	**46**	98	123
Deposits	**932 699**	847 786	876 690
– Deposits from customers	**687 092**	620 695	637 833
– Debt securities	**195 934**	164 935	186 021
– Other	**49 673**	62 156	52 836
Employee liabilities	**7 480**	6 624	8 840
Other liabilities	**4 274**	5 382	4 225
Amounts due to holding company and fellow subsidiaries	**18 101**	14 780	14 580
Tier 2 liabilities	**19 491**	19 592	18 370
Total liabilities	**1 067 898**	964 544	994 778
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**72 659**	64 921	67 565
Capital and reserves attributable to ordinary equityholders	**89 467**	81 729	84 373
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**92 467**	84 729	87 373
Total equities and liabilities	**1 160 365**	1 049 273	1 082 151

* *Restated, refer to page 99 for more detailed information.*

CONDENSED STATEMENT OF CASH FLOWS – IFRS

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	Year ended 30 June 2017
Cash flows from operating activities			
Interest, fee and commission receipts	**50 156**	46 044	93 130
Trading and other income	**2 335**	1 336	3 028
Interest payments	**(18 350)**	(16 091)	(32 659)
Other operating expenses	**(16 646)**	(15 476)	(29 945)
Dividends received	**1 777**	1 601	3 366
Dividends paid	**(4 706)**	(6 046)	(12 200)
Cash generated from operating activities	**14 566**	11 368	24 720
Movement in operating assets and liabilities	**(17 584)**	(11 316)	(17 601)
Liquid assets and trading securities	**(17 703)**	25 261	29 071
Advances	**(44 922)**	(52 414)	(89 577)
Deposits	**57 767**	23 285	53 432
Creditors (net of debtors)	**(272)**	(3 444)	(634)
Employee liabilities	**(4 298)**	(4 385)	(4 746)
Other liabilities	**(4 841)**	3 794	1 213
Taxation paid	**(3 315)**	(3 413)	(6 360)
Net cash (utilised by)/ generated from operating activities	**(3 018)**	52	7 119
Cash flows from investing activities			
Acquisition of property and equipment	**(1 715)**	(2 332)	(4 094)
Proceeds on disposal of property and equipment	**210**	184	448
Acquisition of intangible assets	**(63)**	(103)	(221)
Net cash outflow from investing activities	**(1 568)**	(2 251)	(3 867)
Cash flows from financing activities			
Proceeds/(repayment of) from other liabilities	**123**	164	(1 148)
Proceeds from the issue of Tier 2 liabilities	**1 120**	2 124	902
Net cash inflow/(outflow) from financing activities	**1 243**	2 288	(246)
Net (decrease)/increase in cash and cash equivalents	**(3 343)**	89	3 006
Cash and cash equivalents at the beginning of the period	**53 924**	50 997	50 997
Effect of exchange rate changes on cash and cash equivalents	**(29)**	(51)	(79)
Cash and cash equivalents at the end of the period	**50 552**	51 035	53 924
Mandatory reserve balances included above*	**22 518**	19 130	21 403

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

CONDENSED STATEMENT OF CHANGES IN EQUITY – IFRS

	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 2016	4	16 804	**16 808**	(898)	308
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(80)	45
Balance as at 31 December 2016	4	16 804	**16 808**	(978)	353
Balance as at 1 July 2017	4	16 804	**16 808**	(727)	158
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(43)	594
Balance as at 31 December 2017	4	16 804	**16 808**	(770)	752

	Ordinary share capital and ordinary equityholders' funds						
	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
	(100)	958	1 345	60 498	**62 111**	**3 000**	**81 919**
	–	–	–	(5 928)	**(5 928)**	**–**	**(5 928)**
	–	–	–	–	**–**	**(118)**	**(118)**
	(134)	(432)	–	9 339	**8 738**	**118**	**8 856**
	(234)	526	1 345	63 909	**64 921**	**3 000**	**84 729**
	(493)	446	1 345	66 836	**67 565**	**3 000**	**87 373**
	–	–	–	(4 588)	**(4 588)**	**–**	**(4 588)**
	–	–	–	–	**–**	**(118)**	**(118)**
	(69)	(237)	–	9 437	**9 682**	**118**	**9 800**
	(562)	209	1 345	71 685	**72 659**	**3 000**	**92 467**

STATEMENT OF HEADLINE EARNINGS – IFRS

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Profit for the period (refer page 91)	**9 555**	9 457	1	18 537
NCNR preference shareholders	**(118)**	(118)	–	(237)
Earnings attributable to ordinary equityholders	**9 437**	9 339	1	18 300
Adjusted for:	**(76)**	(38)	100	(31)
Gain on disposal of investment securities and other investments of a capital nature	**(31)**	–		–
Gain on disposal of available-for-sale assets	**–**	(64)		(66)
(Gain)/loss on disposal of property and equipment	**(27)**	10		26
Reversal of impairment of assets in terms of IAS 36	**–**	–		(4)
Other	**(30)**	–		–
Tax effects of adjustments	**12**	16		13
Headline earnings	**9 361**	9 301	1	18 269

