FIRSTRAND

owner-manager culture

innovation

entrepreneurship

franchise value

'17

ANNUAL INTEGRATED REPORT

about this report

The group continues to present both new and existing content in an accessible and diagrammatical style.

Of particular note:

- additional commentary from the chairman on the principles that underpin the group's approach to remuneration on pages 16 and 17;
- a new graphical representation of the group's strategic framework and priorities for execution on pages 4 and 5;
- infographics for each franchise operating review to present relevant data in support of performance; and
- two new spreads that seek to demonstrate how the operations of the group positively impact the broader needs of society.

FIRSTRAND

1966/010753/06
Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers.
This analysis is available on the group's website:
www.firstrand.co.za

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

statement of intent

portfolio

FirstRand's portfolio of leading financial services franchises provides a universal set of **transactional, lending, investment and insurance products and services.** The franchises operate in markets and segments where they can deliver competitive and differentiated client-centric value propositions, leveraging the relevant distribution channels, product skills, licences and operating platforms of the wider group.

strategy

Strategy is executed on the back of **disruptive and innovative** thinking underpinned by an owner-manager culture combined with the disciplined allocation of financial resources.

objective

FirstRand's objective is to build **long-term franchise** value and the diversified portfolio of the group has delivered strong growth in earnings, assets and dividends.

track record

This track record has been achieved through a combination of **organic growth, acquisitions, and creating extra sources of revenue** through the start up and development of completely new businesses.

The group has a portfolio branding strategy and there are a number of leading brands within the group.

FNB First National Bank RMB WesBank ASHBURTON INVESTMENTS

integrated highlights

FINANCIAL

FIRSTRAND

Ordinary dividend per share

↑13%

2017: 255.0 | 2016: 226.0

Normalised return on equity (%)

23.4%

2016: 24.0

Diluted normalised earnings per share (cents)

↑7%

2017: 436.2 | 2016: 407.4

Normalised earnings (R million)

↑7%

2017: 24 471 | 2016: 22 855

SOCIAL

Economic value added to society (R million)

↑11%

2017: 110 827 | 2016: 99 969

Total workforce (number)

44 916

2016: 45 100

South African workforce (number)

↓1%

2017: 37 728 | 2016: 38 216

% ACI employees (SA operations)

76%

2016: 75%

OPERATIONS

FNB customer numbers

↑4%

2017: 7.802 million

2016: 7.483 million

Digital transactions

↑88%

of total FNB value

FNB sold

3.2 million

policies on new group life licence

RMB M&A advisory on

R35bn

of deals

Normalised net asset value per share (cents)

↑ 9%

2017: 1 941.7 | 2016: 1 779.0

FNB First National Bank

Normalised earnings

↑ 5%

RMB

Normalised earnings

↑ 11%

WesBank

Normalised earnings

↑ 2%

Grants to education

R284mil

Carbon emissions (SA operations) (tonnes)

↓ 8%

2017: 258 878 | 2016: 280 998

Procurement black-owned/ small entities spend (%)

55%

2016: 54%

B-BBEE

Maintained level 2 status

RMB Morgan Stanley

#1

JSE trading volumes

WesBank finances

1 in 3

vehicles

WesBank's MotoNovo

no 2

independent motor finance lender in UK

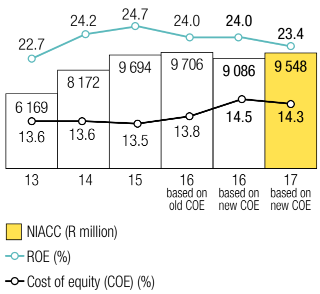
FirstRand's sustainability framework

FirstRand has carefully considered the principles and objectives of integrated reporting. The group's aims is to apply best practice, in so far that it supports the group's interpretation of the sustainability of its strategy and operations. It does not seek to tick all the boxes but rather provide stakeholders with enough relevant information to take an informed view on the quality of leadership's strategic thinking, execution of strategy and utilisation of operating platforms, financial resources and risk capacity. The approach is fundamentally designed to present substance over form.

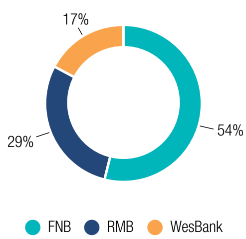
Depicted here is FirstRand's sustainability framework which represents the five key pillars of the group's approach to delivering superior and sustainable returns to its stakeholders. It indicates some key sections or pages in this report where the reader can find narrative and data that substantiates the statement of intent.

	CORE PURPOSE	PORTFOLIO MANAGEMENT	SUSTAINABILITY
Strategic framework	Create long-term franchise value, and deliver superior growth and returns.	Actively manage its portfolio of businesses to deliver on this strategic focus; a dynamic process that is constantly measured with appropriate frameworks that balance risk, growth and returns.	Deliver sustainable returns within acceptable levels of earnings volatility; managing the business on a through-the-cycle basis and utilising strategic and operational levers – capital, balance sheet and operating platforms.
	18 CEO's report **30** CFO's report	**18** CEO's report **30** CFO's report **121** Risk report	**18** CEO's report **30** CFO's report **121** Risk report
Measuring performance	The group believes that the true measures of value creation are **return on equity (ROE) and net income after capital charge** (NIACC). The group's ROE target range for normal economic cycles is 18% to 22% and it believes that this range is sustainable going forward.	The group seeks **optimal diversification** from its portfolio activity. This chart demonstrates the portfolio broken down by franchise which the group believes is appropriate. FirstRand is, however, executing on strategies to further increase activity and geographic diversification.	The group believes its **client franchise** is key to sustainability and therefore analyses the proportion of revenues generated from client activities as this represents the highest quality of earnings. This chart shows that 95% of gross revenue emanates from client activities.

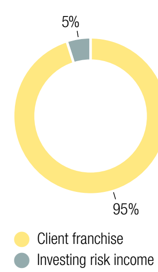
NIACC and ROE



Franchise diversification
(normalised earnings)



Gross revenue
(%)



VALUES AND CULTURE

Maintain an ethical and entrepreneurial culture with a strong focus on innovation. This has proven to be a meaningful underpin to the group's performance.

51 FNB, RMB and WesBank operational reviews
121 Risk report

STAKEHOLDERS

Create value for the providers of capital and for the benefit of all stakeholders – customers, regulators, employees and the communities the group serves.

10 Chairman's report
18 CEO's report
51 FNB, RMB and WesBank operational reviews

GOVERNANCE

Implement the highest standards of corporate governance and ethics oversight at all levels of the business.

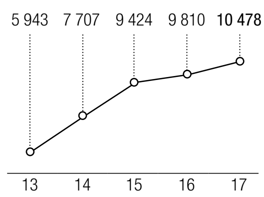
69 Corporate governance report
121 Risk report

Innovation programmes have been refocused resulting in fewer, more **impactful innovations**. This chart indicates the growth in number of innovations implemented since 2011.

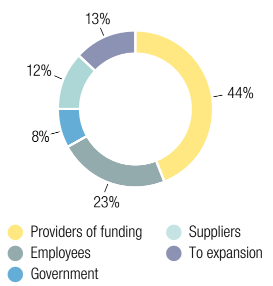
The group manages its business for a **broad range of stakeholders**, this chart indicates the economic value distribution to the different stakeholders of the group.

Review governance processes to ensure ongoing improvement.

Cumulative innovations implemented *CAGR 15%*



Economic value distribution *(%)*
R110.8 billion



Measuring social impact

The nature, size and scale of the group's business activities means that it inevitably **impacts society** in its broadest sense, as a

- **systemic provider of credit**
- **keeper of the country's deposits and savings**
- **provider of channels** for people to access their funds and spend
- **material taxpayer** and
- **large employer**

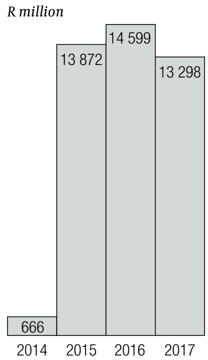
To properly understand the broader value currently created through the group's activities, FirstRand has started to measure certain aspects of its business to try and provide stakeholders with insight as to the group's contribution to social development, particularly where it meets the country's most pressing needs. This is not an exhaustive list, more information can be found in the group's report to society.

How the group's balance sheet drives **economic growth** and **inclusion**

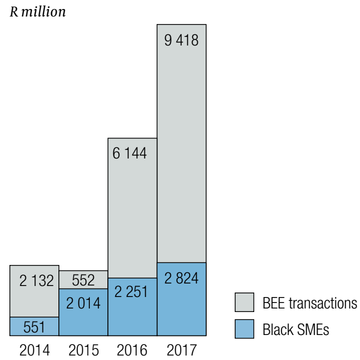
As one of the big 4 banks in South Africa the group is a significant provider of credit to the economy

How the group's transactional franchise **benefits** the **broader community**

FirstRand's balance sheet has had a **material impact on the country's infrastructure, particularly in the renewables sector.** It has provided **R33 billion** of funding for the SME sector which is a major contributor to **economic growth and job creation.**



Transformational infrastructure



Lending to SMEs, BEE transactions and black agriculture

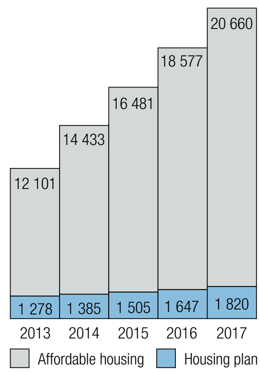
In addition, through providing credit to individuals, the group has enabled home ownership across all social spectrums.

The **economic benefits** of homeownership are immense. Owning a home not only provides individuals with tangible wealth-building opportunities, it brings **substantial social benefits** for families, communities and the country as a whole.

The group's affordable housing book has grown strongly

R22.5 billion representing **93 000** customers

This book is focused on providing access to housing finance to lower household income groups



Deepening access through provision of electronic channels

Approximately **1.5 million** people in low-earning segments of the population regularly used FNB's electronic channels during the year

Representing a **13%** increase from the previous year

Overall FNB has **4.3 million** users of its eWallet product, **74%** of whom use the product for **FREE**

How the group **treats** its **customers** fairly

CONSUMER FINANCIAL EDUCATION

Given the complex nature of its products and services the group's large retail franchises FNB and WesBank invest significantly in financial consumer education initiatives particularly in the low income market.

How the group is using its **financial strength** to **contribute** to the **needs** of the **poor and vulnerable**

SYSTEMIC SOCIAL INVESTING

In 2014 the group refocused its objectives and adopted a more systemic approach which is designed to confront the root causes of social problems (not only the symptoms) through strategic interventions. The group believes this approach will bring about lasting, system-wide change.

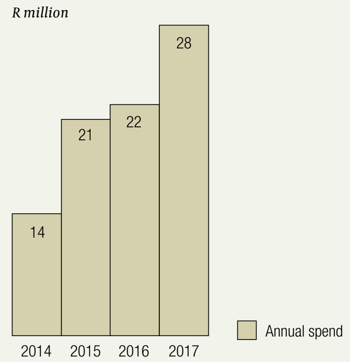
How the group is addressing **transformation** and **employment equity**

WORKFORCE DIVERSITY

Approximately **76%** of the group's South African workforce is composed of African, Coloured and Indian employees.
While significant progress has been made at junior levels, further improvement is required with only **33%** ACI representation at top management level.

Approximately **61%** of the group's workforce is female.

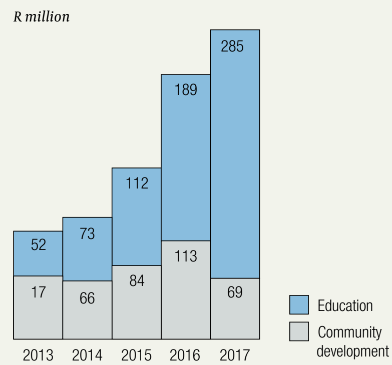
During the year
R28 million
was committed to these initiatives, representing a
27% increase
from the prior year



Spend on consumer financial education

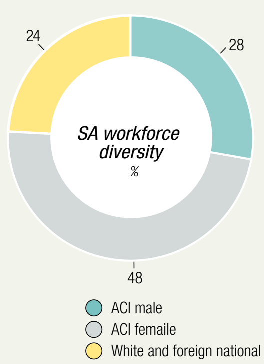
These programmes help customers to make **informed financial decisions.**

Since its creation in 1998 the FirstRand Foundation has granted over
R1 billion
for social investment projects



Total CSI spend

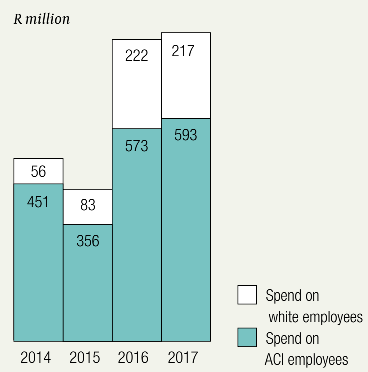
The FirstRand Empowerment Foundation created from the group's BEE transaction represents one of the **largest endowments in South Africa at**
R6 billion
and is black controlled



SKILLS DEVELOPMENT

During the year the group invested over
R800 million
in skills development for its employee base

Approximately **73%** of this spend was for skills development of ACI employees



Skills development spend

Laurie Dippenaar

chairman's report

POLITICS, THE WHITE MONOPOLY CAPITAL NARRATIVE AND STATE CAPTURE

As I am writing this report, it is mid-year and corruption, state capture and public in-fighting in the ANC have all combined to reduce South Africa to junk status and worsen the already parlous state of our economy. This is a sad outcome for Nelson Mandela's rainbow nation of 1994.

That almost unimaginable amounts of money have been stolen from the fiscus (read – the South African taxpayer) by a few connected individuals, in the most cynical and malevolent manner, is hard to accept. What is even harder to accept is that ultimately it is the poor and the vulnerable members of our society who will be hurt the most.

As this scenario continues to play out, I would like to acknowledge the unstinting efforts of our media as they have relentlessly chased down and exposed those guilty of corruption, despite facing heavy intimidation and threats of physical harm. I would also like to praise the independence and courage of our judiciary and finally recognise the strength of our constitution that has withstood a number of serious attempts to undermine it.

Those corrupt individuals who suddenly felt the heat of media scrutiny were quick to adopt a strategy of misdirection, and this resulted in one of the most divisive media campaigns ever invented – that of "white monopoly capital" or even "white settler monopoly capital". This deeply negative narrative awoke the sleeping giant of apartheid and rapidly found traction in some seriously racist rhetoric, and whilst its origins and intent have now been fully exposed (and heads in a particular PR firm in London have rolled) the damage to our fledgling democracy has been significant.

In addition, despite the efforts of the media, the judiciary and civic society, many of the practical mechanisms of state capture remain in place and until these are properly dealt with and the individuals who stole the assets of this country are brought to account, the country's wounds will not heal. I hope that the ANC finds unity and repairs itself at the end of this year, only then can we look forward with renewed optimism.

Banks must act ethically and within the law as this is key to building trust

BANKS REMAIN FAIR GAME

Unfortunately the banks also came under significant attack during this financial year, with the worst assaults emanating from a certain group of individuals and companies whose bank accounts were closed, and those in government who supported them. The details of this have played out very publicly in the media and in the courts.

It's a very important topic which goes straight to the heart of why banks must act ethically and within the law. I believe this is key to building trust between financial service providers and their stakeholders.

The first point I would like to make is that this was not a capricious decision by the banks in question, they acted in line with the requirements of the Financial Intelligence Centre Act (FICA), a piece of global regulation introduced to fight financial crime, such as money laundering and terrorist financing activities. The individuals I referred to earlier were undeniably politically connected and the banks faced enormous regulatory and reputational risk if they had not acted.

Signed into law by President Zuma earlier this year, the act brings South Africa in line with similar legislation in other countries and it places legal onus on the banks to report "suspicious" transactions or movement of monies to the Financial Intelligence Unit, which is then required to investigate whether these transactions derive from unlawful activities.

However, the actions of the banks unleashed a tsunami of fury from certain quarters of government, in addition and even more worryingly, it precipitated an attack on the South African Reserve Bank (SARB) and the Minister of Finance, and hinted of intended further attacks on the country's constitution.

It also gained further momentum through the white monopoly capital campaign with the banks often singled out as the worst examples. This then morphed into attacks on the oligopolistic nature of the sector and its unwillingness to transform and I would now like to spend a bit of time debunking both of these assertions.

MYTH 1: THE SA BANKS ARE "TOO BIG" AND ANTICOMPETITIVE

Let's start by quoting the SARB, one of the most well respected central banks in the world.

"One of the advantages to having four large banks is that there's more resilience in the event of a financial crisis," said Kuben Naidoo, deputy governor of the SARB, in March this year.

He went on to point out that though market dominance is relevant for competition, it is not necessarily indicative of the "absence" of competition. This resonates with me. I don't know how many new banking licences have been issued since 1995 but FBC Fidelity, Real Africa Durolink, African Merchant Bank, ABIL and Capitec all come to mind. Indeed, there are currently three new licences waiting in the wings all of which are likely to be ratified before the end of the year. This does not signify a lack of competition or high barriers to entry, this looks healthy.

All regulators seek to balance financial system strength with appropriate competition, both of which are non-negotiables, but this issue of financial strength should not be underestimated. The soundness of the financial system is a necessary pre-condition for favourable economic development and effective monetary policy.

One of the reasons the South African banking system is dominated by the big four is that over the past two decades they have absorbed the financial fall-out of second-tier bank failures.

Early in September 2002, the Registrar of Banks placed Saambou under curatorship. Authorities were forced to act because the bank was experiencing increasing liquidity problems and it was not certain it would be able to repay deposits. Radical measures were implemented to prevent a run on the bank. This included closing branches across the country to deny customers access to their deposits and the implementation of a staged withdrawal plan.

Fortunately FNB stepped in and took over Saambou's operations, and in the process, acquired the traditional mortgage book, comprising 60 000 accounts and half of Saambou's low-cost housing book, which comprised about 20 000 accounts. In total, R12.8 billion of deposits and R4.9 billion of mortgage loans were absorbed. The scale of FNB's operations and balance sheet enabled it to protect the depositors and whilst its true that over time FNB made money from the Saambou books it could have ended badly for those customers if a bank with the necessary capacity had not been able to step up. BOE was rescued by the SARB and acquired by Nedbank the same year.

In August 2014, the country's commercial banks stepped in again with a USD1.6 billion plan to rescue ABIL from a flood of bad debts mostly racked up on risky loans to unsecured borrowers. The support measures implemented were welcomed by Gill Marcus, the Governor of the SARB at the time.

"These will further strengthen the resilience of the banking system as a whole, and, importantly, they will provide African Bank with the best chance of a viable future," she said.

The reality is that the size and scale of the big four banks in South Africa is key to financial and economic stability and to public confidence. This does not mean that competition is killed off in the process. Community banks, specialist banks and fintech banks operate successfully but they certainly do not have the balance sheets to rescue failed institutions or lend billions of rand to state owned enterprises (SOEs), renewable energy programs and BEE deals.

In fact, the country's renewable energy programme is a good example of why financial strength is important. The programme was a public-private partnership through which private renewable energy producers provided electricity to the national grid. In only five years R194 billion of funding was raised. This represents six times the amount invested in infrastructure for the 2010 World Cup and although much of the funding was sourced from foreign investors, the strength of South Africa's financial infrastructure was essential to making it happen. By the way, the programme has been recognised as the fastest roll-out of renewable energy generation anywhere in the world.

As much as the white monopoly capital rhetoric tried to tap into the sinister aspects of big business the facts show that banks are **national assets**. They should be preserved by our government, not undermined.

The reality is that the size and scale of the big four banks in South Africa is key to financial and economic stability and to public confidence

MYTH 2: THE BANKS "REFUSE" TO TRANSFORM

The second piece to this year's negative narrative on banks was the accusations that the banking sector was refusing to transform, or not taking equality and inclusiveness seriously.

Below is a quote from the Intellidex submission document to the Standing Committee on Finance of the Parliament

"Many BEE deals have used structures that ensure that black beneficiaries are able to access the benefits of ownership of shares, without being fully exposed to the downside risk. South Africa's investment banking industry developed and pioneered the technique of "notional financing" which allowed BEE schemes to gain exposure to shares without the immediate cost of financing. In the event that share price performance was subsequently weak, beneficiaries face no downside risk. When share price performance is good, beneficiaries are able to receive unencumbered shares that then form capital in their hands. There has been significant wealth creation among black beneficiaries specifically because of this form of financial engineering.

Notional financing is a good example of what is made possible by South Africa's extensive capital markets infrastructure. The liquid capital market provides a means for price discovery of the value of shares, which is essential for notional financing schemes to work. Such financial technology would be impossible in any other economy in Africa.

South Africa's financial institutions should therefore be seen as enablers of transformation of the economy. The sophisticated financial infrastructure that the banking, savings and insurance industries collectively represent, in tandem with the capital market, are a national asset. That asset can be utilised in the service of developing, growing and transforming the economy."

This is not the banks arguing for themselves, this is an independent research house which was asked to submit a technical analysis of the level of transformation taking place in the country and the financial services sector's role in that process. It is fascinating that Intellidex's conclusion is that the banks have already proved to be effective instruments of transformation, and their infrastructures are key to unlocking deep and systemic transformation going forward.

One could speculate that the public hearings run by the standing committee in March this year were in some ways an attempt to call the industry to account. This turned out to be a positive exercise as personally I believe the sector gave a good account of itself, and the hearings were professional, factual and in the most part rational.