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

R million	Six months ended 31 December 2017	Six months ended 31 December 2016	% change	Year ended 30 June 2017
Headline earnings	**9 361**	9 301	1	18 269
Adjusted for:	**(193)**	(220)	(12)	(180)
TRS and IFRS 2 liability remeasurement*	**(137)**	(166)	(17)	(63)
IAS 19 adjustment	**(56)**	(54)	4	(117)
Normalised earnings	**9 168**	9 081	1	18 089

* *The bank uses a TRS with external parties to hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes.*
The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.
In the current period, FirstRand's share price increased by R20.10 and during the prior period decreased R8.33.
This resulted in a significant mark-to-market fair value profit in the current period (compare to a loss in the prior period) being included in the bank'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 89.

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the year ended 31 December 2017

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	**20 668**	(551)	–	–	47	**20 164**
Impairment charge	**(3 524)**	–	–	–	–	**(3 524)**
Net interest income after impairment of advances	**17 144**	(551)	–	–	47	**16 640**
Non-interest revenue	**15 799**	551	–	88	617	**17 055**
Income from operations	**32 943**	–	–	88	664	**33 695**
Operating expenses	**(20 146)**	–	78	–	(474)	**(20 542)**
Income before tax	**12 797**	–	78	88	190	**13 153**
Indirect tax	**(475)**	–	–	–	–	**(475)**
Profit before tax	**12 322**	–	78	88	190	**12 678**
Income tax expense	**(3 036)**	–	(22)	(12)	(53)	**(3 123)**
Profit for the period	**9 286**	–	56	76	137	**9 555**
Attributable to						
NCNR preference shareholders	**(118)**	–	–	–	–	**(118)**
Ordinary equityholders	**9 168**	–	56	76	137	**9 437**
Headline and normalised earnings adjustments	**–**	–	(56)	(76)	(137)	**(269)**
Normalised earnings attributable to ordinary equityholders of the bank	**9 168**	–	–	–	–	**9 168**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the six months ended 31 December 2016

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	19 964	(766)	–	–	–	19 198
Impairment charge	(3 087)	–	–	–	–	(3 087)
Net interest income after impairment of advances	16 877	(766)	–	–	–	16 111
Non-interest revenue	14 269	766	–	54	461	15 550
Income from operations	31 146	–	–	54	461	31 661
Operating expenses	(18 404)	–	75	–	(230)	(18 559)
Income before tax	12 742	–	75	54	231	13 102
Indirect tax	(473)	–	–	–	–	(473)
Profit before tax	12 269	–	75	54	231	12 629
Income tax expense	(3 070)	–	(21)	(16)	(65)	(3 172)
Profit for the period	9 199	–	54	38	166	9 457
Attributable to						
NCNR preference shareholders	(118)	–	–	–	–	(118)
Ordinary equityholders	9 081	–	54	38	166	9 339
Headline and normalised earnings adjustments	–	–	(54)	(38)	(166)	(258)
Normalised earnings attributable to ordinary equityholders of the bank	9 081	–	–	–	–	9 081

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the year ended 30 June 2017

R million	Normalised	Margin-related items included in fair value income	IAS 19 adjustment	Headline earnings	TRS adjustment	IFRS
Net interest income before impairment of advances	39 849	(1 287)	–	–	87	38 649
Impairment charge	(6 984)	–	–	–	–	(6 984)
Net interest income after impairment of advances	32 865	(1 287)	–	–	87	31 665
Non-interest revenue	29 506	1 287	–	40	116	30 949
Income from operations	62 371	–	–	40	203	62 614
Operating expenses	(37 721)	–	163	4	(115)	(37 669)
Income before tax	24 650	–	163	44	88	24 945
Indirect tax	(876)	–	–	–	–	(876)
Profit before tax	23 774	–	163	44	88	24 069
Income tax expense	(5 448)	–	(46)	(13)	(25)	(5 532)
Profit for the year	18 326	–	117	31	63	18 537
Attributable to						
NCNR preference shareholders	(237)	–	–	–	–	(237)
Ordinary equityholders	18 089	–	117	31	63	18 300
Headline and normalised earnings adjustments	–	–	(117)	(31)	(63)	(211)
Normalised earnings attributable to ordinary equityholders of the bank	18 089	–	–	–	–	18 089

RESTATEMENT OF PRIOR YEAR NUMBERS

DESCRIPTION OF RESTATEMENTS

The bank made the following changes to the presentation of deposits.