FirstRand's submission was extremely detailed and for the purposes of this report I would like to just pick up on a few high-level take-outs from our presentation, which demonstrate that this group is definitely using its balance sheet and procurement spend to support and provide opportunities for black entrepreneurs, it is unequivocally putting its innovative minds to work to create access and inclusivity; and it is rapidly transforming on the inside.

5 facts

1. RMB has provided **R53 billion** of funding for transformational infrastructure projects, including South Africa's world leading renewable energy programme.
2. RMB has also provided **R36 billion** of funding for BEE deals.
3. FNB and WesBank have provided **R33 billion** of funding to the SME sector with nearly a third of that (R8.3 billion) to black-owned SMEs.
4. Through its innovative eWallet product, FNB is providing instant cash access to 4.3 million South Africans and 3.2 million people get it for free.
5. Of the group's total workforce **76%** of staff are African, Coloured and Indian.

I could go on and on with more facts but suffice to say, this group and the banking sector as a whole has made, and continues to make, a significant contribution to transformation. Given South Africa's legacy this was never going to be an easy journey and there is still a great deal to be done to ensure that every South African participates fully in our economy. We recognise we have much more to do but we also ask for fair recognition of our intent and what we have already contributed.

The banks have already proved to be effective instruments of transformation, and their infrastructures are key to unlocking deep and systemic transformation going forward

OUR RESULTS – QUALITY OF EARNINGS, QUALITY RETURN

Despite many of the pressures we face as a business, FirstRand's portfolio of businesses produced a resilient performance for the twelve months to June 2017, characterised by quality topline growth, better cost management and conservatism in origination and provisioning.

There is a detailed explanation of the financial performance in the CFO's report and full operational reviews on pages 30 to 65.

Normalised earnings for the year to June 2017 increased 7% with a normalised ROE of 23.4%, and it's very pleasing that the group can continue to produce real growth in earnings and a high return to our shareholders, despite the challenging operating environment.

In addition, the combination of our high ROE, strong capital position and "fortress" balance sheet allowed the board to increase the dividend payout above earnings growth, which we believe is sustainable over the short to medium term.

These results really are testament to the quality of the operational performances of our franchises, RMB, FNB and WesBank, and the financial resource management strategies executed by our group treasury team. FirstRand continues to focus on generating superior returns to shareholders and will not chase unprofitable growth. This has been a consistent theme since inception.

THINGS UNLIKELY TO IMPROVE IN THE YEAR AHEAD

Unfortunately South Africa's growth prospects remain weak and uncertain, particularly given persistent political and policy uncertainty. These pressures will continue to weigh on business and consumer confidence which in turn constrains private sector investment. I therefore foresee ongoing weakening employment and sluggish GDP growth. The combination of these macro trends, combined with lack of fundamental change at the large, financially stressed and the erosion of institutional strength forebodes the high probability of a local currency downgrade next year. In fact some of the comments made by the rating agencies suggest to me that the downgrade is a foregone conclusion.

This will be very negative for the country and will certainly mean growth headwinds for the group, although I do believe the quality of our franchises and the strategies we are executing on means we will weather the storm better than most.

The broader financial services strategy in South Africa, the organic buildout of rest of Africa and the growth opportunities we are considering for our UK franchise are all expected to deliver outperformance over the medium to long term.

IN CONCLUSION

Two long-serving and incredibly active non-executive directors will retire this year. Ben van der Ross has been a member of the group's board since its creation in 1998 and his contribution has been immense; his experience and energy will be sorely missed. As a former South African Registrar of Banks and seasoned World Bank executive, Hennie van Greuning has also provided the board with valuable insight and guidance.

I would like to thank Hennie and Ben for their respective contributions.

I also, once again, want to extend my thanks to every staff member of the group. I know it's been a tough year on many fronts, but FirstRand remains a great business on the back of your hard work and commitment.

LAURIE DIPPENAAR
Chairman

Additional commentary by the chairman on FirstRand's remuneration

"I have on many occasions in my statement attempted to explain in simple terms why I am comfortable with our remuneration philosophy. The rigorous health checks we apply are demonstrated here and, in my view, have been consistently applied through the years and have directly driven the outperformance our shareholders have enjoyed. The board is extremely cognisant of the levels of scrutiny required on compensation and we believe our frameworks stand up to scrutiny."

– Laurie Dippenaar

HEALTHCHECK 1

FirstRand fundamentally believes that executive remuneration must align with shareholder value creation and the group's key performance measure, NIACC, ensures that the link between pay and performance is direct.

If there is one cornerstone to FirstRand's approach to employee remuneration it is that management must never do better than shareholders.

HEALTHCHECK 2

FirstRand's remuneration on a "relative" basis to peers is not out of line, particularly given the level of outperformance the group has delivered over the past five years.

Culture has played a key part in the group's ability to generate superior returns. Management are treated like owners, act like owners and think like shareholders.

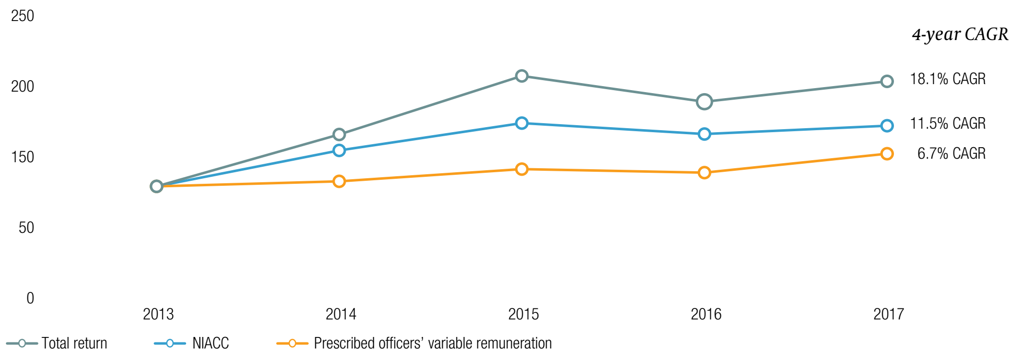
HEALTHCHECK 3

Targets set for management are always "stretch" but achievable and long-term performance alignment is guaranteed through a large "deferred" component of management remuneration, directly linked to performance. Share options do not vest if performance criteria are not met. The 2008 options did not vest in 2011.

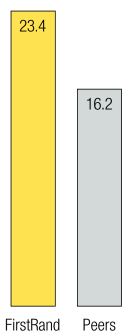
The growth in total return to shareholders and NIACC has significantly exceeded the growth in prescribed officers' variable remuneration.

Prescribed officers' variable remuneration and shareholder return

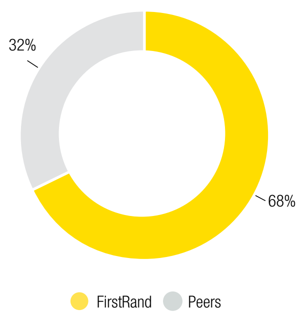
Index, 2013 = 100



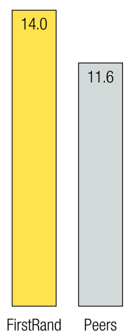
ROE % (post tax)



Five-year cumulative NIACC as a % of peer group's combined five-year cumulative NIACC

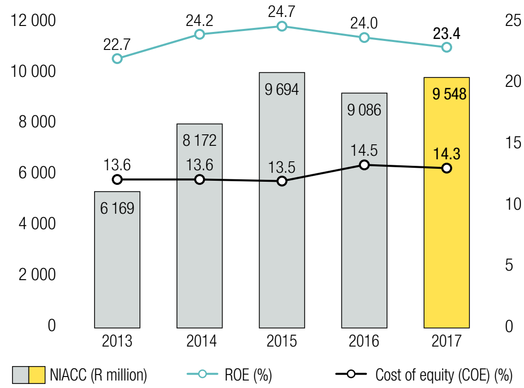


Normalised earnings five-year CAGR %



NIACC *R million*

ROE and COE *%*



Refer to page 207 for definitions of peer group disclosures.

Issue	**Normalised EPS in year of issue**	**Vesting criteria**	**NIACC over the period**
2013 CIP 3 year	273.5 cents	Nominal GDP + 1.5%	Positive (vested)
2014 CIP 3 year	331.0 cents	Nominal GDP + 2%	Positive
2015 CIP 3 year	378.5 cents	Nominal GDP + 1% and ROE ≥ COE + 5%	Positive
2016 CIP 3 year	407.4 cents	Nominal GDP and ROE ≥18%	Positive

Executive pay and shares allocated (2017)

R thousand	**Cash package**	**Cash bonus**	**Deferred bonus**	**Share awards**	**Total**
Johan Burger (CEO)	**9 740**	**13 900**	**11 900**	**18 350**	**53 890**
Alan Pullinger (deputy CEO)	**7 000**	**11 600**	**9 600**	**14 630**	**42 830**
Harry Kellan (financial director)	**6 000**	**5 250**	**3 250**	**8 600**	**23 100**
Jacques Celliers (FNB CEO)	**6 751**	**7 000**	**5 000**	**11 943**	**30 694**
James Formby (RMB CEO)	**3 241**	**12 250**	**10 250**	**7 500**	**33 241**
Chris de Kock (WesBank CEO)	**4 703**	**5 250**	**3 250**	**9 200**	**22 403**

Johan Burger

ceo's report

INTRODUCTION

The group continues to operate in an extremely uncertain and challenging operating environment. Most macro issues remain material and have, in fact, heightened over the past twelve months. These include:

- further downward pressure on revenues given low GDP growth in South Africa;
- political and policy uncertainty which could lead to a local currency rating downgrade;
- increasing cost and scarcity of financial resources;
- ongoing introduction of new regulations and legislation (particularly in banking activities), which will impact profitability over the medium to long term;
- intensifying competition in banking profit pools from non-traditional disruptors (specifically those with low cost infrastructures) and insurance players; and
- rising regulatory and macro risks in the rest of Africa.

As stated in last year's CEO's report, the group fundamentally believes these pressures are structural rather than cyclical in nature and will prevail for some time. In order to continue to deliver on commitments to stakeholders, the group believes it must diversify its portfolio to deliver both growth and returns going forward.

STRATEGIC FRAMEWORK

Last year's CEO's report explained the process management went through to identify new growth and diversification opportunities. Over the past 12 months, the focus has been on execution. The framework for that execution is depicted in the schematic below.

FirstRand aims to create long-term franchise value, ensure sustainable and superior returns for shareholders within acceptable levels of volatility and maintain balance sheet strength

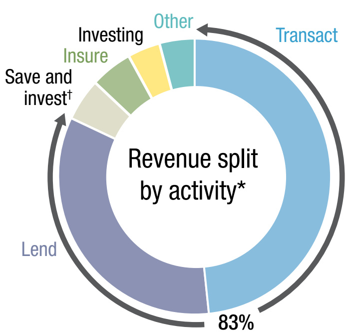
DELIVERED THROUGH CURRENT STRATEGIES:

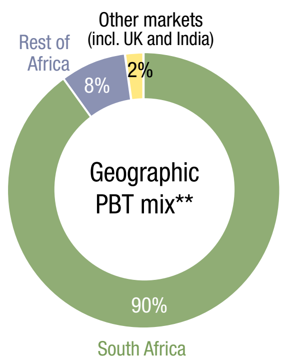
- Protect and grow banking franchises
- **INCREASE DIVERSIFICATION – ACTIVITY AND GEOGRAPHY**
  - Broaden financial services offering
  - Portfolio approach to the rest of Africa
  - Build a sustainable developed markets business

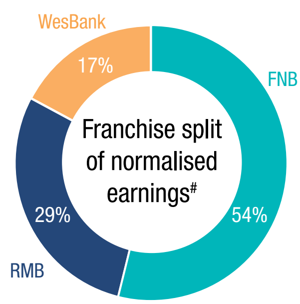
SUCCESS LIES IN EXECUTING ON THE FOLLOWING:

- Disciplined allocation of financial resources
- Create a platform- and franchise-neutral business model
- Drive efficiencies and manage cost base
- Cross-franchise collaboration
- Build organisational structures and develop diverse talent pools to enable execution

The chart below provides a point-in-time analysis of the group's portfolio and it is clear that the lending and transactional (banking) activities remain the largest contributors to revenue at 83%. The group also remains heavily concentrated in South Africa, with the domestic business accounting for 90% of pre-tax profits.







* *Based on gross revenue excluding consolidation adjustments.*

** *Based on PBT (including GTSY), excluding FCC, FirstRand company, consolidation adjustments and NCNR preference dividend.*

\# *Excludes FCC (including GTSY), FirstRand company, consolidation adjustments and NCNR preference dividend.*

† *Includes deposit taking and investment management.*

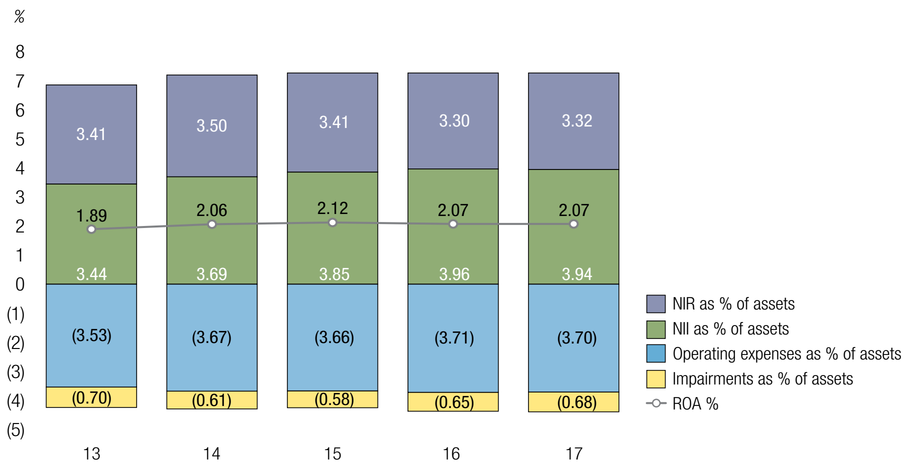
UNPACKING EXECUTION ON STRATEGIES TO PROTECT AND GROW BANKING FRANCHISES

The lending and transactional franchises have delivered sustained growth since 2010 resulting from the acquisition of a deep and loyal customer base. The group's results for the year to June 2017 demonstrate that FirstRand has continued to grow and protect these franchises. The high quality topline growth generated from these activities was achieved on the back of the following deliverables:

- Acquisition of core transactional customers across retail, commercial and corporate segments and the resultant increase in transactional volumes and deposit growth.
- Ongoing momentum in cross-sell.
- Segment focus delivered appropriate advances growth given the cycle and pricing anchored to protecting returns.
- Leveraged market-leading advisory and structuring franchises (RMB).
- Maintained balance sheet prudency.
- Focus on efficiencies resulted in positive jaws.

The quality of the topline growth and sources of revenue is also demonstrated in the following chart, which unpacks the group's ROA which has been above 2% since 2014.

ROA decomposition



The group's ROA is structurally higher than the South African sector as result of its portfolio mix and certain strategic choices, such as:

- The relative size of the group's transactional franchise (49% of gross revenue and 78% of NIR).
- The group's relative advances mix delivers higher risk-adjusted margins:
  - VAF (37% of retail advances, average margin 4.34%).
  - Unsecured (16% of retail advances, average margin 12.31%).
  - Lower relative market share of lower-margin, lower-risk lending business (i.e. mortgages 47% of retail advances with average margin of 1.67%).
  - Discipline in generating appropriate returns in corporate lending.
- Credit underwriting and pricing anchored to preserve the return profile.
- Disciplined allocation and pricing of capital, funding and liquidity, and risk capacity.
- Market-leading private equity franchise has remained consistent generator of high returns.
- Incremental benefit of insurance, and save and invest franchises.
- Lowest cost-to-income ratio in the peer group.

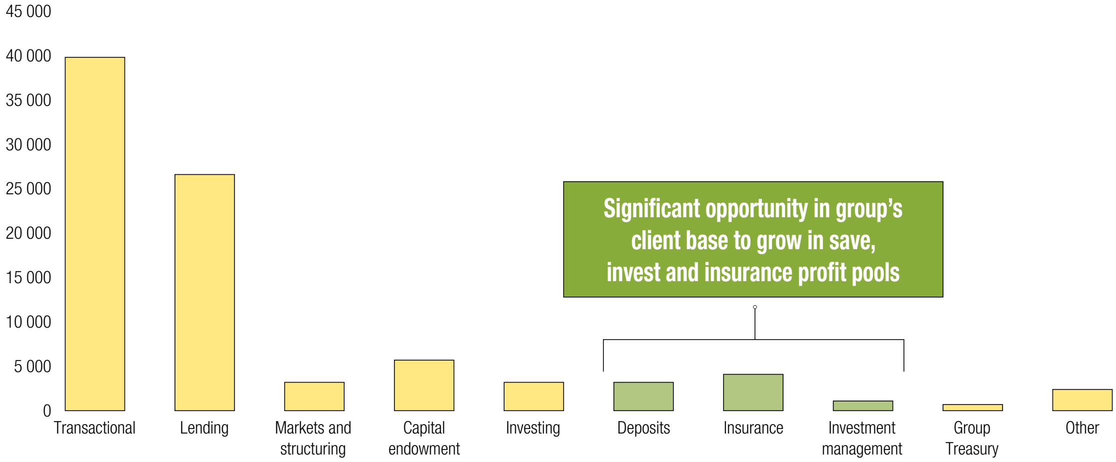
UNPACKING EXECUTION AND PERFORMANCE OF DIVERSIFICATION STRATEGIES

Broadening financial services offerings

The group believes that through the utilisation of the origination capabilities and distribution networks of the banking franchises, it can diversify through capturing a larger share of profits from savings, insurance and investment products within its existing customer base. As depicted in the chart below, broader financial services activities remain small contributors to overall group revenue, however, FirstRand has all the capabilities to grow them faster than the transactional and lending activities.

*Gross revenue**

R million



* *Excludes consolidation adjustments.*

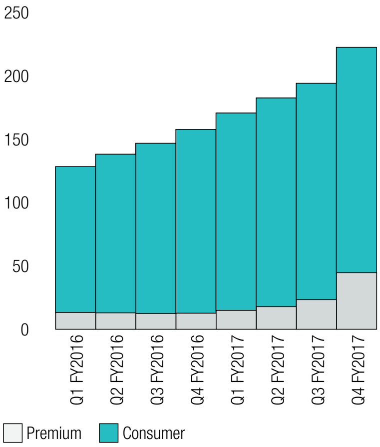
The annual flows from FNB's customer base to other providers of these products are very significant, so it's clear the group's customers want these products. Therefore, the group intends to use its model to participate in the full value chain presented by the manufacture and sale of its own best-of-breed financial services products and services. Full ownership of this value chain will allow the group to build differentiated value propositions for customers. Capturing a larger share of the profit pools available will, over time, generate new and potentially significant revenue streams for the group.

To date, progress looks promising and FirstRand is incrementally increasing its share of the insurance profit pools that exist within its own customer base. For example, the following charts show that FNB has achieved good traction in the penetration of insurance products to existing customers utilising all its channels, although branches still contribute the bulk of sales. The embedded value of the insurance business in FNB is now R3.5 billion.

Penetration

In-force annualised premium on standalone life products

R million



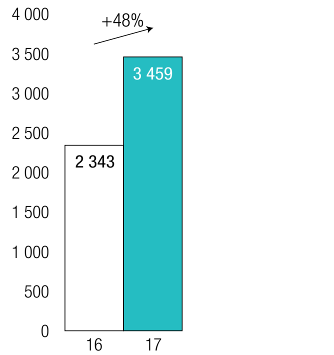
Sales channels

Channel	% of sales
Branch	75
Call centres	13
Digital	8
Other	4

Value creation

Embedded value – life products

R million

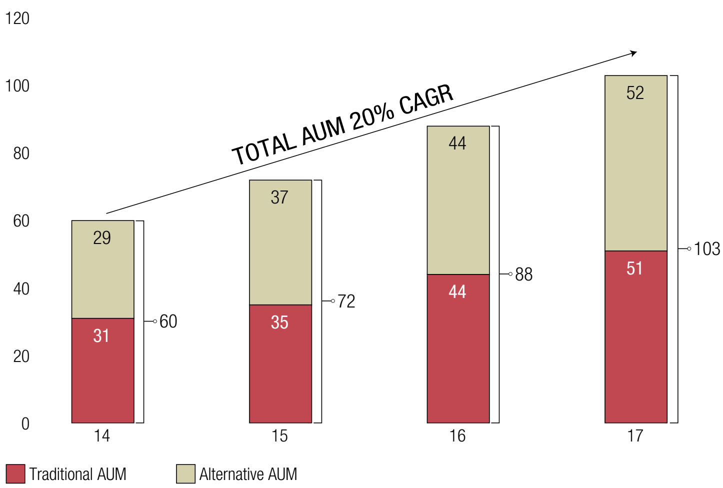


In terms of the save and invest profit pools the group has an organic strategy to grow its asset management, and wealth and investment management (WIM) activities.

Ashburton Investments represents the pure asset management activities of the group and the following chart shows that it has achieved 20% compound annual growth in assets under management to R103 billion since 2014 which is a good outcome considering that market returns were less than 1% over the same period. The growth in AUM reflects new flows on the back of good take-up in the fixed income and multi-asset credit funds and a solid investment performance.

*Assets under management**

R billion



* AUM excludes conduits, and is shown for pure asset management business.