Accrued interest on deposits

The bank previously recognised accrued interest on certain deposits as part of creditors, accruals and provisions in the statement of financial position. During the current financial year, accrued interest was reclassified to deposits. This is more in line with the group's current practice for advances where the accrued interest is recognised as part of the carrying value of the underlying financial instrument.

Classification of debt securities

The SARB issued guidance clarifying that negotiable notes with an issue price, a redemption/maturity date and redemption price or face value should be classified as debt securities rather than deposits from customers. The bank reclassified certain issued notes to align the regulatory and statutory requirements.

These changes in presentation had no impact on the profit or loss or net asset value of the bank and only affected the classification of items on the statement of financial position.

RESTATED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – IFRS

	As at 31 December 2016				As at 30 June 2017			
R million	As previously reported	Debt securities	Accrued interest on deposits	Restated	As previously reported	Debt securities	Accrued interest on deposits	Restated
ASSETS								
Cash and cash equivalents	51 035	–	–	51 035	53 924	–	–	53 924
Derivative financial instruments	35 389	–	–	35 389	35 098	–	–	35 098
Commodities	9 110	–	–	9 110	14 380	–	–	14 380
Investment securities	131 470	–	–	131 470	127 972		–	127 972
Advances	767 013	–	–	767 013	799 419	–	–	799 419
– Advances to customers	721 235	–	–	721 235	752 479	–	–	752 479
– Marketable advances	45 778	–	–	45 778	46 940	–	–	46 940
Accounts receivable	7 245	–	–	7 245	5 651	–	–	5 651
Current tax asset	315	–	–	315	1	–	–	1
Amounts due by holding company and fellow subsidiaries	31 674	–	–	31 674	28 869	–	–	28 869
Property and equipment	14 631	–	–	14 631	14 928	–	–	14 928
Intangible assets	179	–	–	179	233	–	–	233
Deferred income tax asset	1 212	–	–	1 212	1 676	–	–	1 676
Total assets	1 049 273	–		1 049 273	1 082 151	–	–	1 082 151
EQUITY AND LIABILITIES								
Liabilities								
Short trading positions	13 828	–	–	13 828	15 211	–	–	15 211
Derivative financial instruments	44 983	–	–	44 983	43 660	–	–	43 660
Creditors, accruals and provisions	11 622	–	(151)	11 471	13 079	–		13 079
Current tax liability	98	–	–	98	123	–	–	123
Deposits	847 635	–	151	847 786	876 690	–	–	876 690
– Deposits from customers	635 630	(14 950)	15	620 695	653 260	(15 427)	–	637 833
– Debt securities	149 985	14 950	–	164 935	170 594	15 427	–	186 021
– Other	62 020	–	136	62 156	52 836	–	–	52 836
Employee liabilities	6 624	–	–	6 624	8 840	–	–	8 840
Other liabilities	5 382	–	–	5 382	4 225	–	–	4 225
Amounts due to holding company and fellow subsidiaries	14 780	–	–	14 780	14 580	–	–	14 580
Tier 2 liabilities	19 592	–	–	19 592	18 370	–	–	18 370
Total liabilities	964 544	–	–	964 544	994 778	–	–	994 778
Equity							–	
Ordinary shares	4	–	–	4	4	–	–	4
Share premium	16 804	–	–	16 804	16 804	–	–	16 804
Reserves	64 921	–	–	64 921	67 565	–	–	67 565
Capital and reserves attributable to ordinary equityholders	81 729	–	–	81 729	84 373	–	–	84 373
NCNR preference shares	3 000	–	–	3 000	3 000	–	–	3 000
Total equity	84 729	–	–	84 729	87 373	–	–	87 373
Total equity and liabilities	1 049 273	–	–	1 049 273	1 082 151	–	–	1 082 151

FAIR VALUE MEASUREMENTS

VALUATION METHODOLOGY

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

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

Non-recurring fair value measurements

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

- classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where the recoverable amount is based on the fair value less costs to sell;
- assets and liabilities measured at fair value at acquisition date in terms of IFRS 3; and
- where the recoverable amount is based on the fair value less costs to sell in terms of IAS 36.

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

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the bank uses the price within the bid-ask spread that is most representative of fair value in the circumstances.

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

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included under page 110, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be 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. 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.