With regard to the WIM strategy, this was reviewed during the year and the decision was taken to restructure the WIM business to be fully integrated into FNB's customer ecosystem of products, channels and rewards. The group believes this step will significantly increase the penetration of investment products into the existing client base to grow the save and invest revenue streams.

GROWING THE OPERATIONS IN THE REST OF AFRICA

The group's rest of Africa portfolio currently represents 8% of pre-tax profits.

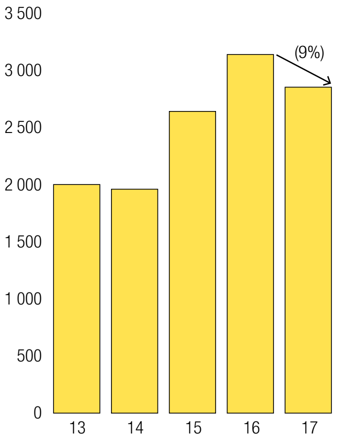
The group remains committed to the long-term opportunity in the rest of Africa and follows a fundamentally organic approach, which means the strategy has a long-term payoff profile.

It continues to focus on scaling and better leveraging its existing portfolio of businesses with a stronger focus on corporate, commercial and investment banking (CCIB) activities. In the markets where the group has mature businesses, it is looking to broaden its financial services offering, organically or through bolt-on acquisitions. For example, in the year under review, Namibia acquired Pointbreak, a local asset management franchise.

The following chart shows the performance of the group's rest of Africa portfolio.

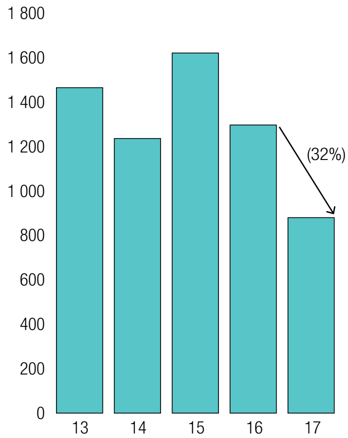
*Group rest of Africa PBT**

R million



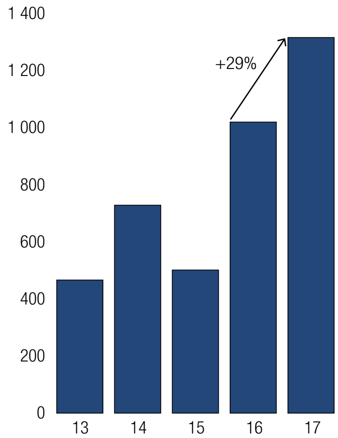
*FNB rest of Africa PBT**

R million



*RMB rest of Africa PBT**

R million



Overall subsidiaries ROE 12.0%, mature subsidiaries ROE** 21.7%**

* *Strategy view – includes in-country and cross-border activities. Includes GTSY, but excludes FCC, FirstRand company, consolidation adjustments and NCNR preference dividend. GTSY profits were included in FNB numbers for years prior to 2015. FNB includes India.*

** *ROE based on legal entity (in-country) view.*

Note: RMB and consequently group comparatives have been restated for refinement in cross-border cost allocation methodology.

Pre-tax profits from FNB's businesses (retail and commercial) were down 32% reflecting macros, regulatory pressures and continued investment drag. The performance of the mature businesses, namely Namibia, Botswana and Swaziland, reflects good operational performances from Namibia and Botswana. These were, however, impacted by the investment/costs incurred in building regulatory capacity in Namibia and the legislated removal of cash deposit fees in Swaziland. The emerging and start-up businesses' results reflect investment drag on the back of the group's organic strategy and higher bad debts due to tough macros, particularly in Mozambique.

RMB's rest of Africa business now represents 13% of its pre-tax profits and is increasingly key to RMB's growth strategy. Rest of Africa profits increased 29% year-on-year, driven by:

- investment banking and advisory activities (+8%) benefited from balance sheet growth and conservative credit provisioning in prior periods;
- corporate and transactional banking growth (+26%) reflects increased demand for working capital and trade finance, and good deposit growth; and
- markets and structuring results were supported by market volatility and strong growth in structuring fees.

BUILDING A SUSTAINABLE BUSINESS IN THE UK

The group is focusing on leveraging its current operations in the UK to generate new revenue streams and create the building blocks for a more sustainable developed markets business. This will provide greater diversification to the group's earnings profile on a potentially better risk-return basis and should extend the group's track record of shareholder value creation. By way of example, meaningful growth opportunities could be unlocked from further scaling the MotoNovo platform through product and segment diversification and longer term through leveraging FNB's capabilities in certain segments of the market.

The group, however, needs to create a long-term sustainable funding model for its UK businesses through access to a hard-currency deposit franchise. The group also requires access to hard-currency funding to meet cross-border client needs.

FirstRand is in the process of assessing the most appropriate way of addressing this, either through organic build or acquisition of a local deposit franchise.

MANAGEMENT OF FINANCIAL RESOURCES

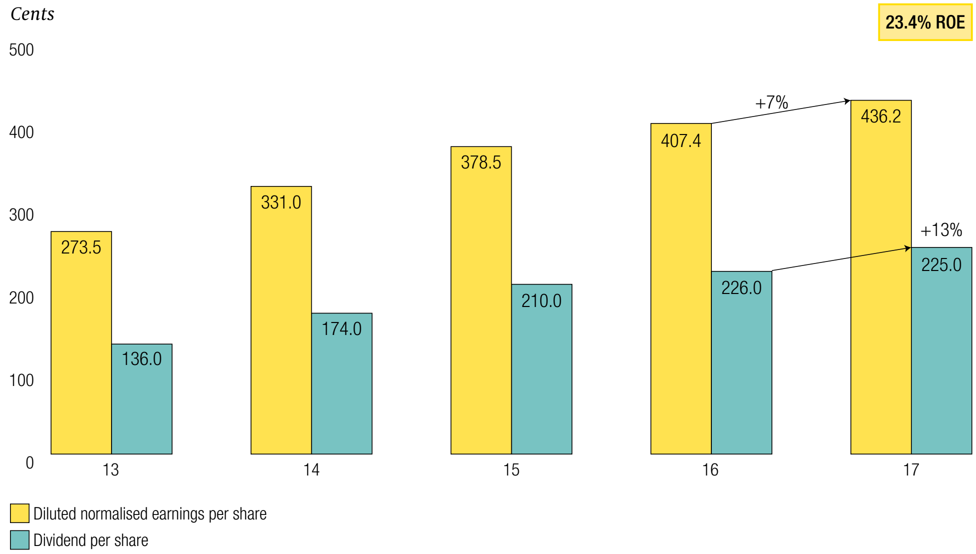
The management of the group's financial resources (FRM), which it defines as capital, funding and liquidity, and risk capacity, is critical to successful execution of the group's objectives and supportive to the achievement of FirstRand's stated growth and return targets.

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

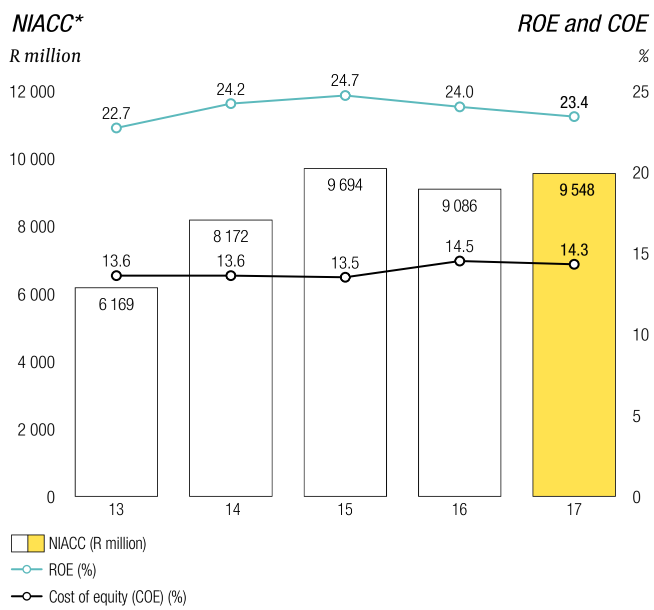
The group continues to monitor and proactively manage a fast-changing regulatory environment and ongoing macroeconomic challenges. Prior to the downgrade of the South African sovereign to sub-investment grade on a foreign currency basis, through the establishment of FirstRand Securities Limited, the group became a member of the interest rate derivatives clearing service, SwapClear, one of the clearing platforms provided by multi-national clearing house LCH. This was an important step to protect and enhance FirstRand's counterparty status in international funding markets. Participation in clearing interest rate derivatives through SwapClear will mitigate risk and reduce trading costs for both the group and its clients and provides the group with enhanced international access to financial market infrastructure as well as to greater liquidity pools.

FINANCIAL PERFORMANCE

The group continued its track record of delivering real growth in earnings and a superior return profile.



As illustrated in the following chart, the sustained high return profile resulted in continued growth in NIACC to R9.6 billion (2016: R9.1 billion), which the group believes is the true measure of shareholder value creation.



* *Net income after cost of capital.*

The CFO's report on pages 30 to 50 provides a detailed overview of the group's financial performance.

Capital and dividend

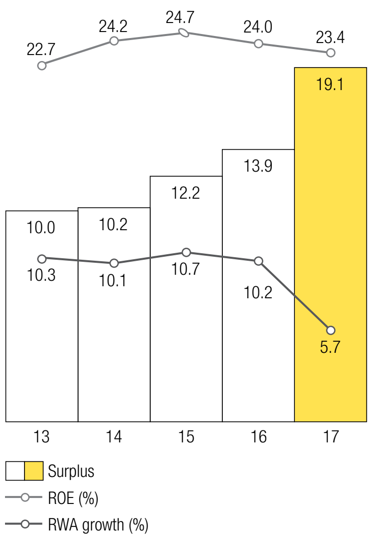
After a long period of sustained earnings growth outperformance relative to the macros and the peer group, FirstRand has entered a period of relatively lower growth due to:

- a deterioration in the nominal GDP growth outlook;
- deliberate decisions not to chase earnings growth at the expense of ROE to protect the return profile; and
- the heavy investment cycle in future growth initiatives (to ensure outperformance over the longer term).

FirstRand's capital position post the rating downgrade during the year under review remains prudent and the group continues to generate surpluses which are adding to its excess capital position. The strong capital generation reflects the group's high return on capital and this combined with the lower demand for RWA and the group's discipline in allocation, are shown in the chart below.

Surplus

R billion



Post the global financial crisis the group's dividend strategy has been anchored to a sustainable payout ratio which has, over the past decade, grown in line with earnings. FirstRand continues to balance that sustainability with ensuring sufficient firepower to execute on strategy and at the same time cater for Basel 3 and anticipated accounting changes (IFRS9).

However, given the group's sustained high return profile and solid operational performance, combined with its strong capital position, the board took the decision to grow the dividend above normalised earnings. The board decided not to adjust the group's stated long-run cover range which remains 1.8x to 2.2x, however, it believes that the current higher payout ratio is sustainable over the short to medium term.

APPROPRIATE BALANCE BETWEEN RISK, RETURN AND GROWTH

To conclude, when assessing FirstRand's performance, it is important to analyse multi-dimensionally. When considering the year to June 2017, despite five years of outperformance, the group continued to show real growth in earnings off a very high base and, given all the economic and regulatory headwinds, 7% growth in earnings per share and a 23.4% ROE was a very good outcome. This performance was also achieved whilst the group is investing heavily in future growth strategies that it believes will ensure outperformance over the longer term.

All of this demonstrates the quality of the group's portfolio of businesses, combined with its ability to allocate financial resources to maximise shareholder returns.

The group has consistently stated that it will not chase earnings growth at the expense of ROE and these results strike an appropriate balance between growth, prudent risk management and investment for the future, whilst ensuring sustainable, premium returns.

JOHAN BURGER
CEO: FirstRand

Harry Kellan

cfo's report

INTRODUCTION

Globally the economic environment improved and this allowed the US Federal Reserve to continue with gradual monetary policy normalisation. Economic activity in emerging economies held up better than was widely anticipated, with fears of a hard landing in China abating, and Brazil and Russia recovering from deep recessions.

Unfortunately, South Africa could not benefit materially from these improved conditions given the prevailing environment of macroeconomic weakness, political and policy uncertainty, and low economic growth.

In the year under review, the South African economy suffered its first recession since the 2008 financial crisis and the government's sovereign debt ratings were lowered again. The private sector remained cautious with both business and consumer confidence falling to multi-year lows.

The combination of improved global risk appetite, increased foreign capital flows to emerging markets and the relatively high yield offered by South Africa's fixed income market attracted foreign investors to domestic capital markets, and this provided support to the rand. Inflation also started to fall earlier this year and was back within the target band by the second quarter of 2017. This allowed the South African Reserve Bank to end the policy tightening cycle, which provided some relief to consumers.

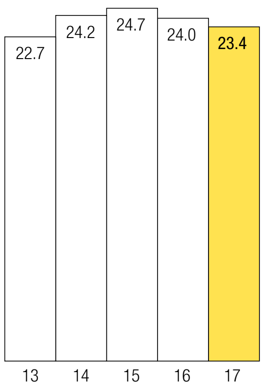
Macroeconomic conditions in the rest of the sub-Saharan region improved slightly but remained subdued. Economic activity in Namibia and Botswana was impacted by South African macroeconomic weakness and some local economic challenges.

Despite these significant macro pressures, FirstRand's portfolio of businesses produced a resilient performance, characterised by quality topline growth, improved cost management and appropriate origination strategies whilst maintaining conservatism in provisioning levels. The group continued to strengthen its balance sheet and protect its return profile.

The group continued its track record of growth in earnings and superior returns, as reflected below.

ROE

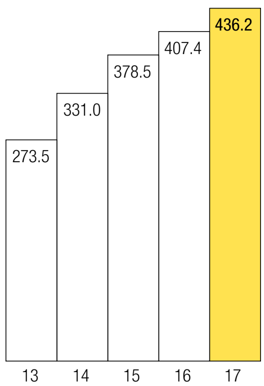
%



When the group analyses ROE, it also takes into account the relationship between ROA and gearing levels. The group's long-term ROE target range is 18% to 22% for normal economic cycles.

Diluted normalised EPS

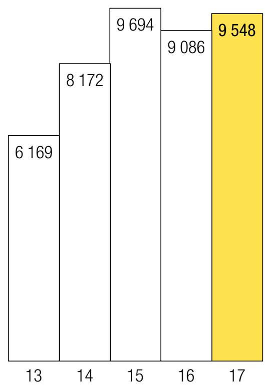
cents



The group targets earnings growth plus >0% to 3% of nominal GDP growth.

NIACC

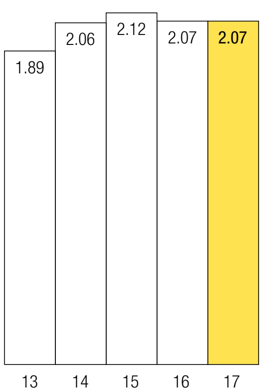
R million



Growth in NIACC is the group's internal benchmark for assessing performance. The group continues to achieve returns above its cost of equity, resulting in NIACC growth despite higher levels of capital.

ROA

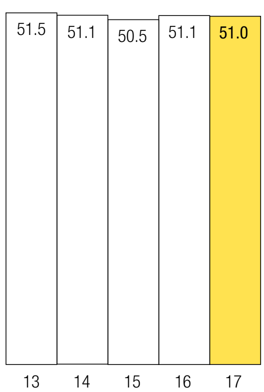
%



Maximising ROA is a key objective in creating shareholder returns. The quality of the group's performance is reflected in its sustainably high ROA which is structurally higher due to portfolio mix and strategic choices.

Cost-to-income ratio

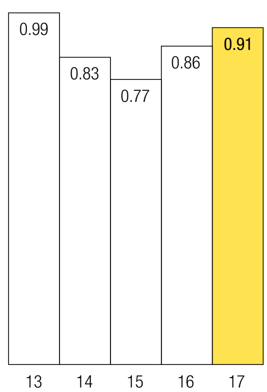
%



The group monitors efficiency through the cost-to-income measure. Whilst the group views the cost-to-income ratio as an outcome rather than a target, it recognises that balancing revenue growth and cost growth are key to value creation.

Credit loss ratio

%

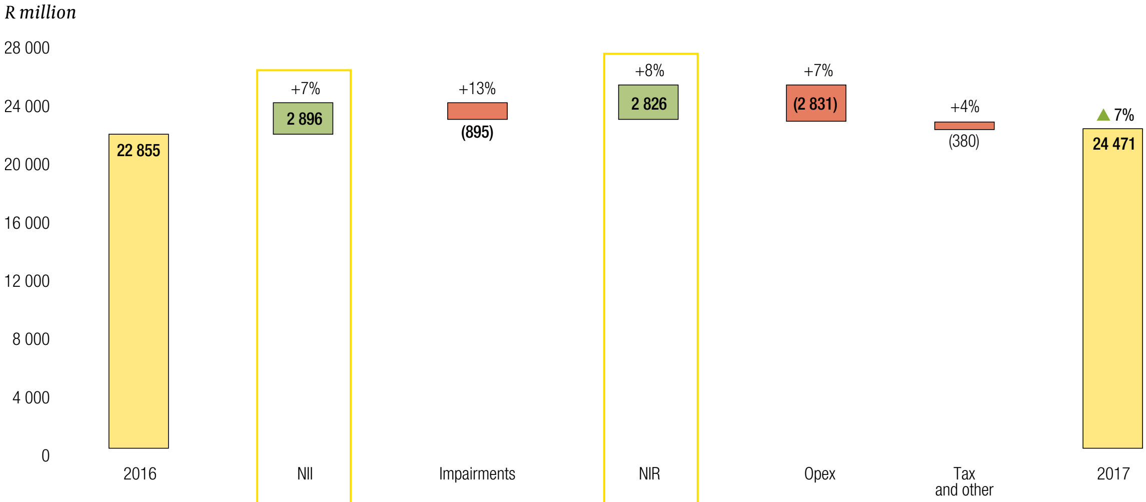


The group believes that pricing appropriately for credit risk is a key requirement for sustainable returns and targets a through-the-cycle charge range of 100 to 110 bps.

HIGH QUALITY TOPLINE GROWTH

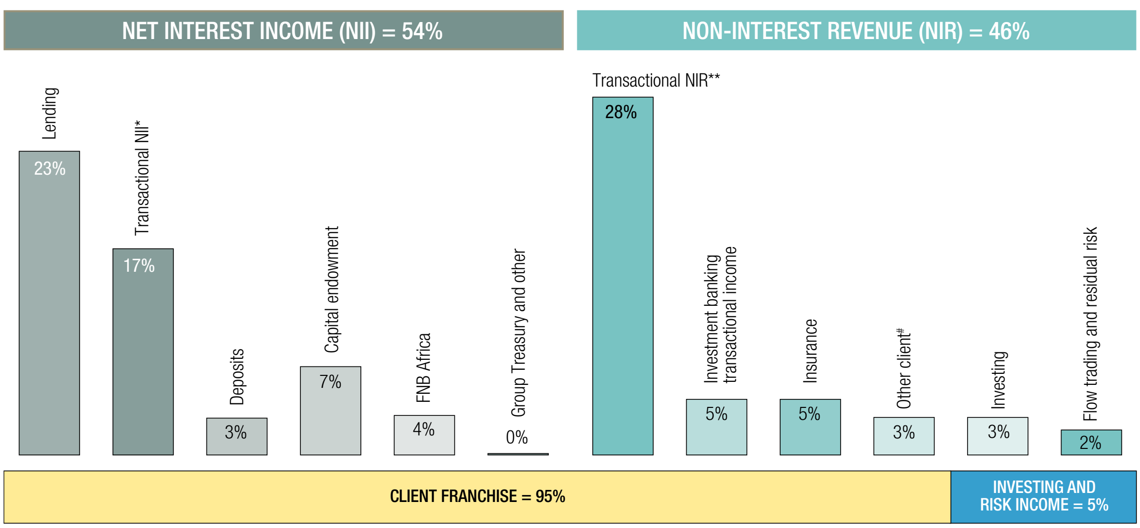
The graph below unpacks the major income statement components of the group's performance which was underpinned by high quality revenue growth of just over 7% in difficult macros, demonstrating the strength and quality of the operating franchises.

Normalised earnings



The quality and sustainability of the group's revenue base is demonstrated in the following chart. Client franchises account for 95% (2016: 94%) of revenues, with risk and investing income representing only 5%.

Gross revenue analysis



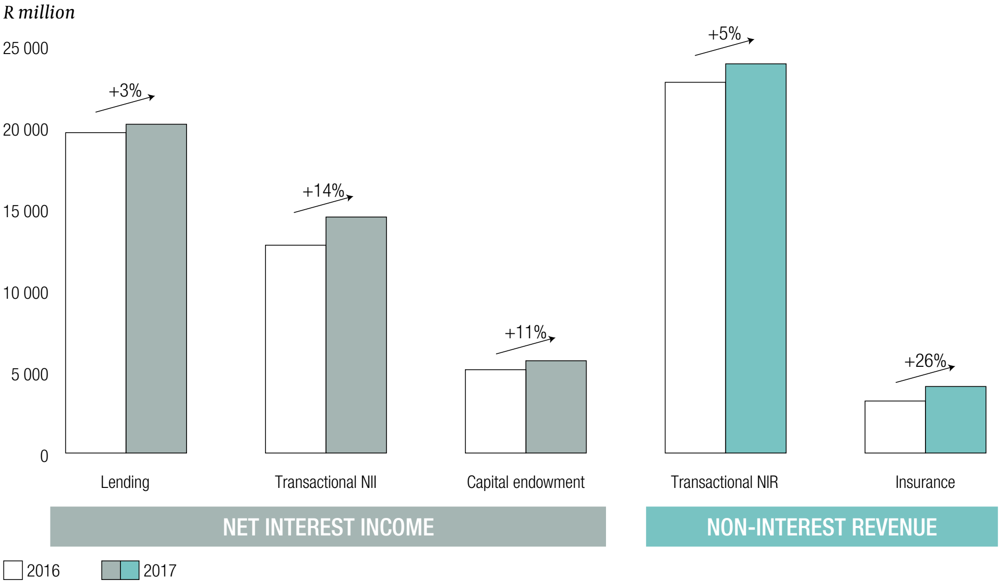
* *Includes transactional accounts and related deposit endowment, overdrafts and credit card.*

** *From retail, commercial and corporate banking.*

\# *Includes WesBank associates.*

The relative composition of and the growth in revenue also reflects execution on the group's strategies. The focus on client acquisition and resultant benefits of transactional revenue growth, combined with positive endowment resulted in transactional NII increasing 14%. Although still off a low base, it is worth noting that the group's insurance strategy is starting to show traction with revenue up 26%.

Gross revenue analysis



Net interest income

NII increased 7% on the back of both advances and deposit growth.

Net interest income* *R million*	**2017**	2016#	% change
Lending	**20 221**	19 674	3
Transactional NII**	**14 552**	12 812	14
Deposits	**2 811**	2 782	1
Capital endowment	**5 664**	5 104	11
Group Treasury	**583**	730	(20)
FNB Africa	**3 178**	2 730	16
Other NII in operating franchises	**(383)**	(102)	>100
Total net interest income	**46 626**	43 730	7

* *After taking funds transfer pricing into account.*

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

\# *Numbers restated to reflect refined allocation methodology for lending. Refer to Analysis of financial results booklet for more detail.*

Lending NII reflects the overall growth in advances and change in margins; this is covered later in this report.

Transactional NII benefited from the positive endowment impact and also reflects ongoing customer acquisition in FNB's premium and commercial segments.

Capital endowment benefited from increased levels of capital and higher interest rates. Financial resource management and asset/liability management (ALM) strategies provided a net benefit to Group Treasury in the financial year, with timing differences from the mark-to-market of certain funding investments unwinding some of the prior year profits.

MARGINS

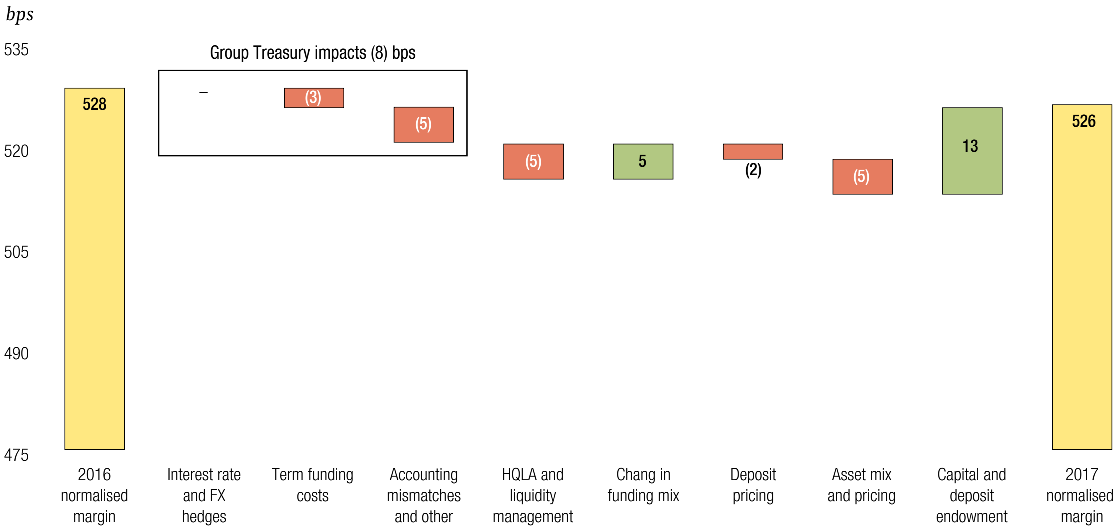
Net interest margin contracted 2 bps to 5.26%, mainly impacted by higher funding costs and drag from holding more liquid assets. This was, however, mitigated to some extent by positive endowment on capital and deposits and an improved funding mix.

Asset pricing and mix changes reflect lower risk appetite in unsecured lending combined with margin pressure in RMB's core lending book. This negatively impacted overall margins.

The negative impact of deposit pricing on margins reflects heightened competitive pressures.

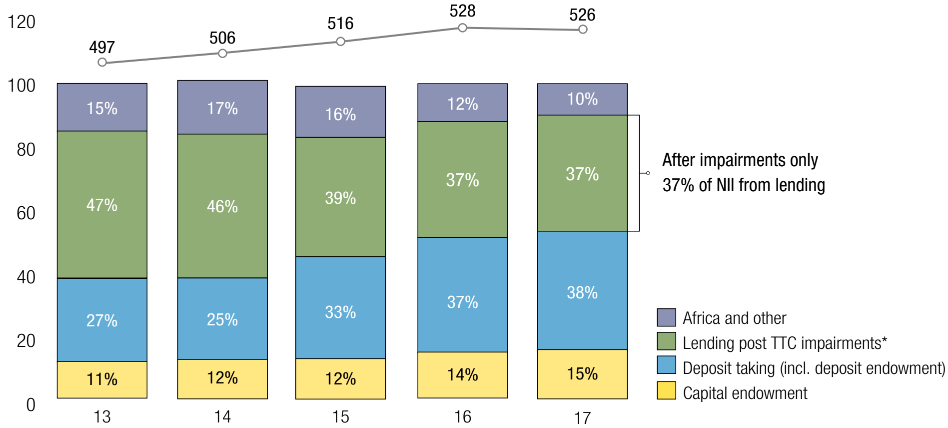
A breakdown of the drivers impacting margin is depicted in the chart below.

Margin



The following chart shows a structural shift in the composition of the group's NII over the past five years with lending activities (after bad debts based on a through-the-cycle credit loss ratio of 100 bps) now comprising only 37% compared to 47% in 2013.

This reflects the success of FNB's consistent strategy to grow core transactional accounts, with the deposit NII now exceeding risk-adjusted lending NII. The positive endowment from increasing rates has also contributed to this outcome.



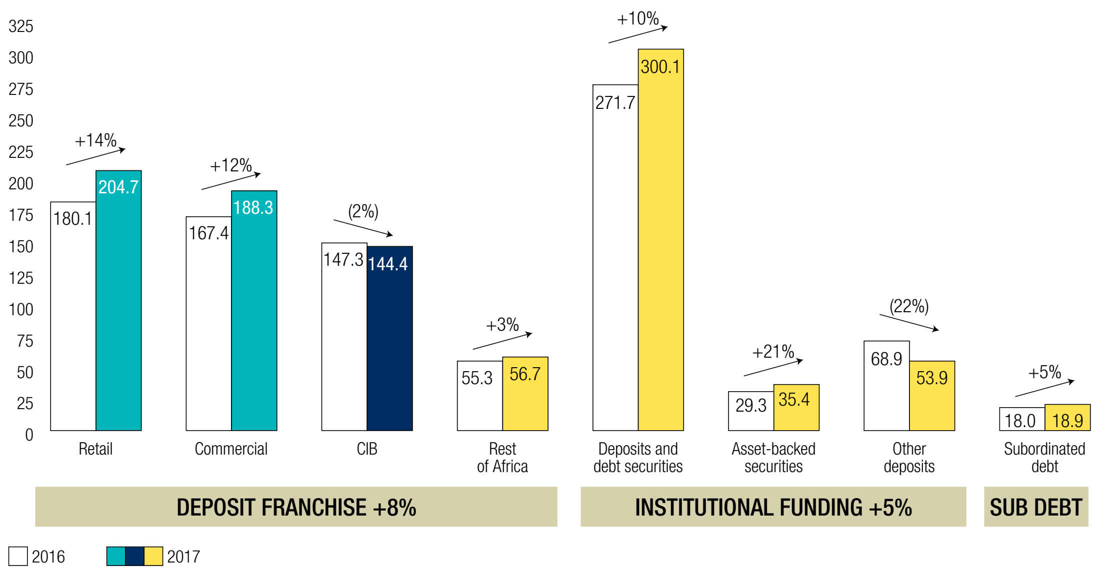
* *Assuming a TTC impairment charge of 100 bps.*

DEPOSIT FRANCHISE GROWTH

The deposit franchise showed good growth, up 8% overall, driven by strong growth in FNB's retail (+14%) and commercial (+12%) deposit franchises on the back of customer acquisition and continued cross-sell. Cyclical withdrawals impacted total CIB deposit growth, however, operational corporate deposits were on average up 3%, reflecting the tough operating environment facing large corporate clients.

From an institutional funding perspective, Group Treasury benefited from debt securities issuance this period.

Liabilities
R billion



The following charts show that the consistent execution of sustainable balance sheet strategies has added significant value. The majority of the total asset growth since 2014 of more than R270 billion has been funded by the deposit franchise, with just over 30% from the institutional customer base.

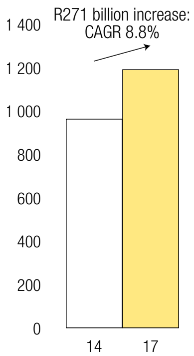
Furthermore, the growth in assets has been tilted to be more marketable and flexible, with liquid assets now representing more than 16% (compared to less than 10% in 2014). This increase has been driven by non-traditional liquid asset classes, such as HQLA advances.

The growth in the deposit franchise and more liquid asset mix have incrementally benefited margin and enhanced the group's funding capacity and flexibility.

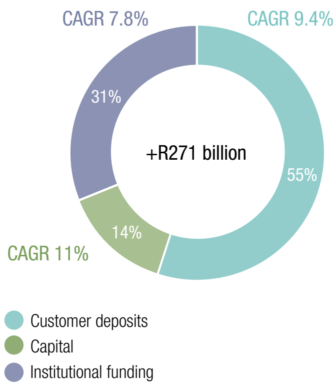
Balance sheet growth

Total assets

R billion



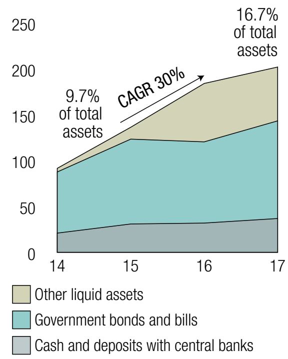
How balance sheet growth was funded



Liquid asset growth

Liquid assets

R billion



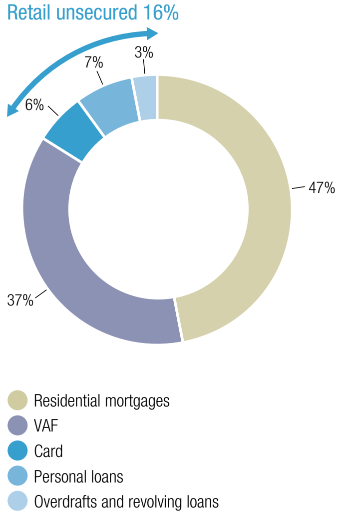
RETAIL ADVANCES GROWTH

Retail advances growth of 4% reflects appropriate origination strategies in the large lending books.

The composition of and growth in the retail portfolios are illustrated below.

R million	**2017**	2016	% change
Residential mortgages	**195 498**	189 453	3
VAF	**155 579**	149 925	4
– SA	**102 322**	99 702	3
– MotoNovo*	**53 257**	50 223	6
Card	**23 800**	21 968	8
Personal loans	**27 946**	26 313	6
– FNB	**14 372**	14 443	–
– WesBank	**13 574**	11 870	14
Transactional account-linked overdrafts and revolving term loans	**15 429**	14 344	8
Retail advances	**418 252**	402 003	4
Retail VAF securitisation notes	**19 223**	14 641	31
FNB and WesBank rest of Africa advances**	**52 842**	51 901	2

Retail advances breakdown (%)



* *23% advances growth in GBP terms.*

** *Includes in-country advances of FNB and WesBank as well as FNB's activities in India.*

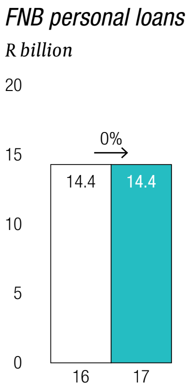
Residential mortgages grew 3%, however, if unpacked at a segment level, the performance is quite different. In the affordable housing market, book growth of 11% was supported by better credit experience and stronger demand for property stock. The more muted growth of 2% in the HomeLoans portfolio was driven by FNB's continued conservative risk appetite for this asset class.

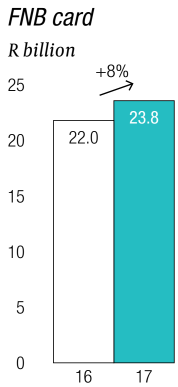
Advances growth in the rest of Africa reflects the various pressures in-country as well as the impact of the rand appreciation.

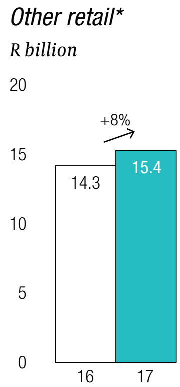
At a total FNB level, personal loans advances were flat year-on-year on the back of certain risk cutbacks.

Credit card and overdrafts, however, continued to benefit from customer acquisition and cross-sell/up-sell strategies.

A detailed breakdown of FNB's unsecured advances is provided in the chart below and shows that unsecured credit appetite is differentiated across the product set.

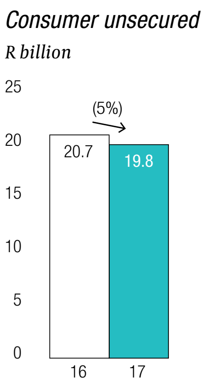


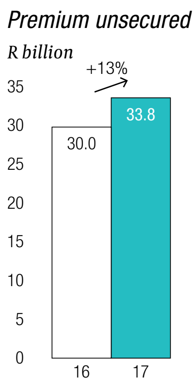




* *Transactional account-linked overdrafts and revolving term loans.*

From a segment perspective, the following chart clearly illustrates that risk cutbacks in unsecured lending have been more marked in the consumer segment, which is expected given the cycle. The ongoing success of client acquisition and cross-sell and up-sell strategies in the premium segment is reflected in the strong growth of 13%.



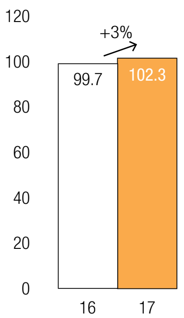


In WesBank, SA VAF advances growth of 3% was pleasing considering that new vehicle sales were down 9%. The strength of WesBank's origination franchise is clearly reflected in production volumes growing 10%, however, this is not fully reflected on WesBank's balance sheet as some business is written by associates.

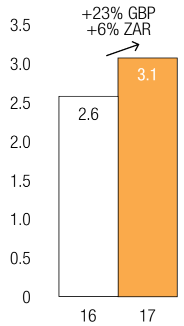
MotoNovo is still benefiting from footprint expansion, but following risk appetite cuts in the first half, the absolute growth rate has moderated.

WesBank's personal loans growth is not too dissimilar to that in FNB premium, and has benefited from the activation of new marketing channels.

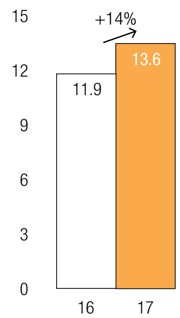
SA retail VAF advances
R billion



Motonovo (UK) advances
£ billion



Personal loans advances
R billion



CORPORATE AND COMMERCIAL ADVANCES GROWTH

The composition of and growth in the corporate and commercial portfolios are shown below.

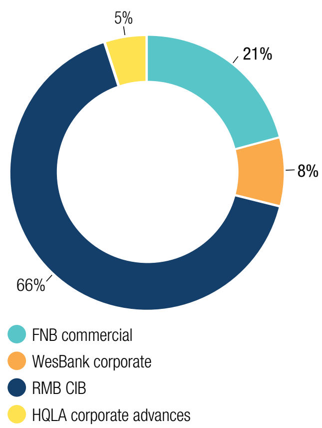
R million	**2017**	2016	% change
CIB core advances – South Africa	**235 999**	209 090	13
– Investment banking	**185 625**	162 671	14
– HQLA corporate advances	**18 544**	20 297	(9)
– Corporate banking*	**31 830**	26 122	22
CIB core advances – rest of Africa*, **	**36 862**	35 792	3
CIB total core advances#	**272 861**	244 882	11
WesBank corporate	**31 365**	29 210	7
FNB commercial	**83 580**	77 957	7
RMB repurchase agreements	**29 047**	40 818	(29)
Total corporate and commercial advances	**416 853**	392 867	6

* *Comparatives restated for jurisdictional reallocations.*

** *Includes cross-border and in-country advances.*

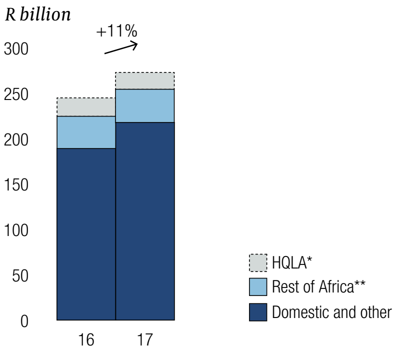
Excludes RMB repurchase agreements.

Corporate and commercial advances breakdown#

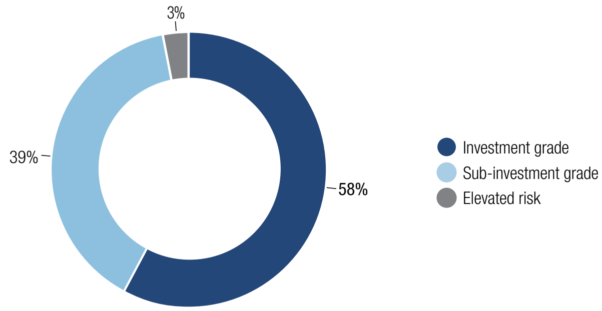


The following graphs provide a detailed breakdown of RMB's corporate book.

RMB CIB core advances



Wholesale credit performing book#



* HQLA included in Group Treasury, but originated in RMB. Included for illustrative purposes.

** Includes cross-border and in-country.

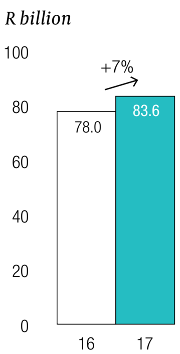
\# International scale EAD.

RMB's growth of 11% in CIB advances was driven by large advisory and structuring mandates. Term lending margins remained under pressure, especially in the investment-grade space, and RMB continued to focus on ROE preservation.

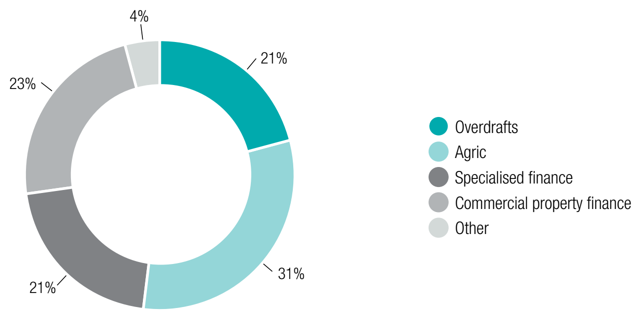
The cross-border book increased 15% in dollar terms on the back of drawdowns.

RMB's overall portfolio remains weighted toward investment grade as the portion of elevated risk exposures accounts for only 3% of the book, with strong coverage ratios maintained.

FNB commercial advances



FNB commercial advances breakdown



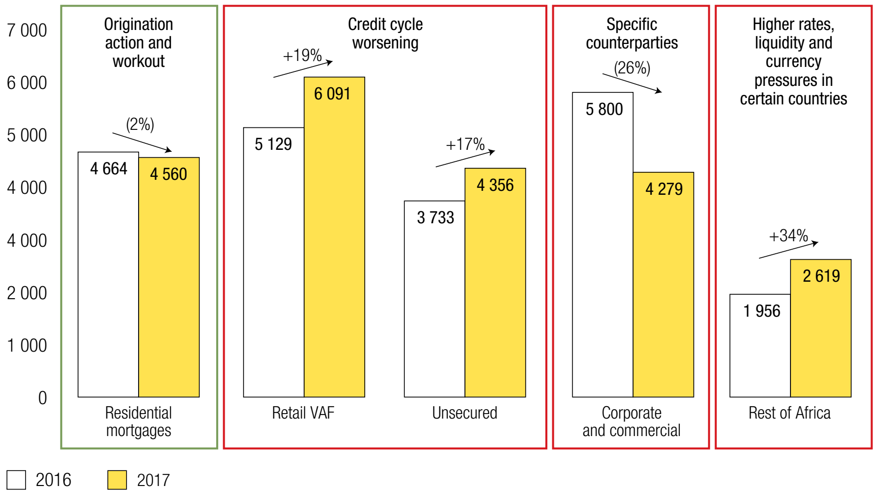
The 7% increase in commercial advances at FNB reflects growth across all asset classes. The agric book's performance was resilient with the sector rebounding after the recent drought, which supported overall book growth.