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS OF LEVEL 2 ITEMS
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, interest rate curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each cash flow is determined in terms of legal documents.	Market interest rates and interest rate, credit and currency basis curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option, market-related discount rate and forward rate
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Spot price of underlying instrument, interest rate curves and dividend yield
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, interest rate curves, volatilities, dividends and share prices
Loans and advances to customers			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates, interest rate curves and credit spreads
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and interest rate curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place in which case level 2 classifications are used.	Market transactions

FAIR VALUE MEASUREMENTS continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS OF LEVEL 2 ITEMS
Investment securities *continued*			
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and interest rate curves
Treasury bills	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and interest rate curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, these third party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
Deposits			
Call and non-term deposits	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and interest rate curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates and performance of underlying
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and interest rate curves

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
Derivative financial instruments			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices
Loans and advances to customers			
Investment banking book	Discounted cash flows	The bank has elected to designate a significant portion of the investment banking book advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates, adjusted for credit inputs. To calculate the fair value of credit, the bank uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly, an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the bank has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities e.g. P/E ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. The future cash flows are discounted using market-related interest rates adjusted for credit inputs over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs

FAIR VALUE MEASUREMENTS continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
Investment securities *continued*			
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the bank places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the bank applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the bank has classified these in level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments
Deposits			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the bank to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are therefore classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

Non-recurring fair value measurements

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example, property and equipment or intangible assets, the carrying value is considered to be equal to a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes of the annual financial statements when applicable. There were no assets or liabilities measured at fair value on a non-recurring basis for the financial periods ended 31 December 2016, 30 June 2017 and 31 December 2017.

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Fair value hierarchy

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

R million	As at 31 December 2017			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	**747**	**52 547**	**70**	**53 364**
Advances	**–**	**23 908**	**183 813**	**207 721**
Investment securities	**107 437**	**10 388**	**1 792**	**119 617**
Commodities	**15 489**	**–**	**–**	**15 489**
Amounts due by holding company and fellow subsidiaries	**–**	**1 440**	**–**	**1 440**
Total assets measured at fair value	**123 673**	**88 283**	**185 675**	**397 631**
Liabilities				
Recurring fair value measurements				
Short trading positions	**15 231**	**–**	**–**	**15 231**
Derivative financial instruments	**481**	**56 705**	**220**	**57 406**
Deposits	**1 904**	**81 228**	**535**	**83 667**
Other liabilities	**–**	**2 330**	**1 510**	**3 840**
Amounts due to holding company and fellow subsidiaries	**–**	**275**	**–**	**275**
Total liabilities measured at fair value	**17 616**	**140 538**	**2 265**	**160 419**

R million	As at 31 December 2016			
	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	242	35 147	–	35 389
Advances	–	32 110	207 984	240 094
Investment securities	84 166	21 566	1 968	107 700
Commodities	9 110	–	–	9 110
Amounts due by holding company and fellow subsidiaries	–	222	–	222
Total assets measured at fair value	93 518	89 045	209 952	392 515
Liabilities				
Recurring fair value measurements				
Short trading positions	13 828	–	–	13 828
Derivative financial instruments	260	44 564	159	44 983
Deposits	2 020	86 547	521	89 088
Other liabilities	–	3 379	1 476	4 855
Amounts due to holding company and fellow subsidiaries	–	57	–	57
Total liabilities measured at fair value	16 108	134 547	2 156	152 811

FAIR VALUE MEASUREMENTS continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

	As at 30 June 2017			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	268	34 822	8	35 098
Advances	–	33 132	195 376	228 508
Investment securities	79 501	18 721	1 989	100 211
Commodities	14 380	–	–	14 380
Amounts due by holding company and fellow subsidiaries	–	302	–	302
Total assets measured at fair value	94 149	86 977	197 373	378 499
Liabilities				
Recurring fair value measurements				
Short trading positions	15 211	–	–	15 211
Derivative financial instruments	307	43 120	233	43 660
Deposits	1 963	74 836	386	77 185
Other liabilities	–	2 226	1 519	3 745
Amounts due to holding company and fellow subsidiaries	–	330	–	330
Total liabilities measured at fair value	17 481	120 512	2 138	140 131

Transfers between fair value hierarchy levels

There were no transfers in or out of the various levels for the six months ended 31 December 2017 and 31 December 2016.

The following represents the significant transfers into level 1, 2 and 3 and the reasons for the transfers for the year ended 30 June 2017. Transfers between levels of the fair value hierarchy are deemed to occur at the beginning of the reporting period.

	As at 30 June 2017		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	–	–	There were no transfers into level 1.
Level 2	–	(38)	There were no transfers into level 2.
Level 3	38	–	The JSE publishes volatilities of strike prices of options between 70% and 130%. Any volatility above or below this range results in inputs becoming unobservable. During the year ended 30 June 2017 the observability of volatilities used in determining the fair value of certain over the counter options became unobservable and resulted in the transfer of R38 million out of level 2 into level 3 of the fair value hierarchy.
Total transfers	38	(38)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