NPLS AND BAD DEBTS

NPLs trended up 3% in line with expectations.

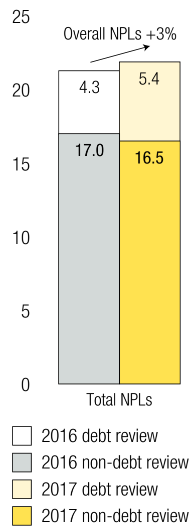
*NPLs**

R million



*NPLs**

R billion



* *Retail VAF amount includes NPLs from MotoNovo, to which debt review is not applicable (SA only 2017: R5 797 million, 2016: R4 882 million).*

Mortgage NPLs decreased further, reflecting the group's origination strategies over the past few years, which resulted in lower NPL inflows and continued collection efforts.

As expected, retail SA VAF and WesBank personal loans NPLs both increased (+19%) on the back of a higher proportion of restructured debt-review accounts as well as the worsening credit cycle.

NPLs in MotoNovo increased 19%, moderating from the first half, reflecting the positive impact of increased prudency in origination strategies implemented at the end of 2016 and operational right-sizing in the collections area.

Unsecured NPL growth reflects new business strain on the back of strong book growth across FNB's premium and commercial customer segments resulting from new customer acquisition and its cross-sell and up-sell strategies – these books remain below through-the-cycle thresholds and have been appropriately priced for risk.

Corporate NPLs reduced given the workouts and write-offs this period and, as expected given book growth over the past few years, commercial NPLs increased.

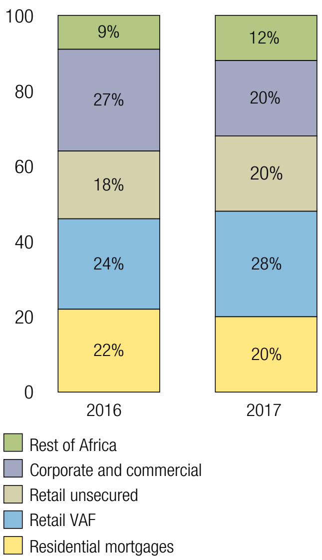
The sharp rise in FNB's rest of Africa NPLs reflects tough macros in the smaller sub-scale subsidiaries.

The group does not reschedule paying debt-review customers out of NPLs. These accounts stay in NPLs until fully rehabilitated, however, they require lower coverage as most continue to pay. The following table shows coverage ratios across the different portfolios and demonstrates that as the debt-review proportion of the book increases, coverage reduces. Coverage is, therefore, appropriate given the higher payment profile of debt-review NPLs.

Coverage ratios	**Non-debt review**		**Debt-review coverage**		**Total NPL coverage**	
%	**2017**	2016	**2017**	2016	**2017**	2016
FNB credit card	**74.2**	76.0	**45.1**	43.0	**67.0**	67.3
FNB retail other	**75.5**	75.6	**37.9**	43.0	**67.1**	70.4 ▼
FNB loans	**69.2**	70.1	**48.2**	66.7	**61.9**	71.3 ▼
WesBank loans	**71.3**	70.2	**31.6**	32.6	**38.1**	41.2 ▼
SA retail VAF	**44.1**	40.5	**15.5**	18.3	**29.3**	29.5

The following chart shows that specific coverage has increased marginally. This is due to the change in mix of NPLs and higher coverage in the rest of Africa, corporate and commercial portfolios.

NPLs
R million



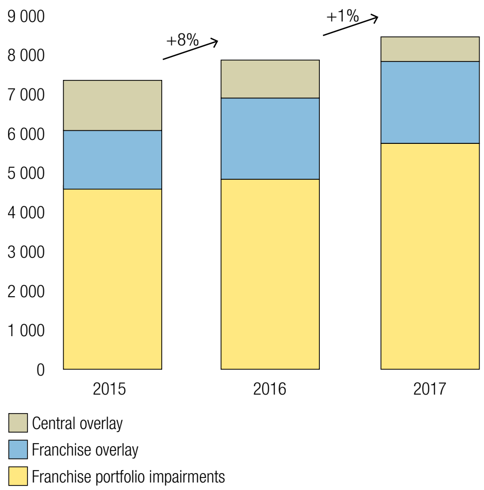
Coverage ratios %	**2017**	2016
Retail – secured	**26.9**	26.6
Residential mortgages	**21.8**	21.8
VAF	**30.7**	31.0
– SA	**29.3**	29.5
– MotoNovo	**58.5**	60.7
Retail – unsecured	**56.6**	61.2
Credit card	**67.0**	67.3
Personal loans*	**49.4**	55.8
Retail – other	**67.1**	70.4
Corporate and commercial	**48.0**	45.1
Rest of Africa	**42.2**	36.1
Specific impairments	**38.8**	38.6
Portfolio impairments**	**38.6**	39.3
Total coverage ratio	**77.4**	77.9

* *Includes FNB and WesBank loans.*

** *Includes portfolio overlays.*

As can be seen from the chart below, portfolio provisions increased 1% in absolute terms, whilst advances grew 5%, resulting in a decrease in portfolio impairments as a percentage of the performing book to 0.95% (2016: 0.99%). Overall portfolio provisions remain conservative and above the overall annual charge.

Portfolio impairments
R billion

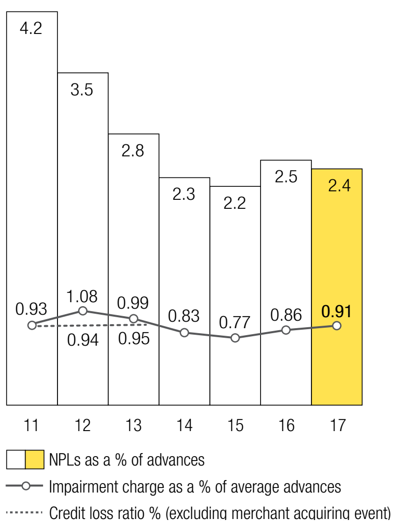


	2017	2016	2015
Portfolio impairments as % of performing book	**0.95**	0.99	1.00
Credit loss ratio (%)	**0.91**	0.86	0.77
Portfolio impairments (R million)	**8 471**	8 359	7 760

Retail portfolio provisions were increased at a franchise level. The group believes this is prudent given its current view on the domestic macroeconomic environment. Corporate provisions decreased as certain large corporate exposures were rehabilitated or written off, thereby impacting the group's overall portfolio provisions. The credit loss ratio of 0.91% remains below the group's through-the-cycle threshold and well within expectations.

Product credit loss ratios are outlined in the following table.

Total NPLs and impairments
%



Credit loss ratio

%	**2017**	2016
Retail – secured	**0.74**	0.72
Residential mortgages	**0.15**	0.22
VAF	**1.49**	1.38
– SA	**1.54**	1.39
– MotoNovo	**1.38**	1.35
Retail – unsecured	**5.92**	5.71
Credit card	**3.05**	2.73
Personal loans	**7.66**	8.24
– FNB	**7.43**	7.84
– WesBank	**7.91**	8.73
Retail – other	**7.14**	5.66
Total retail	**1.56**	1.48
Corporate and commercial	**0.27**	0.30
Rest of Africa	**1.60**	1.17
FCC (incl. Group Treasury)	**(0.04)**	(0.04)
Total	**0.91**	0.86

The following table provides a more detailed breakdown of the composition of the charge against origination and provisioning strategies per product, which illustrates the group's targeted origination approach.

Asset class	Contribution to income statement impairment charge	Credit loss ratio	Specific coverage	Portfolio coverage	Commentary
Residential mortgages	4%	0.15% ▼	↔	↔	• Charge benefiting from lower NPLs
VAF SA	19%	1.54% ▲	↔	↔	• Increase in charge driven by the cycle, book growth and debt review driving NPLs • Normalisation as expected
MotoNovo	9%	1.38% ▲	↔	↑	• NPL formation in line with historic book growth • Portfolio provision reflects increased prudency
Card	9%	3.05% ▲	↔	↑	• Charge below TTC with balance sheet provision bias maintained given cross- sell/ up-sell
Personal loans	25%	7.66% ▼	↓	↑	• Charge down on back of appetite cuts • Specific coverage declining (increase in debt review) • Portfolio provisions increased given sensitivity to cycle
Retail other	13%	7.14% ▲	↓	↑	• Growth in charge expected given customer acquisition • Debt review impacts specific coverage
CIB	6%	0.18% ▼	↑	↓	• NPLs and portfolio coverage down on write-offs and work-outs • The portfolio charge benefited from prior year proactive provisioning
Commercial	7%	0.66% ▲	↓	↓	• Increase in charge in line with expectation given book growth, especially in small business overdrafts • As expected, NPL growth driven by agric with coverage impacted by mix
Rest of Africa	12%	1.60% ▲	↑	↑	• Macros in sub-scale subsidiaries driving substantial increase in charge • Portfolio provisions increased as continued stress is expected

In conclusion, the group believes that the various components of its credit provision metrics shown in the following chart remain appropriate, particularly given the macroeconomic environment.

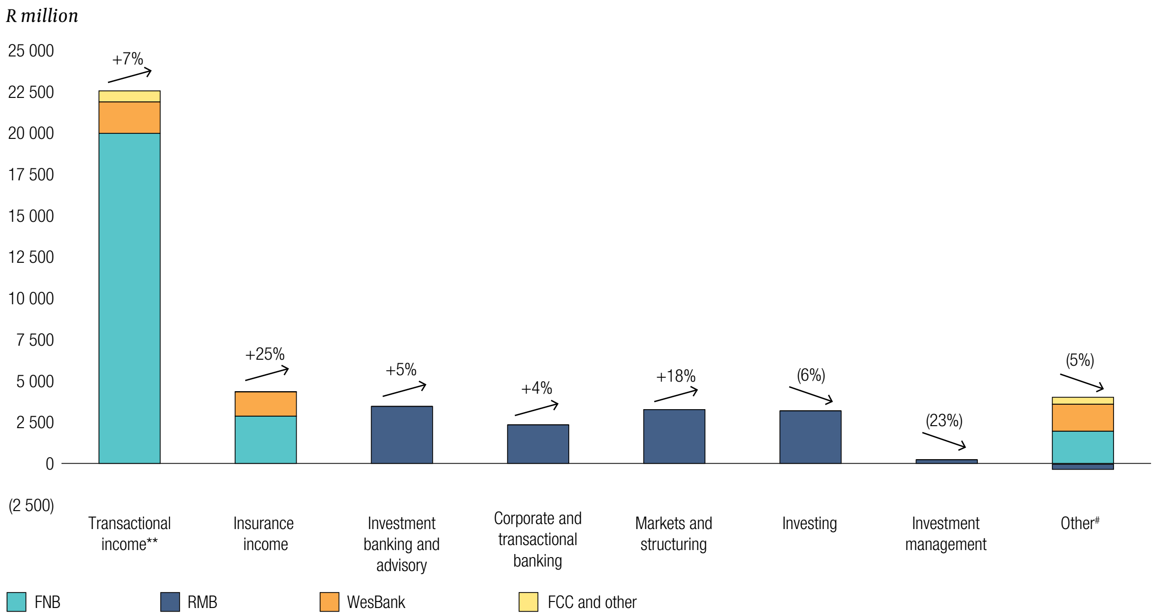
PORTFOLIO PROVISION	**+1% to R8.5 billion**	Still prudent
SPECIFIC PROVISION	**+3% to R8.5 billion**	Appropriate coverage
INCOME STATEMENT CHARGE	**91 bps (still below TTC)**	In line with expectations

NON-INTEREST REVENUE

Group NIR (+8%) reflects strong fee and commission income growth of 7% at FNB, which continued to benefit from volumes in digital and electronic channels, and solid growth in customer numbers. Fee and commission income represents 78% (2016: 79%) of group operational NIR.

Insurance revenues grew 26%, driven by volume growth in funeral and credit products from FNB and strong growth in WesBank's insurance income of 11%.

*Non-interest revenue**



* *Excludes consolidation adjustments.*

** *Excludes RMB transactional income.*

\# *Other includes FCC (including Group Treasury) and other.*

RMB's NIR reflected a solid performance on the back of its successful corporate banking strategy, the resilience of its investment banking franchise and benefited from a significant private equity realisation in the second half.

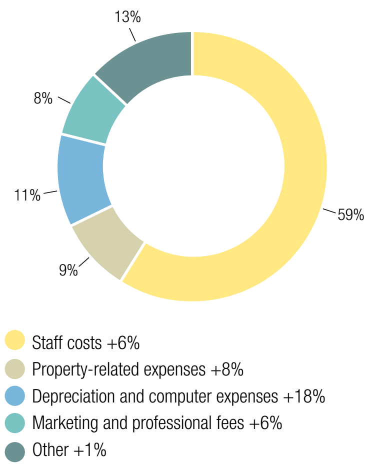
WesBank's NIR grew 17%, benefiting from both its insurance strategy and growth in its leasing business. Muted growth in new business volumes also impacted growth.

OPERATING EXPENSES

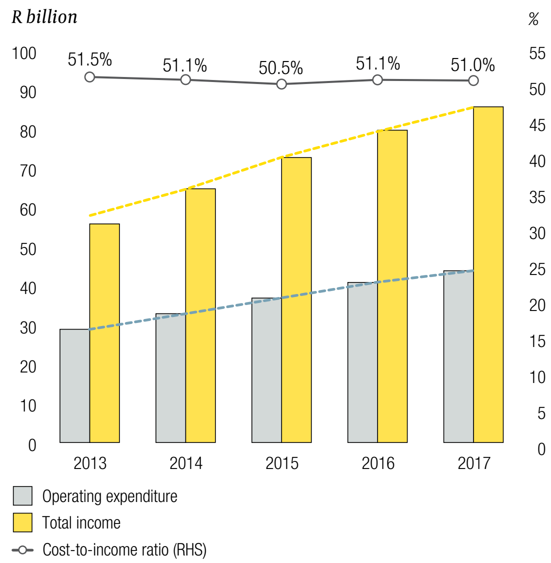
Total cost growth of 7% was significantly down on the 11% increase in the prior year, but continues to trend above inflation due to ongoing investment in the new insurance and asset management franchises, platforms to extract further efficiencies and building the footprint in the rest of Africa.

Operating jaws were positive for the year reflecting the solid topline growth generated and improved management of core operating expenses. The cost-to-income ratio improved marginally to 51.0%.

Breakdown of operating expenses



Cost-to-income ratio



BALANCE SHEET STRENGTH AND QUALITY

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

When assessing the underlying risk in the balance sheet, the group's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets. The composition of the net advances portfolio consists of retail secured (39%), retail unsecured (7%), corporate and commercial (45%) and rest of Africa and other (9%). At 30 June 2017, total NPLs amounted to R21 905 million (2.41% as a percentage of advances) with a credit loss ratio of 0.91%.

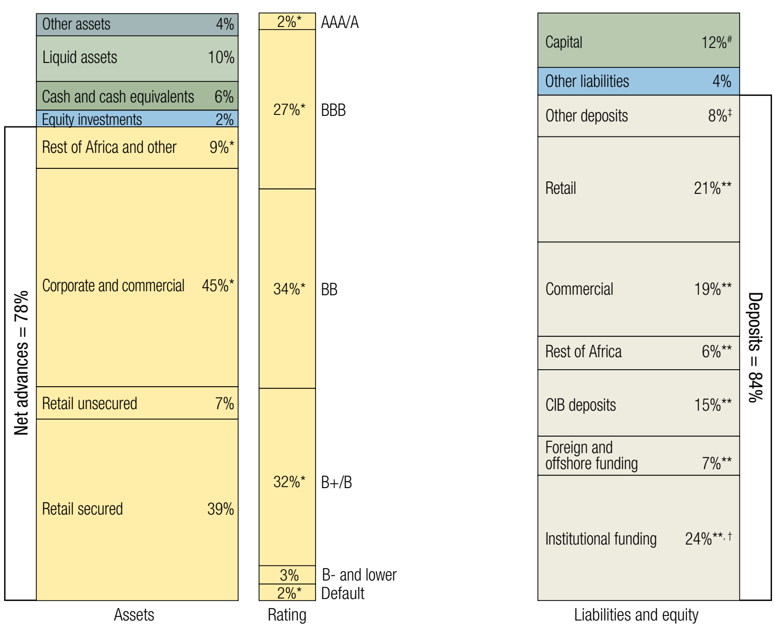
Cash and cash equivalents, and liquid assets represent 6% and 10%, respectively, of total assets. Only a small portion of assets relate to the investment and markets businesses. Market risk arising from trading activities has remained low and the group's equity investments relate primarily to RMB's private equity activities.

FirstRand's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the group has continued to improve its risk-adjusted funding profile whilst targeting a lower proportion of institutional funding relative to peers. The weighted average remaining term of the group's institutional funding was 33 months at 30 June 2017 (2016: 31 months).

The group's capital ratios remained strong with the CET1 ratio 14.3%, Tier 1 ratio 14.9% and total capital adequacy ratio 17.1%. Gearing decreased slightly to 11.3 times (2016: 11.6 times).

Economic view of the balance sheet

%



* *As a proportion of loans and advances.*

** *As a proportion of deposits.*

\# *Ordinary equity and non-controlling interests (10%) and NCNR preference shares and Tier 2 liabilities (2%).*

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

‡ *Liabilities relating to conduits and securitisation.*

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

Disclosures relating to the deposit split were previously based on a risk counterparty view. This has been refined to align to a finance product and segment view. The "other" category previously included FRIHL deposits and other group adjustments, which are now shown in the relevant segments. "Other" now comprises collateral received and repurchase agreements.

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 franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets (HQLA) that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity depth of 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 activity.

The group exceeds the 80% (2016: 70%) minimum liquidity coverage ratio (LCR) requirement as set out by the Basel Committee for Banking Supervision (BCBS) with the group LCR at 97% (2016: 96%). FirstRand Bank's LCR was 105% (2016: 102%). At 30 June 2017, the group's available HQLA sources of liquidity per the LCR was R167 billion, with an additional R18 billion of management liquidity available.

FirstRand expects to be fully compliant with the net stable funding ratio (NSFR) requirements once implemented on 1 January 2018.

Capital position

Current targeted ranges and actual ratios are summarised below.

%	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**	**14.3**	**14.9**	**17.1**	**8.6**

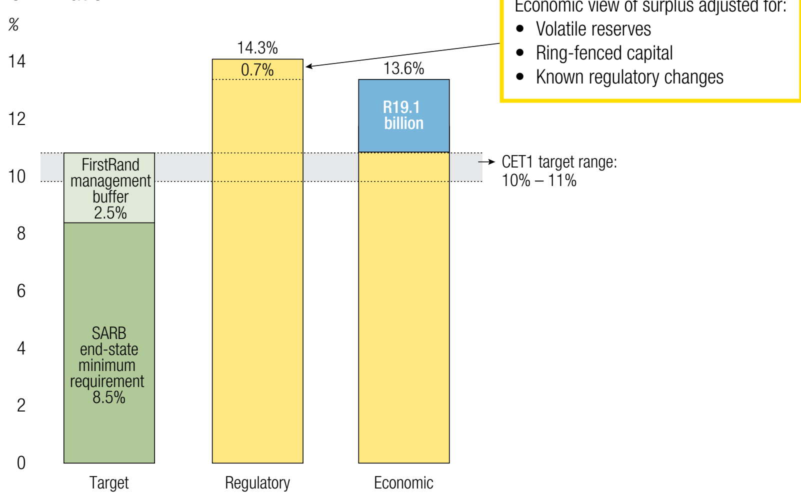
** Excluding the bank-specific individual capital requirement and add-on for domestic systemically important banks.*

*** Includes unappropriated profits.*

 # Based on Basel III regulations.

The group has maintained its strong capital position. The graph below outlines the group's CET1 position on a regulatory and economic basis. Capital planning is undertaken on a three-year forward-looking basis, and the level and composition of capital is determined taking into account business units' organic growth plans and stress-testing scenario outcomes. In addition, the group considers external issues that could impact capital levels, which include regulatory and accounting changes, macroeconomic conditions and outlook.

CET1 ratio



The group continues to actively manage its capital composition and, to this end, issued approximately R2.3 billion Basel III-compliant Tier 2 instruments in the domestic market during the year. This resulted in a more efficient capital structure which is closely aligned with the group's internal targets. It remains the group's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments 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.

CONCLUSION

FirstRand has delivered a resilient performance against a difficult macroeconomic backdrop. The high quality topline growth achieved demonstrates the strength and quality of the group's operating franchises.

The group recently reviewed its long-term earnings growth target, given the prevailing macroeconomic environments in the markets in which it operates. The group's large domestic banking franchises are expected to grow at nominal GDP, particularly given their current market shares, risk appetite and focus on ROE preservation. FirstRand's diversification strategies domestically, in the rest of Africa and the UK should, however, deliver outperformance relative to nominal GDP. Given the above, the stated earnings growth target is now nominal GDP plus >0% to 3%.

The ROE target range remains unchanged at 18% to 22%.