R million	**Derivative financial assets**	**Advances**	**Investment securities**	**Derivative financial liabilities**	**Deposits**	**Other liabilities**
Balance as at 30 June 2017	**8**	**195 376**	**1 989**	**233**	**386**	**1 519**
Gains/(losses) recognised in profit or loss	**72**	**7 518**	**3**	**18**	**(7)**	**59**
Gains/(losses) recognised in other comprehensive income	**–**	**(1)**	**(82)**	**–**	**–**	**–**
Purchases, sales, issues and settlements	**(10)**	**(18 694)**	**(118)**	**(31)**	**156**	**(68)**
Transfer into level 3	**–**	**–**	**–**	**–**	**–**	**–**
Exchange rate differences	**–**	**(386)**	**–**	**–**	**–**	**–**
Balance as at 31 December 2017	**70**	**183 813**	**1 792**	**220**	**535**	**1 510**

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2016	–	199 275	1 846	128	528	1 457
Gains/(losses) recognised in profit or loss	–	5 963	17	–	(7)	71
Gains/(losses) recognised in other comprehensive income	–	–	44	–	–	–
Purchases, sales, issue and settlements	–	3 311	61	31	–	(52)
Transfer into level 3	–	–	–	–	–	–
Exchange rate differences	–	(565)	–	–	–	–
Balance as at 31 December 2016	–	207 984	1 968	159	521	1 476

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2016	–	199 275	1 846	128	528	1 457
Gains/(losses) recognised in profit or loss	8	14 848	22	71	(39)	174
Gains/(losses) recognised in other comprehensive income	–	(2)	50	–	–	–
Purchases, sales, issue and settlements	–	(17 847)	71	(4)	(103)	(112)
Transfer into level 3	–	–	–	38	–	–
Exchange rate differences	–	(898)	–	–	–	–
Balance as at 30 June 2017	8	195 376	1 989	233	386	1 519

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 acquisition of subsidiaries.

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

FAIR VALUE MEASUREMENTS continued

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

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

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

	Six months ended 31 December 2017		Six months ended 31 December 2016		Year ended 30 June 2017	
R million	**Gains/(losses) recognised in the income statement**	**Gains/(losses) recognised in other comprehensive income**	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income	Gains/(losses) recognised in the income statement	Gains/(losses) recognised in other comprehensive income
Assets						
Derivative financial instruments	**73**	**–**	–	–	8	–
Advances*	**5 654**	**(1)**	6 152	–	11 697	–
Investment securities	**1**	**(82)**	17	39	23	50
Total	**5 728**	**(83)**	6 169	39	11 728	50
Liabilities						
Derivative financial instruments	**19**	**–**	–	–	(72)	–
Deposits	**(7)**	**–**	(7)	–	(26)	–
Other liabilities	**59**	**–**	54	–	97	–
Total	**71**	**–**	47	–	(1)	–

* *Amount is mainly accrued interest on fair value loans and advances and movements due to changes in interest rates and foreign currency that have been economically hedged. This relates to the portion of RMB's advances that are classified as fair value to effectively manage the interest rate and foreign exchange risks on these portfolios. These are classified as level 3 primarily as credit spreads could be a significant input and are not observable for loans and advances in the most of RMB's key markets. Refer to page 60 where the income statement impact of the credit fair value adjustments are disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

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

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

The tables below illustrate the sensitivity of the significant inputs when changed to reasonable possible alternative inputs:

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLY POSSIBLE CHANGES ARE APPLIED	REASONABLY POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Scenario analysis	A range of scenarios are run as part of the bank's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates and P/E ratios of unlisted investments	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit-linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits of the underlying contracts	Increased and decreased by 1%.

	Reasonably possible alternative fair value								
	As at 31 December 2017			As at 31 December 2016			As at 30 June 2017		
R million	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets									
Derivative financial instruments	**70**	**71**	**69**	–	–	–	8	11	4
Advances	**183 813**	**184 360**	**183 434**	207 984	208 853	207 101	195 376	195 979	195 041
Investment securities	**1 792**	**1 934**	**1 672**	1 968	2 174	1 819	1 989	2 179	1 833
Total financial assets measured at fair value in level 3	**185 675**	**186 365**	**185 175**	209 952	211 027	208 920	197 373	198 169	196 878
Liabilities									
Derivative financial instruments	**220**	**179**	**224**	159	151	167	233	227	246
Deposits	**535**	**535**	**536**	521	475	583	386	386	387
Other liabilities	**1 510**	**1 495**	**1 525**	1 476	1 461	1 623	1 519	1 504	1 534
Total financial liabilities measured at fair value in level 3	**2 265**	**2 209**	**2 285**	2 156	2 087	2 373	2 138	2 117	2 167

FAIR VALUE MEASUREMENTS continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

	As at 31 December 2017				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	**632 145**	**637 416**	**–**	**113 679**	**523 737**
Investment securities	**25 964**	**26 215**	**22 214**	**4 001**	**–**
Total assets at amortised cost	**658 109**	**663 631**	**22 214**	**117 680**	**523 737**
Liabilities					
Deposits	**849 032**	**849 622**	**2 750**	**846 014**	**858**
Other liabilities	**428**	**427**	**–**	**427**	**–**
Tier 2 liabilities	**19 491**	**19 804**	**–**	**19 804**	**–**
Total liabilities at amortised cost	**868 951**	**869 853**	**2 750**	**866 245**	**858**