HARRY KELLAN
CFO

review of operations

FNB
First National Bank

Jacques Celliers *CEO* | FNB

Good growth resulting from prudent strategies and maximising cross selling opportunities

Normalised earnings

↑5%

ROE

37.4%

Transactional volumes

↑10%

PERFORMANCE IN 2017

SOUTH AFRICA

Pre-tax profits ↑8%

Contributes 95% of total FNB profits

A strong performance in a tough operating environment

GROW ACTIVE CUSTOMERS AND LEVERAGE OFF STRONG RELATIONSHIPS

Consumer ↑3%

Premium ↑7%

Commercial ↑11%

Core transactional accounts grew across all segments

Deposits growth

Retail ↑14%

Commercial ↑12%

Advances growth

↑5% Retail and Commercial

COST EFFECTIVE AND INNOVATIVE DIGITAL TRANSACTIONAL SOLUTIONS ARE DRIVING GROWTH

Fee and commission income ↑10%

Banking app volumes ↑68%

Mobile volumes ↑20%

Launch of nav>>car on FNB banking app

50 000 customers to date

FNB Connect **520 000 customers**

REST OF AFRICA PORTFOLIO

Namibia | Botswana | Mozambique* | Zambia* | Tanzania* | Ghana* | Lesotho | Swaziland

Challenging economic and regulatory climate

Resilient performances from the mature businesses

Strong growth in branch network ↑15%

Advances ↑3%

* start-up

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

GROW QUALITY SALES THROUGH CROSS-SELL AND UP-SELL

...using deep customer relationships and sophisticated data analysis

+

innovative insurance offerings

Cross-sell increased from 2.65 to

2.83

FirstRand Life
6th biggest
life insurer in SA

4 million lives covered

ACHIEVE EFFICIENCIES

Minutes per transaction in branches

↓20%

Right-sizing physical infrastructure

676 branches

↓ to 646

POWERFUL CUSTOMER FRANCHISE

2012 – 2017

Sunday Times Generation Next

SA's Coolest Bank

2016 – 2017

Best Cellphone Banking

Best Online Banking

Best Banking App

2013 – 2016

Sunday Times Top Brands

#1 Business Bank

FNB

FNB South Africa produced a strong performance given the tough domestic operating environment, growing pre-tax profits 8%. Total FNB pre-tax profits were, however, impacted by the poor performance from FNB's rest of Africa portfolio where profits declined 32% year-on-year. Despite these pressures, FNB produced overall growth in profits of 5% and an ROE of 37.4%.

FNB financial highlights

R million	2017	2016	% change
Normalised earnings	**12 947**	12 294	5
Normalised profit before tax	**18 828**	17 883	5
– South Africa	**17 948**	16 586	8
– Rest of Africa	**880**	1 297	(32)
Total assets	**398 521**	383 416	4
Total liabilities	**380 283**	366 942	4
NPLs (%)	**3.24**	3.03	
Credit loss ratio (%)	**1.20**	1.08	
ROE (%)	**37.4**	38.4	
ROA (%)	**3.34**	3.36	
Cost-to-income ratio (%)	**54.0**	54.1	
Advances margin (%)	**3.58**	3.65	

Segment results

R million	2017	2016	% change
Normalised PBT			
Retail	**11 010**	10 551	4
Commercial	**6 938**	6 035	15
FNB Africa	**880**	1 297	(32)
Total FNB	**18 828**	17 883	5

FNB South Africa constitutes R17.9 billion (95%) of total FNB profits and its performance reflects the success of its strategy to:

- grow and retain core transactional accounts;
- provide 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 good growth in customers:

Segment	Year-on-year growth Customer numbers %
Consumer	**3**
Premium	**7**
Commercial	**11**

FNB's rest of Africa portfolio represents a mix of mature businesses with significant scale and market share, such as Namibia and Botswana, combined with newly established and start-up businesses, such as Mozambique, Zambia, Tanzania and Ghana. Across the board in the year under review, these businesses operated in markets facing economic headwinds and emerging regulatory challenges, and the portfolio delivered a mixed performance. The new businesses particularly suffered due to lack of scale and book diversification coupled with poor macros, significantly impacting credit losses. The continued investment drag on the back of organic build further depressed the performance.

A breakdown of key performance measures from the domestic and rest of Africa franchises is shown below.

%	FNB SA	Rest of Africa
PBT growth	**+8**	**(32)**
Cost increase	**+6**	**+13**
Credit loss ratio	**1.12**	**1.78**
Advances growth	**+5**	**+3**
NPLs	**2.96**	**5.30**
Deposit growth	**+13**	**–**
Cost-to-income ratio	**51.5**	**71.7**
Operating jaws	**1.6**	**(7.0)**

Total FNB NII increased 9% driven by moderate growth in advances (+4%) and excellent growth in deposits (+12%) with some positive endowment effect from higher average interest rates during the year under review.

The table below demonstrates the growth in advances and deposits on a segment basis and reflects FNB's ongoing success in growing its deposit franchise.

Segment analysis of advances and deposit growth

	Deposit growth		Advances growth	
Segment	%	R billion	%	R billion
Retail	**14**	**24.6**	**4**	**8.9**
– Consumer	**10**	**7.8**	**3**	**1.3**
– Premium	**16**	**16.8**	**4**	**7.6**
Commercial	**12**	**20.9**	**7**	**5.6**
FNB Africa	**–**	**–**	**3**	**1.3**
Total FNB	**12**	**45.5**	**4**	**15.8**

The subdued overall growth in advances reflects, to a degree, a high level of prudency in FNB's origination strategies, particularly in the consumer segment where households have experienced significant pressure on disposable income. FNB's focus on cross-selling into its core transactional retail and commercial customer bases has, however, resulted in good growth in both advances and deposits in the premium and commercial segments.

The tables below unpack advances, at both a segment and product level, and reflect the segment specific nature of FNB's risk appetite and origination strategies.

The consumer segment saw good growth in its affordable housing books but unsecured lending contracted on the back of conservative risk appetite. In the premium segment, mortgages showed muted growth as FNB continues to focus on low risk origination, however unsecured grew strongly on the back of cross-sell and up-sell.

	Consumer		
	Advances		
R million	2017	2016	%
Residential mortgages	**22 480**	20 224	11
Card	**9 211**	9 366	(2)
Personal loans	**7 416**	8 142	(9)
Retail other	**3 198**	3 270	(2)

	Premium		
	Advances		
R million	2017	2016	%
Residential mortgages	**173 018**	169 229	2
Card	**14 589**	12 602	16
Personal loans	**6 956**	6 301	10
Retail other	**12 231**	11 074	10

	Commercial		
R million	2017	2016	%
Advances	**83 580**	77 957	7

NIR growth of 6% was achieved despite actions FNB took in its consumer segment to simplify its product offering. This resulted in some customers moving into lower revenue-generating product lines with the resultant negative impact on NIR for the full year of approximately R540 million. This impact will not be repeated and indications are that this improved customer value proposition will ensure sustainable growth in NIR for the consumer segment going forward.

NIR growth in the retail and commercial segments continued to be robust, increasing 6% and 9%, respectively.

Overall fee and commission income benefited from strong volume growth of 10% with excellent momentum across FNB's digital and electronic channels, as can be seen from the table below. There was some negative impact from a reduction in cash-related NIR and the cost of rewards linked to the e-migration and cross-sell strategy.

Channel volumes

Thousands	2017	2016	% change
ATM/ADT	**232 310**	225 045	3
Internet	**214 701**	201 019	7
Banking app	**99 410**	59 075	68
Mobile	**43 818**	36 469	20
Point-of-sale	**1 166 844**	1 051 480	11

Cost growth in the South African business was well contained at 6% with total costs growing 7% mainly on the back of continued investment in diversification strategies and rest of Africa expansion. The domestic cost-to-income ratio decreased marginally to 51.5%.

As expected, FNB's overall bad debts and NPLs increased year-on-year (NPLs +11%), however, the rolling six months reflect a flattening trajectory in retail. NPL formation in the commercial book is ticking up, but this is not unexpected given previous book growth and some residual pressure in the agric sector. NPL formation in the rest of Africa business increased sharply (+35%).

NPLs in FNB's domestic unsecured books, which have shown strong advances growth particularly in the premium segment, are trending in line with expectations. This reflects the quality of new business written, appropriate pricing strategies and the positive effect of cutbacks in higher risk origination buckets.

Overall provisioning levels have increased with overlays maintained.

Progress on insurance initiative

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

OPERATIONAL HIGHLIGHTS

- FNB continues to grow its market share off the back of customer acquisition across all segments in the business sub-segment. Its share of businesses with an annual turnover of up to R10 million is 32% and its share of businesses with an annual turnover above R10 million is 27%.
- Greater efficiencies were achieved across the branch network as minutes per transaction reduced 20%. Sales and advice are becoming a larger component of branch activity.
- FNB Connect has achieved excellent penetration into the FNB base acquiring just over 520 000 customers.
- Customers using the FNB app continued to grow significantly over the year, increasing from 1.4 million to just over 1.8 million, with volumes increasing 68%.
- The FNB app continued to add functionality. NAV CAR was launched in April 2017 which enables automated payment of car licences, offers values of vehicles and enables payment of traffic fines. To date 50 000 customers have loaded vehicles onto the app.

CUSTOMER FRANCHISE AND OPERATING FOOTPRINT

FNB believes that establishing strong customer relationships underpins the sustainability of its business and currently uses two key measures of success; growth in active customers and increased cross-sell. In the year under review, cross-sell moved from 2.65 to 2.83. Total customer numbers increased 4% (just over 300 000), with Commercial customers increasing 11%.

FNB continued to perform well in the South African Customer Satisfaction Index, improving on its previous SAcsi score of 78 to 83.4. The FNB app improved its SAcsi score from 83.1 to 84.8. FNB customers indicated they feel they are treated fairly, as the FNB average rating increased from 80.2 to 81.6.

FNB continues to assess its operating footprint in both South Africa and its African subsidiaries to align to its digital migration strategy. Branch representation points in South Africa declined from 676 to 645 in the current period. The investment in the rest of Africa resulted in strong growth in the branch network and the "emerging" African businesses will continue to optimise their networks in the year ahead.

	FNB SA			FNB Africa		
	2017	2016	% change	**2017**	2016	% change
Banking channels						
Representation points (branches, agencies)	**645**	676	(5)	**166**	144*	15
ATMs	**4 360**	4 641	(6)	**924**	928	–
ADTs	**1 921**	1 763	9	**153**	–	>100
Total ATMs and ADTs	**6 281**	6 404	(2)	**1 077**	928	16

* *Restated for the India agencies that have now been closed.*

2017 **Strongest** Banking Brand in Africa

Ranked World's 4th Most Powerful: Brand Finance® Banking 500 Report 2017

2015 – 2017
Reptrak Pulse Reputation Survey
Most Reputable
Bank in South Africa

2016
Most Innovative Bank in Africa

2016
PriceCheck Tech & e-Commerce Awards
Best Online Financial Services Platform

2016
Lafferty Global Awards 2016
Excellence in mobile banking

2016
Columinate SITEisfaction® Survey
Best Internet Banking
Best Mobile Banking
Best Digital Bank

2017
Columinate SITEisfaction® Survey
Best Internet Banking
Best Banking App

2016 – 2017
Best Cellphone Banking
Best Online Banking
Best Banking App

2016
BCX Summit, Chicago
Best in Customer Experience
FNB Banking App

2013 – 2016
Sunday Times Top Brands
#1 Business Bank

2017
Global Finance World's Best FX Providers
Best Foreign Exchange Provider
In South Africa

2015 – 2016
Telecoms.com Awards
Most Innovative
Mobile Virtual Network Operator

2016
Banker Africa Awards
Best Islamic Banking
In Southern Africa

2012 – 2017
Sunday Times Generation Next
SA's Coolest Bank

RMB

James Formby *CEO* | RMB

Pre-tax profits

↑10%

R9.8 billion

Return on equity

↑26.2%

PERFORMANCE IN 2017

Strong operational performance with high quality earnings from a diversified portfolio.

INVESTMENT BANKING AND ADVISORY

Resilient performance

↑11%

Advisory, lending and capital markets **mandates secured**

Good **advances grown** + **disciplined allocation** of financial resources

Preserved returns

CORPORATE AND TRANSACTIONAL BANKING

Strong profit growth

↑18%

Leveraging platforms

Managing **cost**

Expanding **product offerings locally** and **rest of Africa**

Strong demand for **structured** and **traditional products**

Focus on **liability strategies**

Increased transactional volumes and average deposit balances

RMB represents the group's activities in the **corporate and investment banking segments** in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients.

MARKETING AND STRUCTURING

Strong profit growth

↑16%

Good **client flows** + execution of **large structuring deals**

Solid **commodities performance**

Sustained **equity flows**

INVESTING

Solid results

↑7%

Significant realisation in the Private Equity portfolio

Ventures and Corvest portfolios contributed to **good annuity earnings**

Continues to underpin the **unrealised value** of the portfolio at **R3.7 billion**

Rest of Africa

Key to RMB's strategic focus

Pre-tax profits

↑29%

R1.3 billion

Solid **corporate** and **transactional** banking **earnings**

Robust structuring and flow trading

Solid **advances growth**

Lower credit impairments

RMB

RMB represents the group's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients. This, combined with an expanding market-making and distribution product offering and an excellent track record in private equity investments, contributes to a well-diversified and sustainable earnings base. 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	2017	2016	% change
Normalised earnings	**6 955**	6 287	11
Normalised profit before tax	**9 832**	8 918	10
– South Africa and other	**8 517**	7 899	8
– Rest of Africa*	**1 315**	1 019	29
Total assets	**447 029**	435 133	3
Total liabilities	**436 046**	423 322	3
NPLs (%)	**0.62**	1.35	
Credit loss ratio (%)	**0.20**	0.27	
ROE (%)	**26.2**	25.2	
ROA (%)	**1.56**	1.45	
Cost-to-income ratio (%)	**43.4**	45.1	

* *Includes in-country and cross-border activities.*

RMB delivered a strong operational performance, with pre-tax profits increasing 10% to R9.8 billion. The ROE improved to 26.2%, demonstrating the strength and diversification of the portfolio. 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. The business continues to spend on regulatory and compliance initiatives.

The rest of Africa portfolio remains key to RMB's strategy and delivered pre-tax profits of R1.3 billion, up 29% on the prior year. This performance was anchored on solid corporate and transactional banking earnings, and robust structuring and flow trading income. Results were further bolstered by solid advances growth and lower credit impairments given conservative provisioning in prior periods.

Breakdown of profit contribution by activity

R million	2017	2016	% change
Investment banking and advisory	**3 626**	3 258	11
Corporate and transactional banking	**1 731**	1 466	18
Markets and structuring	**1 612**	1 389	16
Investing	**2 841**	2 643	7
Investment management	**88**	177	(50)
Other	**(66)**	(15)	>100
Total RMB	**9 832**	8 918	10

In an environment characterised by difficult credit markets and lower economic growth, the investment banking and advisory activities delivered a resilient performance. Advisory, lending and capital market mandates were secured particularly off the back of client activity in offshore markets. Disciplined financial resource allocation and good advances growth continued to preserve returns, and cost containment further benefited the results. Given the prevailing weak credit cycle and macroeconomic environment, credit provisioning levels remained conservative.

Corporate and transactional banking's focus on leveraging platforms, managing costs and expanding product offerings locally and in the rest of Africa, contributed to strong profit growth. The business benefited from increased demand for structured and traditional trade products and its focus on liability strategies resulted in increased transactional volumes and average deposit balances, particularly in the rest of Africa. The global foreign exchange business was adversely impacted by regulatory changes in certain rest of Africa jurisdictions.

Markets and structuring activities delivered a strong performance with improved quality of earnings driven by good client flows and the execution of large structuring deals. A solid commodities performance and sustained equity flows also contributed to profitability in the current year.

Investing activities produced solid results off a high base, supported by a significant realisation in the Private Equity portfolio. The business is now entering an investment cycle and, during the year, several acquisitions were made. The quality and diversity of the Ventures and Corvest portfolios contributed to good annuity earnings despite economic headwinds and continue to underpin the unrealised value of the portfolio at R3.7 billion (June 2016: R4.2 billion).

Other activities reported a marginal loss in the current year, driven mainly by costs associated with the group's market infrastructure programme which is aimed at driving efficiencies, ensuring regulatory and legislative compliance and improving risk mitigation. This was offset by the curtailment of losses in the RMB Resources portfolio and higher endowment earned on capital invested.

The strength of RMB's franchise is reflected in the number of major awards it received during the year, including:

African Banker Awards 2017
- Investment Bank of the Year (5th year running)

The Banker Investment Banking Awards 2017
- Most Innovative Investment Bank from Africa (2nd year running)

The Banker Deals of the Year 2017
- Green Finance (Africa) – Kathu Solar Park
- Infrastructure & Project Finance (Africa) – Amandi Energy Power Plant
- Islamic Finance (Africa) – AFC Sukuk

Euromoney Awards for Excellence 2017
- Africa's Best Bank for Advisory

Financial Mail Ranking the Analysts 2017
- #1 Rated Desk Team: Equity Dealing, Equity Sales, Corporate Access, Administration
- #1 Rated Sector Analyst: Industrial Metals, Paper, Food, Strategy, Fixed Interest Securities

Global Finance Awards 2017
- Best FX Provider – South Africa
- Best Treasury and Cash Management Provider – South Africa

JSE Spire Awards 2016
- House Awards
  - Best Research House
  - Best Forex House
- Team Awards
  - Best Economics Research Team
  - Best Fixed Income Research Team
  - Best Forex and Forex Derivatives Market Making Team
  - Joint Best Forex and Forex Derivatives Sales Team
  - Best Inflation-Linked Bonds Team
  - Best Repo Team
  - Best Debt Origination Team
  - Best Listed IRD Market Making Team
  - Best Cash Settled Commodity Derivatives Market Maker

PwC Peer Banking Survey 2016
- 1st IB&A – M&A
- 1st IB&A – Equity Capital Markets
- 1st Markets: Structuring – Equity & Debt
- 1st Markets: Prime Broking

GTR Best Deals 2016
- BAM International

EMEA Finance Project Finance Awards 2016
- Best Project Finance Deal in Africa (Amandi Energy's 192MW IPP in Ghana)
- Best Sustainability Deal in EMEA (Amandi Energy's 192MW IPP in Ghana)
- Best Solar Deal in Africa (Kathu Solar Park in South Africa)

EMEA Finance Achievement Awards 2016
- Best Bond House in Africa
- Best GBP Bond (Remgro's GBP350 million exchangeable issuance)
- Best Restructuring in Africa

OTHER AWARDS

Business Arts South Africa (BASA) Awards 2017
- Development Award (ASSITEJ Kickstarter Creative Arts project)

Gender Mainstreaming Awards 2017
- Overall Winner: Gender Mainstreaming Champion
- Women Empowerment in the Workplace
- Women on Boards

WesBank

Chris de Kock *CEO* | WESBANK

Normalised earnings

↑2%

Return on equity

20%

ROA

1.87%

PERFORMANCE IN 2017

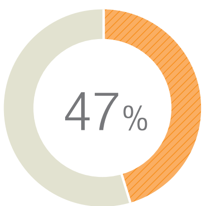
A solid operational performance in a tough economic environment

WESBANK

Retail SA VAF

Profits

↑6%



Resilient new business

Significant improvement in equity-accounted profits

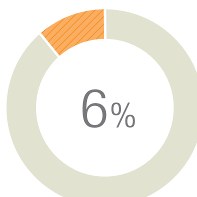
When insurance business MotoVantage included **profits up** 13%

WESBANK

Corporate and commercial

Profits

↓10%



Competitive pricing pressure

Lengthened replenishment cycles

Reduced corporate market demand due to delayed investment by SA corporates

Profit contribution by activity

WesBank

maintained its position as the **number 1 Vehicle and Asset Finance provider** in the PwC Africa Banking Survey

MotoNovo

recognised as **Finance Provider of the Year** at the Car Dealer Power Awards

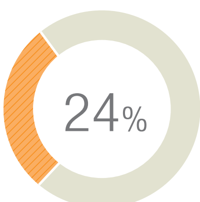
WesBank represents the group's activities in **instalment credit and related services in the retail, commercial and corporate segments** of South Africa and the rest of Africa (where represented), and through MotoNovo Finance in the UK. Through the Direct Axis brand, WesBank also operates in the unsecured 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.

DIRECT AXIS

Personal loans

Profits

↑2%



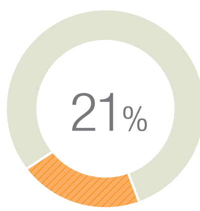
- Healthy book growth
- Ongoing investment in new channels
- Margins impacted by NCAA rate caps

MOTONOVO

Motor retail UK

Profits

↑9% GBP



- New business volumes ↑11.7% GBP despite tighter risk appetite
- Capacity investments in collections of sales
- Building out personal loans offering

MotoNovo

received the **Innovation Award** at the Car Finance Awards

MotoNovo

finished **12th** in the Sunday Times Best Medium Sized Company to work for in the UK (across all industry)

WesBank

WesBank represents the group's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and the rest of Africa (where represented), 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

R million	2017	2016	% change
Normalised earnings	**3 996**	3 927	2
Normalised profit before tax	**5 612**	5 518	2
Total assets	**214 222**	205 016	4
Total liabilities	**207 809**	199 686	4
NPLs (%)	**3.80**	3.38	
Credit loss ratio (%)	**1.68**	1.59	
ROE (%)	**20.0**	21.9	
ROA (%)	**1.87**	1.99	
Cost-to-income ratio (%)	**40.2**	39.1	
Net interest margin (%)	**4.93**	4.90	

WesBank grew total profits 2%, and delivered an ROE of 20% and an ROA of 1.87%. This was a solid operational performance and reflects the tough operating environment for its domestic lending businesses and increased conservatism in origination and provisioning. The rand profit contribution from WesBank's UK business, MotoNovo, was significantly impacted by the 20% average appreciation of the rand against the GBP during the year.

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

Breakdown of profit contribution by activity

R million	2017	2016	% change
Normalised profit before tax			
VAF	**4 192**	4 100	2
– Retail SA*	**2 658**	2 358	13
– MotoNovo**	**1 190**	1 360	(13)
– Corporate and commercial	**344**	382	(10)
Personal loans	**1 352**	1 327	2
Rest of Africa	**68**	91	(25)
Total WesBank	**5 612**	5 518	2

* *Includes MotoVantage.*

** *Normalised PBT for MotoNovo up 9% to GBP69 million.*

Retail SA VAF delivered 6% pre-tax profit growth, driven by resilient margins and a significant improvement in the equity-accounted profits generated from the investment in associates. When the contribution from MotoVantage, the insurance business, is included, PBT increased 13%. New business origination remained resilient, with production up 10% on the back of an increased focus on the used car market.

MotoNovo grew profits 9% in GBP terms as the business continues to invest in capacity, particularly in its collections and sales areas and in building out the personal loans offering. MotoNovo's new business volumes continued to track up in GBP (+11.7%) although risk appetite has tightened.

Personal loans delivered a modest increase in profits of 2% despite healthy book growth. This was mainly due to ongoing investment spend in new channels and the impact of the National Credit Amendment Act (NCAA) rate caps which impacted margins.

Profits from the corporate business were down 10% year-on-year, mainly because of competitive pricing pressures, lengthening of replenishment cycles and reduced market demand as corporates delay investment.

Interest margins continue to be resilient despite higher funding and liquidity costs, and the shift in mix from fixed to floating-rate business within the retail SA VAF portfolio. From a new business perspective, however, this shift in mix has started to reverse.

As expected, retail SA VAF and personal loans NPLs both increased (+19%) on the back of a higher proportion of restructured debt-review accounts as well as the worsening credit cycle. The retail SA VAF charge of 1.54% includes adjustments in the LGD models, which is considered appropriate given the cycle.

NPLs in MotoNovo increased 19%, moderating from the first half, reflecting the positive impact of increased prudency in origination strategies implemented at the end of 2016 and operational right-sizing in the collections area.

WesBank produced strong growth in operational NIR of 15%. This was mainly driven by increased insurance and VAPS-related income from MotoVantage, and increases in full maintenance lease (FML) rental income on the back of good new business growth. Advances-related NIR growth was in line with book growth.

Growth in operating expenses was 11%, mainly driven by the investments in new business initiatives and volume-related expenditure in MotoNovo, Direct Axis and FML. Core operational costs were well contained.

ROE has declined year-on-year, primarily a function of increased capital held as a result of certain additional investments, and a deterioration in credit risk weighted assets as a result of the credit cycle. The ROA has, however, remained resilient year-on-year, due to ongoing topline growth and containment of core operating costs.

The strength of WesBank's customer franchises in both South Africa and the UK is reflected in industry awards.

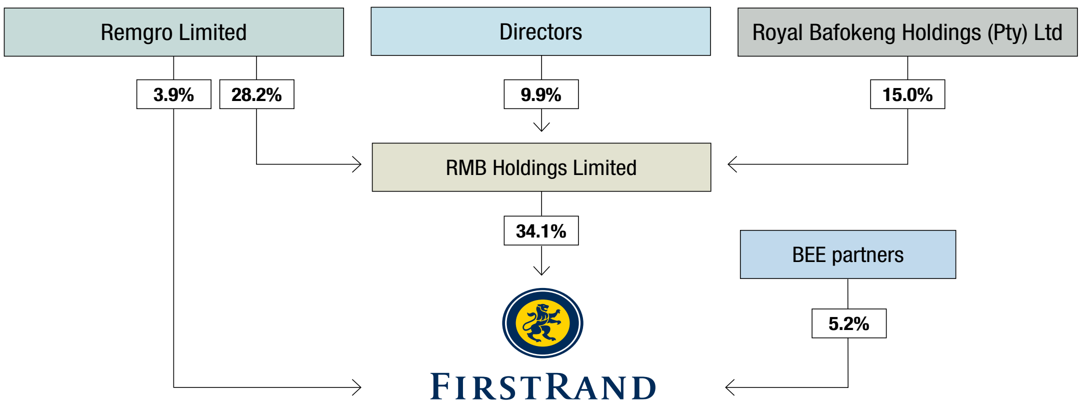
WesBank

- maintained its position as the number 1 Vehicle and Asset Finance provider in the PwC Africa Banking Survey..

MotoNovo

- recognised as Finance Provider of the Year at the Car Dealer Power Awards;
- received the Innovation Award at the Car Finance Awards; and
- finished 12th in the Sunday Times Best Medium Sized Company to work for in the UK (across all industry)

SIMPLIFIED GROUP AND SHAREHOLDING STRUCTURE



LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% FirstRand Bank Limited – Banking

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

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

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

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

96%	RMB Private Equity Holdings
93%	RMB Private Equity
100%	RMB Securities
50%	RMB Morgan Stanley
100%	FNB Securities
100%	RentWorks
100%	Direct Axis
81%	MotoVantage
100%	FirstRand International – Guernsey
100%	RMB Australia Holdings
100%	FirstRand Securities
48%	NewDisc

100% FirstRand Investment Management Holdings Limited – Investment management

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

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

FIVE YEAR REVIEW – NORMALISED

R million	2013	2014	2015	2016	**2017**	Compound growth %
Statement of financial position						
Total assets	866 807	946 609	1 059 262	1 149 326	**1 217 745**	9
Gross advances before impairments	613 748	709 079	793 964	867 982	**910 066**	10
Total impairments	12 683	13 900	14 793	16 577	**16 960**	8
Advances	601 065	695 179	779 171	851 405	**893 106**	10
NPLs	17 231	16 281	17 551	21 282	**21 905**	6
Deposits*	697 035	768 234	865 616	920 074	**983 529**	9
Capital and reserves attributable to ordinary equityholders of the group	72 696	81 590	90 778	99 794	**108 922**	11
Income statement						
Net interest income before impairment of advances	28 100	33 415	38 610	43 730	**46 626**	13
Impairment charge	(5 700)	(5 519)	(5 787)	(7 159)	**(8 054)**	9
Operational non-interest revenue	27 018	30 639	32 709	34 989	**38 227**	9
Share of profit of associates and joint ventures after tax	803	1 065	1 499	1 453	**1 041**	7
Operating expenses	(28 817)	(33 276)	(36 740)	(40 942)	**(43 773)**	11
Earnings attributable to ordinary equityholders	15 420	18 663	21 286	22 855	**24 471**	12
Key ratios						
ROE (%)	22.7	24.2	24.7	24.0	**23.4**	
ROA (%)	1.89	2.06	2.12	2.07	**2.07**	
Cost-to-income ratio (%)	51.5	51.1	50.5	51.1	**51.0**	
Credit loss ratio (%)	0.99	0.83	0.77	0.86	**0.91**	
NPLs as a % of gross advances (%)	2.81	2.30	2.21	2.45	**2.41**	
Non-interest income as a % of total income (%)	49.8	48.7	47.0	45.5	**45.7**	
Share statistics						
Price earnings ratio (times)	10.6	12.3	14.1	11.0	**10.8**	
Price-to-book ratio (times)	2.2	2.8	3.3	2.5	**2.4**	
Market capitalisation (R million)	163 106	229 746	299 098	251 529	**264 487**	13
Closing share price (cents)	2 893	4 075	5 332	4 484	**4 715**	13

* *Reclassification of 2015 and 2016 deposit numbers.*

	2013	2014	2015	2016	**2017**	Compound growth %
Exchange rates						
Rand/USD						
– Closing	10.01	10.63	12.14	14.66	**13.10**	
– Average	8.84	10.38	11.45	14.51	**13.58**	
Rand/GBP						
– Closing	15.22	18.17	19.12	19.67	**17.00**	
– Average	13.86	16.89	18.02	21.47	**17.21**	
Statement of financial position (USD million)*						
Total assets	86 594	89 051	87 254	78 399	**92 958**	2
Gross advances before impairments	61 313	66 705	65 401	59 208	**69 471**	3
Total impairments	1 267	1 308	1 219	1 131	**1 295**	1
Advances	60 046	65 398	64 182	58 077	**68 176**	3
NPLs	1 721	1 532	1 446	1 452	**1 672**	(1)
Deposits#	69 634	72 270	71 303	62 761	**75 079**	2
Capital and reserves attributable to ordinary equityholders of the group	7 262	7 675	7 478	6 807	**8 315**	3
Income statement (USD million)**						
Net interest income before impairment of advances	3 179	3 219	3 372	3 014	**3 433**	2
Impairment charge	(645)	(532)	(505)	(493)	**(593)**	(2)
Operational non-interest revenue	3 056	2 952	2 857	2 411	**2 815**	(2)
Share of profit of associates and joint ventures after tax	91	103	131	100	**77**	(4)
Operating expenses	(3 260)	(3 206)	(3 209)	(2 822)	**(3 223)**	–
Earnings attributable to ordinary equityholders	1 744	1 798	1 859	1 575	**1 802**	1
Statement of financial position (GBP million)*						
Total assets	56 952	52 097	55 401	58 430	**71 632**	6
Gross advances before impairments	40 325	39 025	41 525	44 127	**53 533**	7
Total impairments	833	765	774	843	**998**	5
Advances	39 492	38 260	40 752	43 284	**52 536**	7
NPLs	1 132	896	918	1 082	**1 289**	3
Deposits#	45 797	42 280	45 273	46 775	**57 855**	6
Capital and reserves attributable to ordinary equityholders of the group	4 776	4 490	4 748	5 073	**6 407**	8
Income statement (GBP million)**						
Net interest income before impairment of advances	2 027	1 978	2 143	2 037	**2 709**	8
Impairment charge	(411)	(327)	(321)	(333)	**(468)**	3
Operational non-interest revenue	1 949	1 814	1 815	1 630	**2 221**	3
Share of profit of associates and joint ventures after tax	58	63	83	68	**60**	1
Operating expenses	(2 079)	(1 970)	(2 039)	(1 907)	**(2 543)**	5
Earnings attributable to ordinary equityholders	1 113	1 105	1 181	1 065	**1 422**	6

* *The statement of financial position is converted using the closing rates as disclosed for each reporting period.*

** *The income statement is converted using the average rate as disclosed for each reporting period.*

\# *Reclassification of 2015 and 2016 deposit numbers.*

corporate governance

corporate governance

CORPORATE GOVERNANCE

FirstRand regards excellence in corporate governance, transparency, fairness, responsibility and accountability as essential for its long-term business sustainability and to protect and enhance the interests of its stakeholders

The board of directors implements the highest standards of corporate governance at all operations. The board understands and values long-term and ethical client relationships, and has well established governance processes for ensuring a balance between achieving business growth and meeting the reasonable expectations of its stakeholders.

OBJECTIVE

FirstRand's overarching governance objective is to ensure that an adequate and effective process of corporate governance is established and maintained which:

- **is consistent with the nature, complexity and risk inherent in the group's on- and off-balance sheet activities; and**
- **responds to change in the group's environment and conditions.**

The above-mentioned objective includes ensuring compliance by the group with all relevant legislation, including but not limited to the Banks Act and Regulations, Companies Act, no 71 of 2008, JSE Listings Requirements, the principles of the King Code on Corporate Governance 2016 (King IV), and best practice guidelines deemed appropriate to the effective functioning of the group.

The assessments conducted and overseen by the board committees during the year confirmed that the processes implemented by the group relating to corporate governance, internal controls, risk management, capital management and capital adequacy have successfully achieved the above objective.

FirstRand endorses and endeavours to adhere to the guidelines and principles of King IV and the corporate governance principles for banks by the Basel Committee on Banking Supervision. A King IV implementation report is available on the group's website.

The board has satisfied itself that FirstRand has complied with these principles in all material respects throughout the year.

GOVERNANCE OUTCOMES

Governance outcomes

This report details the practices implemented and progress made towards achieving the following governance outcomes:

- **ethical foundation and culture;**
- **adequate and effective board;**
- **continued effectiveness and performance;**
- **sustainable value creation and performance; and**
- **trust and legitimacy through stakeholder engagement.**

The board endeavours to continue to enhance and improve on ways to measure the achievement of its governance outcomes.

INTEGRATED GOVERNANCE MODEL

FirstRand's integrated governance model allows for coherence between group strategy implementation and the long-term interests of its stakeholders. This is achieved through ensuring that the group's three lines of defence are appropriately aligned using a risk-based approach to identify, monitor and manage material issues.

BOARD OVERSIGHT

Strategy, policies and frameworks:
Business unit strategies and governance processes are aligned with group strategy, financial and non-financial risk tolerances and strategic value drivers

First line controls:
Business units ensure that financial and non-financial performance is measured in line with mandates approved by the board

Second line controls:
Specialised risk and governance committees provide independent reports on financial and non-financial performance for board oversight

Stakeholder engagement:
Strategy implementation requires business units to engage and transact with stakeholders

Third line controls: End-to-end independent assurance

Ethical foundation and culture

ETHICAL FOUNDATION

FirstRand subscribes to and promotes the principles of good ethical conduct, as set out in the group code of ethics.

The board oversees the establishment and monitoring of the code of ethics to promote high ethical behaviour, and to act as a guide on ethical considerations on day-to-day decisions made at every level of delegation. The board is supported by the group ethics office, which acts as formal custodian of the group code of ethics. The group ethics office has representatives in every business in the group.

Directors serving on any statutory or advisory board, responsible for strategic leadership and governance within the group, are required to acquaint themselves with both the form and substance of the code of ethics, and to sign the directors' pledge.

Directors hold each other accountable for decision making and acting in a way that displays the ethical characteristics (i.e. integrity, conscience, independence, courage, competence, responsibility, commitment, accountability, fairness and transparency) which form the basis of the FirstRand director competency framework and board evaluation assessment.

The chairman is tasked to monitor this as part of his duties.

Refer to page 107 for the social, ethics and transformation committee report.

Performance evaluations of employees in the group include ethical conduct and adherence to the FirstRand philosophy.

FirstRand's philosophy is underpinned by the belief in the following values and principles:

- respecting and empowering individuals;
- collective and individual accountability;
- integrity in our care for the business;
- prudent and accurate scorekeeping;
- ensuring that the business case always prevails through open communication, vigorous debate and participative non-hierarchical decision making;
- being a good corporate citizen - seeing sustainable development and sustainable profit growth as complementary objectives; and
- helping to create a better world that is socially and environmentally viable in the long term.

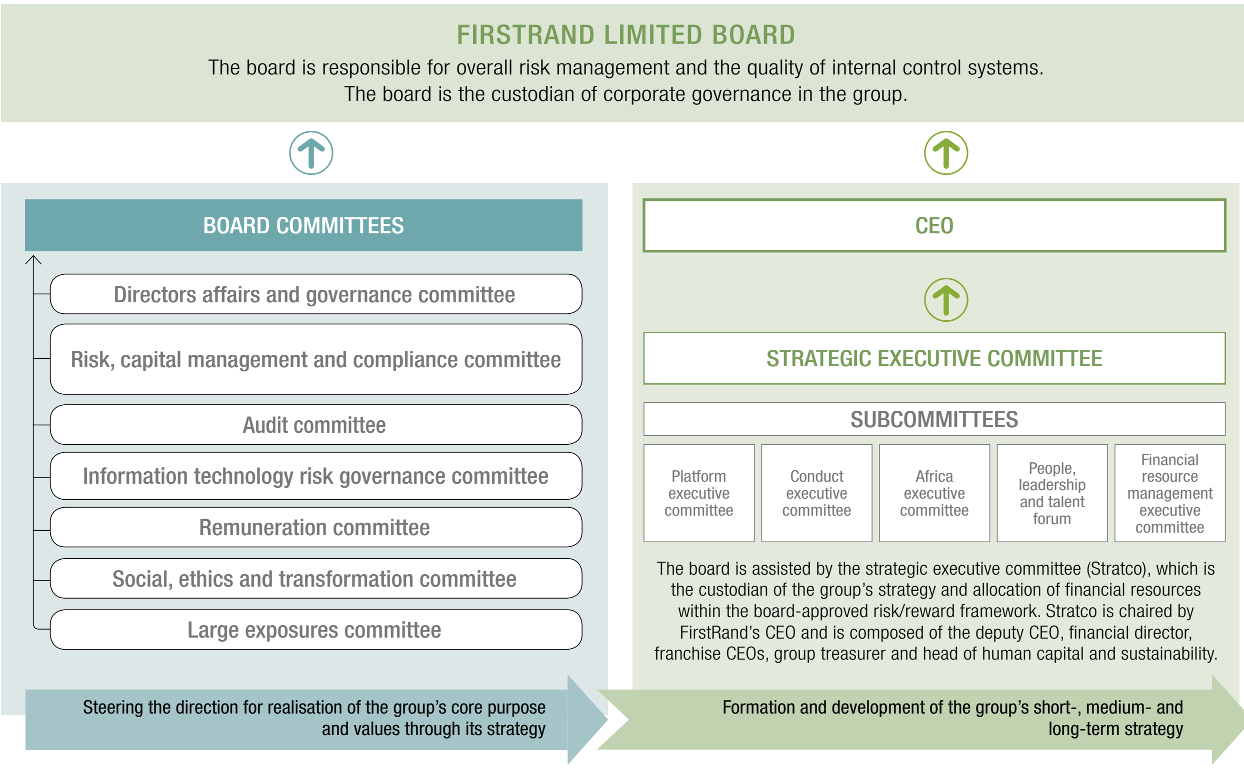
Governance outcome

Adequate and effective board

GOVERNANCE STRUCTURE

The board has overall responsibility for the group, including approving and overseeing management's implementation of the strategic objectives, governance framework and corporate culture.

In discharging its responsibilities, the board is empowered to delegate to management. As such, the board is supported by senior management, together with various board committees and other governance forums and panels. Various management forums may be established for gathering information, agreeing and tracking actions and where necessary, escalating findings or recommendations to decision-making forums.



Governance structures and processes are formally reviewed annually and continuously adapted to accommodate internal developments, and reflect national and international best practice.

The board is satisfied that the composition of the committees of the board and the arrangements of delegation within its own structures promote independent judgement and assist with the balance of power and effective discharge of its duties.

CHIEF EXECUTIVE OFFICER

The CEO is appointed by the board and is responsible for leading the implementation and execution of approved strategy, policies and operational planning, and serves as the chief link between management and the board.

The CEO is accountable to the board to amongst other things:

- develop and recommend to the board the short-, medium- and long-term strategy and vision of FirstRand and its achievement of performance targets;
- ensure that FirstRand has an effective management team and management structures;
- ensure that appropriate policies are formulated and implemented;
- ensure that effective governance measures are deployed; and
- serve as FirstRand's chief spokesperson.

The CEO does not have any work commitments outside of the group and its related companies. A succession plan for the CEO is in place.

COMPANY SECRETARY

The company secretary plays an essential role in FirstRand's corporate governance. The company secretary is responsible to the board for, *inter alia*, acting as a central source of information and advice to the board on their duties and responsibilities, adherence to good corporate governance principles, and compliance with procedures and applicable statutes and regulations.

Ms Carnita Low was appointed as FirstRand's company secretary in January 2014 and is also the company secretary to the board committees and subsidiary boards. Aligned with good governance practice, the appointment and removal of the company secretary is a matter for the board.

An assessment of the performance of the company secretary is undertaken annually, as part of the board evaluation process.

The assessment confirmed that the board is satisfied that the company secretary:

- is competent, suitably qualified and experienced;
- has the requisite skills, knowledge and experience to advise the board on good governance;
- maintains an arm's length relationship with the board and directors; and
- has discharged her responsibilities effectively for the year under review.

Governance outcome

Adequate and effective board

BOARD OF DIRECTORS

The board serves as the focal point and custodian of corporate governance in the group.

This broad leadership role includes: setting the direction for realisation of the group's core purpose and values through its strategy, approving policy, including plans, frameworks, structures and procedures, providing oversight of implementation, and demonstrating accountability and transparency through disclosure.

The board believes that its current size and composition is such that directors are able to discharge their fiduciary duties and governance role and responsibilities objectively and effectively, in a manner that is consistent with the interests of all stakeholders invested in the success of group.

The board of directors' skills, experience and directorships are set out in the annual financial statements (available on the company's website www.firstrand.co.za).