	As at 31 December 2016				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	526 919	532 682	–	132 300	400 382
Investment securities	23 770	23 632	16 299	7 333	–
Total assets at amortised cost	550 689	556 314	16 299	139 633	400 382
Liabilities					
Deposits	758 698	759 052	8 650	748 954	1 448
Other liabilities	507	506	–	506	–
Tier 2 liabilities	19 592	19 785	–	19 785	–
Total liabilities at amortised cost	778 797	779 343	8 650	769 245	1 448

	As at 30 June 2017				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	570 911	576 355	–	96 037	480 318
Investment securities	27 761	27 816	20 832	6 984	–
Total assets at amortised cost	598 672	604 171	20 832	103 021	480 318
Liabilities					
Deposits	799 505	801 710	41	800 788	881
Other liabilities	467	467	–	467	–
Tier 2 liabilities	18 370	18 635	–	18 635	–
Total liabilities at amortised cost	818 342	820 812	41	819 890	881

DAY 1 PROFIT OR LOSS

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

	As at 31 December		As at 30 June
R million	2017	2016	2017
Opening balance	**51**	38	38
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**2**	11	17
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**–**	9	(4)
Closing balance	**53**	58	51

SUMMARY SEGMENT REPORT – IFRS

	Six months ended 31 December 2017								
	FNB		**RMB**						
R million	**FNB**	**FNB Africa***	**Investment banking**	**Corporate banking**	**WesBank**	**FCC (including Group Treasury) and other**	**FRB – normalised**	**Normalised adjustments**	**Total**
Profit before tax	**8 967**	**(325)**	**2 513**	**634**	**1 246**	**(713)**	**12 322**	**356**	**12 678**
Total assets	**358 768**	**532**	**354 514**	**51 391**	**178 703**	**216 457**	**1 160 365**	**–**	**1 160 365**
Total liabilities	**349 788**	**825**	**351 926**	**50 586**	**177 494**	**137 279**	**1 067 898**	**–**	**1 067 898**

	Six months ended 31 December 2016								
	FNB		**RMB**						
R million	**FNB**	**FNB Africa***	**Investment banking**	**Corporate banking**	**WesBank**	**FCC (including Group Treasury) and other**	**FRB – normalised**	**Normalised adjustments**	**Total**
Profit before tax	8 156	(228)	2 211	596	1 710	(176)	12 269	360	12 629
Total assets	341 037	925	326 904	39 038	156 886	184 483	1 049 273	–	1 049 273
Total liabilities	332 935	1 151	325 039	38 284	155 206	111 929	964 544	–	964 544

	Year ended 30 June 2017								
	FNB		**RMB**						
R million	**FNB**	**FNB Africa***	**Investment banking**	**Corporate banking**	**WesBank**	**FCC (including Group Treasury) and other**	**FRB – normalised**	**Normalised adjustments**	**Total**
Profit before tax	16 296	(441)	4 471	1 215	3 214	(981)	23 774	295	24 069
Total assets	346 892	719	337 012	42 159	170 523	184 846	1 082 151	–	1 082 151
Total liabilities	330 727	1 158	333 704	40 586	167 327	121 276	994 778	–	994 778

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

supplementary information

CONTINGENCIES AND COMMITMENTS

	Six months ended 31 December			Year ended 30 June
R million	2017	2016	% change	2017
Contingencies and commitments				
Guarantees (endorsements and performance guarantees)	**33 178**	37 585	(12)	31 875
Letters of credit	**7 857**	5 823	35	6 358
Total contingencies	**41 035**	43 408	(5)	38 233
Irrevocable commitments	**108 303**	109 171	(1)	112 698
Committed capital expenditure	**2 417**	1 736	39	3 560
Operating lease commitments	**2 877**	2 713	6	2 853
Other	**3**	–	–	3
Contingencies and commitments	**154 635**	157 028	(2)	157 347
Commitments				
Commitments in respect of capital expenditure and long-term investments approved by directors	**2 417**	1 736	39	3 560

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), JP Burger (chief executive officer), AP Pullinger (deputy chief executive officer), HS Kellan (financial director), MS Bomela, HL Bosman, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, F Knoetze, RM Loubser, PJ Makosholo, TS Mashego, EG Matenge-Sebesho, AT Nzimande

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(In terms of JSE debt listing requirements)
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The Woodlands, Woodlands Drive
Woodmead, Sandton

LISTED FINANCIAL INSTRUMENTS OF THE BANK

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium term note programme

BOND CODE	ISIN CODE
Subordinated debt	
FRB05	ZAG000031337
FRB12	ZAG000116278
FRB13	ZAG000116286
FRB14	ZAG000116294
FRB15	ZAG000124199
Senior unsecured	
FRBZ01	ZAG000049255
FRBZ02	ZAG000072711
FRBZ03	ZAG000080029
FRJ18	ZAG000084187
FRJ19	ZAG000104563
FRJ20	ZAG000109596
FRJ21	ZAG000115858
FRJ22	ZAG000142498
FRJ25	ZAG000124256
FRJ27	ZAG000141912
FRS36	ZAG000077397
FRS37	ZAG000077793
FRS43	ZAG000078643
FRS46	ZAG000079807
FRS49	ZAG000081787
FRS51	ZAG000086117
FRS62	ZAG000090614
FRS64	ZAG000092529
FRS81	ZAG000100892
FRS85	ZAG000104985
FRS86	ZAG000105008
FRS87	ZAG000105420
FRS90	ZAG000106410
FRS94	ZAG000107871
FRS96	ZAG000108390
FRS100	ZAG000111634
FRS170	ZAG000145954
FRS171	ZAG000147448
FRS172	ZAG000147455
FRS173	ZAG000148180
FRS174	ZAG000148198
FRX18	ZAG000076472
Inflation-linked bonds	
FRBI22	ZAG000079666
FRBI23	ZAG000076498
FRBI25	ZAG000109588
FRBI28	ZAG000079237

BOND CODE	ISIN CODE
Subordinated debt	
FRB16	ZAG000127622
FRB17	ZAG000127630
FRB18	ZAG000135229
FRB19	ZAG000135310
FRB20	ZAG000135385
Senior unsecured	
FRS101	ZAG000111774
FRS103	ZAG000111840
FRS104	ZAG000111857
FRS108	ZAG000113515
FRS109	ZAG000113564
FRS110	ZAG000113663
FRS112	ZAG000115395
FRS113	ZAG000115478
FRS114	ZAG000116070
FRS115	ZAG000116740
FRS119	ZAG000118951
FRS120	ZAG000119298
FRS121	ZAG000120643
FRS122	ZAG000121062
FRS123	ZAG000121328
FRS124	ZAG000122953
FRS126	ZAG000125188
FRS127	ZAG000125394
FRS129	ZAG000125865
FRS130	ZAG000125873
FRS131	ZAG000126186
FRS132	ZAG000126194
FRS133	ZAG000126541
FRS134	ZAG000126574
FRS135	ZAG000126608
FRS136	ZAG000126780
FRX19	ZAG000073685
FRX20	ZAG000109604
FRX23	ZAG000104969
FRX24	ZAG000073693
FRX26	ZAG000112160
FRX27	ZAG000142506
Inflation-linked bonds	
FRBI29	ZAG000145608
FRBI33	ZAG000079245
FRBI46	ZAG000135302
FRBI50	ZAG000141649

BOND CODE	ISIN CODE
Subordinated debt	
FRB21	ZAG000140856
FRB22	ZAG000141219
FRB23	ZAG000146754
FRBC21	ZAG000052283
FRBC22	ZAG000052390
Senior unsecured	
FRS137	ZAG000127549
FRS138	ZAG000127556
FRS142	ZAG000130782
FRS143	ZAG000130790
FRS145	ZAG000131483
FRS146	ZAG000134636
FRS147	ZAG000135724
FRS149	ZAG000136573
FRS150	ZAG000136615
FRS151	ZAG000136987
FRS152	ZAG000136995
FRS153	ZAG000137670
FRS157	ZAG000144197
FRS158	ZAG000145012
FRS159	ZAG000145020
FRS160	ZAG000145038
FRS161	ZAG000145046
FRS162	ZAG000145111
FRS163	ZAG000145129
FRS164	ZAG000145160
FRS165	ZAG000145178
FRS166	ZAG000145756
FRS167	ZAG000145764
FRS168	ZAG000145772
FRS169	ZAG000145780
FRX30	ZAG000124264
FRX31	ZAG000084195
FRX32	ZAG000142514
FRX45	ZAG000104969
Inflation-linked bonds	
FRI33	ZAG000141706
FRI38	ZAG000141862

BOND CODE	ISIN CODE	BOND CODE	ISIN CODE	BOND CODE	ISIN CODE
Credit-linked notes		**Credit-linked notes**		**Credit-linked notes**	
FRC66	ZAG000088485	FRC192	ZAG000114521	FRC242	ZAG000135401
FRC69	ZAG000088766	FRC195	ZAG000114745	FRC243	ZAG000135419
FRC71	ZAG000088923	FRC206	ZAG000116088	FRC244	ZAG000135427
FRC107	ZAG000094574	FRC207	ZAG000117649	FRC245	ZAG000135468
FRC163	ZAG000102898	FRC208	ZAG000117656	FRC246	ZAG000135476
FRC166	ZAG000103573	FRC209	ZAG000118613	FRC247	ZAG000135484
FRC167	ZAG000104019	FRC210	ZAG000120296	FRC248	ZAG000135450
FRC168	ZAG000104753	FRC212	ZAG000121054	FRC249	ZAG000135542
FRC169	ZAG000104852	FRC213	ZAG000121047	FRC250	ZAG000135559
FRC170	ZAG000105586	FRC215	ZAG000121021	FRC251	ZAG000141813
FRC171	ZAG000105719	FRC219	ZAG000121138	FRC252	ZAG000142225
FRC172	ZAG000105818	FRC221	ZAG000121229	FRC254	ZAG000144825
FRC174	ZAG000105891	FRC225	ZAG000121435	FRC255	ZAG000145566
FRC176	ZAG000107178	FRC231	ZAG000125030	FRC256	ZAG000145806
FRC177	ZAG000107632	FRC233	ZAG000128752	FRC257	ZAG000146564
FRC178	ZAG000107897	FRC234	ZAG000130816	FRC258	ZAG000146580
FRC179	ZAG000108168	FRC236	ZAG000135211	FRC259	ZAG000147414
FRC181	ZAG000108549	FRC237	ZAG000135203	FRC260	ZAG000147596
FRC183	ZAG000109356	FRC238	ZAG000135237	FRC261	ZAG000147653
FRC185	ZAG000111451	FRC239	ZAG000135245	FRC262	ZAG000147646
FRC188	ZAG000111873	FRC240	ZAG000135252	FRC263	ZAG000148230
FRC189	ZAG000112145	FRC241	ZAG000135393		
Structured notes		**Structured notes**			
FRPT01	ZAE000205480	FKR01	ZAE000193454		

Issuer: FirstRand Bank Limited
London Stock Exchange (LSE)

European medium term note programme

ISIN CODE
Senior unsecured
XS0610341967
XS1225512026
XS1178685084

Issuer: FirstRand Bank Limited
Swiss Stock Exchange (SIX)

ISIN CODE
Senior unsecured
CH0238315680

DEFINITIONS

Additional Tier 1 capital (AT1)	Non-cumulative non-redeemable (NCNR) preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 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.
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	CET1 capital plus AT1 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.
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.

ABBREVIATIONS

ASF	Available stable funding.
AT1	Additional Tier 1 capital.
AUA	Assets under administration.
AUE	Assets under execution.
AUM	Assets under management.
BCBS	Basel Committee for Banking Supervision.
BEE	Black economic empowerment.
BIS	Bank of International Settlements.
BSE	Botswana Stock Exchange.
C&TB	Corporate and transactional banking.
CAGR	Compound annual growth rate.
Capex	Capital expenditure.
CAR	Capital adequacy ratio.
CB	RMB corporate banking.
CET1	Common Equity Tier 1 capital.
CIB	RMB corporate and investment banking.
CLF	Committed liquidity facility.
DIS	Deposit insurance scheme.
DWT	Dividend withholding tax.
EMTN	European medium term note programme.
EPS	Earnings per share.
FML	Full maintenance leasing.
FNB	First National Bank.
FREMA	FirstRand EMA Holdings (Pty) Ltd.
FRIHL	FirstRand Investment Holdings (Pty) Ltd.
FSB	Financial Services Board.
FSR	FirstRand Limited.
GBP	British Pound.
HQLA	High quality liquid assets.
IB	RMB investment banking.
IB&A	Investment banking and advisory.
IM	Investment management.
INV	Investing.
ISP	Interest in suspense.
JSE	Johannesburg Stock Exchange.
LCR	Liquidity coverage ratio.
LGD	Loss given default.
LISP	Linked investment service provider.
LSE	London Stock Exchange.
M&S	Markets and structuring.

ABBREVIATIONS continued

MTM	Mark-to-market.
NCAA	National Credit Amendment Act.
NCNR	Non-cumulative non-redeemable.
NIACC	Net income after capital charge.
NII	Net interest income.
NIR	Non-interest revenue.
NPLs	Non-performing loans.
NSFR	Net stable funding ratio.
NSX	Namibian Stock Exchange.
P/E	Price earnings.
RMB	Rand Merchant Bank.
ROA	Return on assets.
ROE	Return on equity.
RPS	Required stable funding.
RWA	Risk weighted assets.
S&P	S&P Global Ratings.
SAICA	South African Institute of Chartered Accountants.
SARB	South African Reserve Bank.
SRB	Special Resolution Bill.
TLAC	Total loss absorbing capacity.
TRS	Total return swap.
UK	United Kingdom.
VAF	Vehicle asset finance.
VAPS	Value added products and services.
WIM	Wealth and investment management.

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