Lauritz Lanser (Laurie) Dippenaar (68)

Non-executive chairman

MCom, CA(SA)

Appointed July 1992

Johan Petrus Burger (58)

Chief executive officer

BCom (Hons), CA(SA)

Appointed January 2009

Alan Patrick Pullinger (51)

Deputy chief executive officer

MCom, CA(SA), CFA

Appointed October 2015

Hetash Surendrakumar (Harry) Kellan (45)

Financial director

BCom (Hons), CA(SA)

Appointed January 2014

Mary
Sina
Bomela (44)

Non-executive director

BCom (Hons), CA(SA), MBA

Appointed September 2011

Hermanus
Lambertus (Herman)
Bosman (48)

Non-executive director

BCom, LLB, LLM, CFA

Appointed April 2017

Jan Jonathan
(Jannie)
Durand (50)

Non-executive director

BAccSc (Hons), MPhil, CA(SA)

Appointed October 2012

Grant
Glenn
Gelink (67)

Independent non-executive director

BCom (Hons), BCompt (Hons), CA(SA)

Appointed January 2013

Patrick
Maguire (Pat)
Goss (69)

Independent non-executive director

BEcon (Hons), BAccSc (Hons), CA(SA)

Appointed May 1998

Nolulamo
Nobambiswano
(Lulu) Gwagwa (58)

Independent non-executive director

BA, MTRP, MSc, PhD

Appointed February 2004

Paul
Kenneth
Harris (67)

Non-executive director

MCom

Appointed July 1992

William
Rodger (Roger)
Jardine (51)

Independent non-executive director

BSc, MSc

Appointed July 2010

Francois (Faffa) Knoetze (54)

Non-executive director

BCom (Hons), FASSA, FIA

Appointed April 2016

Russell Mark Loubser (67)

Independent non-executive director

BCom (Hons), MCom, CA(SA)

Appointed September 2014

Paballo Joel Makosholo (38)

Non-executive director

MCom (IEDP), CA(SA)

Appointed October 2015

Thandie Sylvia Mashego (39)

Non-executive director

BCom (Hons), CA(SA), MBL

Appointed January 2017

Ethel Gothatamodimo Matenge-Sebesho (62)

Independent non-executive director

MBA, CAIB

Appointed July 2010

Amanda Tandiwe (Tandi) Nzimande (47)

Independent non-executive director

CTA, CA(SA), HDip Co Law

Appointed February 2008

Benedict James (Ben) van der Ross (70)

Independent non-executive director

Dip Law

Appointed May 1998

Jan Hendrik (Hennie) van Greuning (64)

Independent non-executive director

DCom, DCompt, CA(SA), CFA

Appointed January 2009

As at 30 June 2017, FirstRand had a unitary board of 20 members; 17 of the directors are non-executive, 9 of whom are independent.

In addition to the annual board meetings and board training programmes *(skool),* directors are required to attend the SARB bilateral meeting held in November and the FirstRand strategic conference held in April each year.

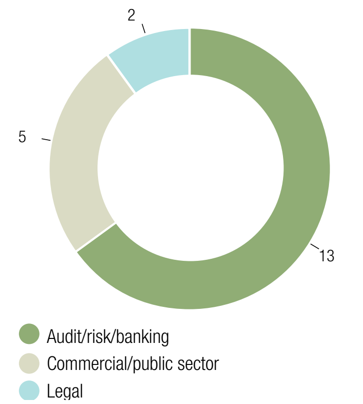
	Record of attendance			
	Board	Bilateral	Strategic conference	*Skool*
Independent non-executive directors				
GG Gelink	3/4	1/1	1/1	2/3
PM Goss	4/4	1/1	1/1	3/3
NN Gwagwa	4/4	1/1	1/1	2/3
WR Jardine	4/4	1/1	1/1	3/3
RM Loubser	3/4	1/1	1/1	2/3
EG Mantenge-Sebesho	4/4	1/1	1/1	3/3
AT Nzimande	4/4	1/1	1/1	3/3
BJ van der Ross	3/4	1/1	1/1	2/3
JH van Greuning	4/4	1/1	1/1	3/3
Non-executive directors				
MS Bomela	3/4	1/1	1/1	2/3
HL Bosman (appointed 3 Apr 2017)	1/1	1/1	1/1	1/1
LL Dippenaar (chairman)	4/4	1/1	1/1	3/3
JJ Durand	4/4	1/1	1/1	3/3
PK Harris	4/4	1/1	1/1	3/3
F Knoetze	4/4	1/1	1/1	3/3
PJ Makosholo	4/4	1/1	0/1	3/3
TS Mashego (appointed 1 Jan 2017)	2/2	1/1	1/1	2/2
Executive directors				
JP Burger	4/4	1/1	1/1	3/3
AP Pullinger	4/4	1/1	1/1	3/3
HS Kellan	4/4	1/1	1/1	3/3
Retirements/resignation during the year				
VW Bartlett (retired 29 Nov 2016)	2/2	1/1		
D Premnarayen (retired 29 Nov 2016)	1/2	1/1		
P Cooper (resigned 30 Apr 2017)	3/3	1/1		

FirstRand's chairman, Laurie Dippenaar, is non-executive but not independent as he is a major shareholder in RMB Holdings Limited, which owns 34.1% of the issued share capital of FirstRand. The board believes that his specialist knowledge of the financial services industry and of the FirstRand group makes it appropriate for him to hold this position.

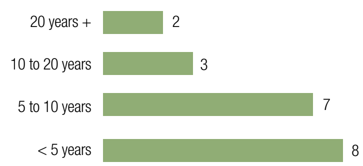
In line with the JSE Listings Requirements and King IV, Pat Goss fulfils the role of lead independent non-executive director. The chairman and lead independent director mitigate any risk of potential conflicts of interest in board meetings and ensures that the independent members of the board demonstrate impartiality and leadership when required. The chairman and lead independent director are appointed by the board on an annual basis.

Average age of board members: 56 years

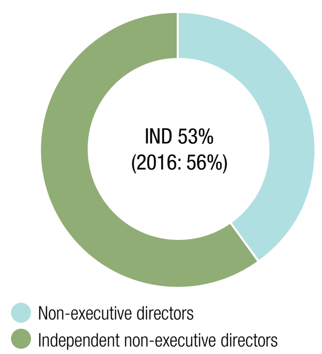
Board skills diversity



Board tenure



Board independence



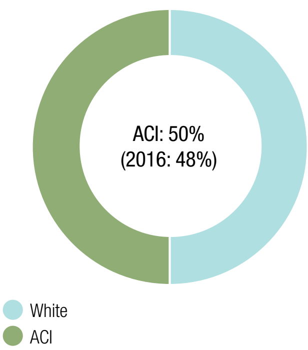
The board is satisfied that all directors, whether classified as executive, non-executive or independent non-executive act with independence of mind in the best interest of the group. The roles of the chairman, lead independent director and chief executive officer are set out in the board charter, demonstrating a clear balance of power and authority at board level to ensure that no one director has unfettered powers of decision-making.

Appointments to the board

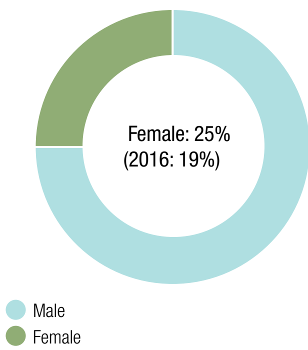
There is a clear policy in place detailing procedures for appointments to the board. Such appointments are formal and transparent, and a matter for the board, assisted by the nominations committee. Prior to the appointment of a new director, the nominations committee is responsible for making recommendations to the directors' affairs and governance committee as to his or her suitability. In terms of the South African banking regulations, all directors of a bank or a bank-controlling company must be assessed as fit and proper by the SARB.

The policy on the promotion of race and gender diversity is included in the nominations committee charter which requires that, when appointing new directors, the board takes cognizance of its needs in terms of different skills, experience, cultural and gender diversity, size and demographics. Whilst no specific targets have been set, the board is committed to increasing its gender and race diversity at board and top management level, in line with the nominations committee charter.

Board race diversity



Board gender diversity



Succession plan

FirstRand benefits from an extensive pool of people with diverse experience and competence. The group's non-statutory subsidiary boards are used as a platform for mentoring potential future executive and non-executive directors, and developing their knowledge of the group. During the year, the board succession plans were updated to take cognizance of developments in the group's talent pool and future skills required.

Non-executive directors

The retirement age for non-executive directors is 70 and may be extended after an annual review process, if unanimous agreement is reached by the board that the skills and experience of a director warrant retention.

Each year, one third of FirstRand's non-executive directors, excluding the board chairman, retire by rotation. There is no limit to the number of times that a director may be re-elected to the board, provided they are below the retirement age. When FirstRand directors retire from the board they automatically retire from the statutory committees on which they serve.

Non-executive directors are expected to ensure that appointments to boards outside the group do not impinge on their ability to perform their duties as directors of FirstRand and do not present any material conflicts of interest. The appointment of all directors to the board requires the approval of shareholders at the annual general meeting.

Continued effectiveness and performance

Induction and ongoing board development programme

The directors are accountable and responsible for all actions of board committees. This is emphasised during induction training provided to new directors.

Other ongoing training and education courses allow directors to familiarise themselves with FirstRand's operations, the business environment, fiduciary duties and responsibilities, the board's expectations in respect of a director's commitment and ethical behaviour, and keeping abreast of regulatory changes and trends. The director's affairs and governance committee oversees director induction and ongoing training programmes, and will continue to make professional development of its members a priority.

Directors have full and unrestricted access to management, group information and property. They are entitled to seek independent professional advice in support of their duties at the group's expense.

Annual assessment

During the year, the directors' affairs and governance committee measured their performance and effectiveness, and that of the individual members and the company secretary. Evaluations during the year were formally conducted internally and identified no material concerns in respect of the areas assessed, hence no remedial actions were required.

The board has satisfied itself that the independent non-executive directors who have served continuously for nine years or more are able to act independently in decision making, in the best interests of the group.

The board is satisfied that the evaluation process is improving its performance and effectiveness, and will continue to find ways to improve on the evaluation process.

During the year the following major topics were covered:

- BCBS 239 (principles for effective risk data aggregation and risk reporting);
- cybercrime and IT risk;
- Financial Intelligence Centre Act;
- Foreign Corrupt Practices Act and the UK Bribery Act;
- IFRS 9;
- JSE amendments: price sensitive information;
- King IV principles;
- Persons of interest requirements;
- overview of group risk governance structures (induction programme);
- market risk; and
- risk management maturity model and root cause categories.

During the year the following areas were assessed:

- board and board committee governance, performance and effectiveness;
- performance and effectiveness of board chairman;
- performance and effectiveness of individual non-executive directors;
- performance and effectiveness of company secretary; and
- independence of independent non-executive directors who have served continuously for nine years or more.

Conflicts of interest

Policies are in place to manage any potential conflicts of interest. Directors sign a declaration stating that they are not aware of any undeclared conflicts of interest that may exist due to their interest in, or association with, any other company. In addition, directors disclose interests in contracts and related party transactions for the board to assess whether such transactions are on arm's length commercial terms. In such instances, directors will recuse themselves from deliberations on these matters.

Governance outcome

Adequate and effective board

BOARD COMMITTEES

FirstRand has established seven board committees to assist and support the board in discharging its duties. Each committee acts in terms of a written charter. The charters were reviewed and, where amended, approved during the year. The board and subcommittees are satisfied that it has executed its duties during the past financial year in accordance with its terms of reference, set out in the board and committee report.

A summary of the large exposure committee, directors' affairs and governance committee, risk, capital management and compliance committee and the information technology risk and governance committee is provided below. The full reports from the remuneration committee, audit committee and the social, ethics and transformation committee are provided from page 89 onwards.

Large exposures committee

SUMMARY OF RESPONSIBILITIES	
The large exposures committee is constituted pursuant to the requirements of Banks Act Directive 5/2008 and Section 73 of the Banks Act and Banks Act Regulations.	**The prime objective of the committee is to assist the board in discharging its responsibilities in terms of the management of credit-granting and credit risk management (which forms an integral part of the overall process of corporate governance) across the group. This role includes considering and opining on the making of investments or granting of loans or advances or other credit which exceeds 10% of FirstRand Limited's qualifying capital and reserves, in terms of Sec 73 of the Banks Act.**

COMPOSITION	
RM Loubser (chairman)	Independent non-executive director
WR Jardine	Independent non-executive director
BJ van der Ross	Independent non-executive director
JJH Bester	Specialist consultant
CEO	
Deputy CEO	
Financial director	
Chief risk officer	
Head of wholesale credit	

Directors' affairs and governance committee (DAG)

SUMMARY OF RESPONSIBILITIES

The purpose of the committee is to evaluate the adequacy, efficiency and appropriateness of the corporate governance practices of the group and assist the board in discharging its duties in respect of:

- governance and board effectiveness;
- board continuity; and
- executive succession planning.

The committee fulfils the responsibilities of a nominations committee, as guided by King IV and has delegated some of this responsibility to a sub-committee. The nominations committee (NC) ensures the establishment of a formal process for the appointment of directors, including identification of suitable members to the board, taking cognizance of its needs for appropriate skills and diversity, together with the balance between non-executive and executive directors and the need for independent non-executive directors.

The committee oversees continual refinements in the group's corporate governance structures and processes, ensuring that arrangements for delegation within these structures promote independent judgement and assist with the balance of power and effective discharge of its duties. This ensures that corporate governance provides a solid foundation for the development and execution of business strategy.

COMPOSITION		RECORD OF ATTENDANCE	
		DAG	NC*
WR Jardine (chairman)	Independent non-executive director	4/4	4/4
MS Bomela	Non-executive director	4/4	
HL Bosman	Non-executive director	1/1	
LL Dippenaar	Non-executive chairman	4/4	4/4
JJ Durand	Non-executive director	3/4	
GG Gelink	Independent non-executive director	2/4	
PM Goss	Independent non-executive director	4/4	4/4
NN Gwagwa	Independent non-executive director	4/4	4/4
PK Harris	Non-executive director	3/4	
F Knoetze	Non-executive director	4/4	
RM Loubser	Independent non-executive director	3/4	
PJ Makosholo	Non-executive director	4/4	
EG Mantenge-Sebesho	Independent non-executive director	4/4	
TS Mashego	Non-executive director	2/2	
NT Nzimande	Independent non-executive director	4/4	
BJ van der Ross	Independent non-executive director	3/4	3/4
JH van Greuning	Independent non-executive director	4/4	4/4

* *The nominations committee is a sub-committee of the directors' affairs and governance committee and comprises six non-executive directors, the majority of whom are independent.*

FUNCTION	AREAS OF FOCUS
Governance and board effectiveness	
• review and evaluate the adequacy, efficiency and appropriateness of the corporate governance structures and practices through performance evaluations and assessments; • establish new committees as required and approve committee mandates and charters; • establish, maintain and monitor the FirstRand corporate governance objective and plan, ensuring that it complies with all laws, regulations, and codes of conduct and practices; and • oversee the board induction training and development programme.	• approved the 2017 group corporate governance objective and plan; • oversaw the board and committee evaluation assessment process, including the Regulation 39 assessment (Banks Act), and considered the outcomes from all assessments; • reviewed the King IV gap analysis prepared by management; • reviewed and approved the revised nominations committee charter which was amended to incorporate the gender and race diversity policy; • reviewed and approved the updated FirstRand board charter, which was amended to incorporate King IV; • considered and approved the annual review of the non-executive director's fees; • approved the FirstRand external communication and disclosure policy; and • oversaw director development training programme.
Board continuity	
• oversee the development and maintenance of a board directorship continuity and succession plan.	• considered and approved the non-executive director succession plan as presented annually for review; and • considered and opined on board nominations, board committee changes and appointments and retirements.
Executive succession planning	
• assist the board in the nomination of successors to key positions in FirstRand.	• considered and approved the executive succession plan as presented annually for review; and • considered and opined on group nominations, group committee changes and appointments and retirements.

Risk, capital management and compliance committee (RCC)

SUMMARY OF RESPONSIBILITIES	
The committee provides independent oversight of risk, capital management and compliance activities undertaken in the group. This includes ensuring that an effective policy and plan for risk management has been implemented to improve FirstRand's ability to achieve its desired outcomes and that risk disclosures are timely, sufficiently detailed and relevant to the group's stakeholders. **Refer to page 121 for summary risk and capital management report, setting out the specific risk and compliance management actions undertaken during the year.**	**The committee is satisfied that the group has adequate resources, systems, skills and remuneration practices to facilitate the ongoing effectiveness of the risk, capital management and compliance functions.**

COMPOSITION	RECORD OF ATTENDANCE*
Membership	
RM Loubser (chairman)	6/6
GG Gelink	6/6
JH van Greuning	6/6
MS Bomela	6/6
F Knoetze	6/6
Specialist consultant attendees	
JJH Bester	6/6
L Crouse	6/6
Z Roscherr	6/6
Ex officio attendees CEO Deputy CEO Financial director Group and franchise CROs Chief audit executive Group portfolio risk heads Head of regulatory risk management External auditors	

* *Includes two RCC frameworks approval committee meetings.*

Compliance with laws and regulations applicable to operations is critical to the group as non-compliance may have potentially serious consequences.

OVERALL FUNCTION	AREAS OF FOCUS
• approves risk and compliance management policies, frameworks, strategies and processes; • monitors containment of risk exposures within the risk appetite framework; • reports assessment of the adequacy and effectiveness of the risk appetite, risk management, ICAAP and compliance processes to the board; • monitors implementation of risk and compliance management strategy, risk appetite limits and effectiveness of risk and compliance management; • initiates and monitors corrective action, where appropriate; • monitors that the group takes appropriate action to manage its regulatory and supervisory risks, and complies with applicable laws, rules, codes and standards in a way that supports the group towards being an ethical and good corporate citizen; • approves regulatory capital models, risk and capital targets, limits and thresholds; and • monitors capital adequacy and ensures that a sound capital management process exists.	• reviewed and approved changes to board limits and risk appetite; • approved assumptions underlying the group's ICAAP and stress testing process including review of management plans to address additional risks arising from risk scenarios; • reviewed and approved the group recovery plan as recommended by the asset, liability and capital committee; • reviewed and approved the board risk assessment; • considered global and local macroeconomic developments, how these are expected to impact the different portfolios in the group and considered the impact of the ratings downgrades on the group; • the process around formulating and communicating the IFRS 9 macroeconomic forecast and scenarios were considered and approved; • approved the risk management models used across the different risk types; • reviewed and approved governance frameworks, charters and mandates, including taking into consideration membership of the committee and RCC subcommittees to ensure there is adequate knowledge, skills and experience for effective risk management; • reviewed and approved operational risk appetite parameters and governance methodology as recommended by the operational risk committee; • reviewed updates on franchise IT risk profiles and group IT governance by the franchise chief information officers; • reviewed reports on global hacking incidents and actions implemented by management to contain vulnerabilities; • received presentations and tracking of the progress made with the BCBS239 project, including integration with the group data strategy; • considered presentations by management as mandated by subcommittees for escalation of the review of market risk and foreign exchange stress funding limits on the back of capital market developments; • considered feedback presented to the committee on the SARB bilateral meetings; • received reports on the effectiveness of group corporate governance practices in line with Regulation 39; • reviewed the group annual insurance renewal programme to ensure adequate cover to FirstRand; • received reports on the increased regulatory scrutiny and enforcement across operating jurisdictions including initiatives to address these risks; and • considered the independent assessment of current and future risks including communication of the outcomes and concerns to management and board for consideration in strategic planning and risk management processes.

Information technology risk and governance committee

SUMMARY OF RESPONSIBILITIES

The information technology risk and governance committee is responsible for information and technology governance in accordance with King IV and ensures the effectiveness and efficiency of the group's information systems as required by the Banks Act, 94 (1990).

The committee comprises two external IT specialists and a member of the strategic executive committee to assist the board in governing technology and information in a way that supports the group in setting and achieving its strategic objectives.

The world is rapidly advancing in the areas of communication, commerce and financial transactions. This means that progressive banking systems must adapt and implement appropriate delivery platforms for customers and internal purposes. Consequently, this investment has, and will for the foreseeable future, be the fastest growing. The board, therefore, has a responsibility to ensure that governance around these ongoing and fast changing developments is at the highest level of oversight. The board appreciates the importance of technology and information as it is interrelated to the strategy, performance and sustainability of FirstRand.

COMPOSITION	RECORD OF ATTENDANCE
GG Gelink (chairman)	4/4
AP Pullinger	4/4
L Crouse (specialist consultant)	4/4
AC Meyer (specialist consultant)	4/4
M Chirnside (specialist consultant)	4/4

Ex officio attendees
Chief risk officer
Chief audit executive
Group head of IT governance
Group head of information security
Group head of business resilience
Group head of information governance
Franchise IT risk managers
Franchise chief information officers

<table>
<tr><th>FUNCTION</th><th>AREAS OF FOCUS</th></tr>
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The committee exercises ongoing oversight of IT management and, in particular:

oversees the appropriateness and effectiveness of implementation and oversight of IT risk and governance management across the group;
reviews and approves the IT risk management framework (ITRMF) and IT governance framework (ITGF);
proposes to the board and approves, where appropriate, risk management policies, standards, procedures and practices in respect of IT risk and security;
receives and considers formal reports from the franchises on the effectiveness of IT operations and risk management across FirstRand for review prior to presentation to the board;
receives and considers reports on significant incidents and process breakdowns in the execution of IT risk control policies and processes;
monitors business resilience and that adequate corrective actions have been implemented and reports such incidents and process breakdowns to the board; and
monitors the quality of IT risk processes, including but not limited to audits of implementation of the ITRMF and ITGF.

</td><td>

reviewed and approved the revised IT governance framework;
oversaw initiatives related to the implementation of BCBS 239 (principles for effective risk data aggregation and risk reporting);
reviewed internal and external analysis of operating platforms;
received regular updates on IT legal and regulatory management and monitored state of group awareness for increased legislative requirements around information security;
reviewed remediation processes to ensure that adequate corrective actions have and will be implemented on identified IT operations, risks and incidents, as set out in the following reports received and reviewed quarterly:

franchise CIO reports and IT risk reports;
group information governance report;
group internal audit reports on IT risk;
group information security report;
IT legal and regulatory management report; and
group IT governance profile report;

reviewed security standards around secure coding to improve processes where weaknesses were identified;
cybercrime continues to increase globally and remains a key focus area; threats are continuously assessed and controls adopted to address possible control weaknesses and improve system security; and
projects for improved data management, aggregation and reporting continued.

Refer to operational risk disclosure on page 153 for more detail on the assessment and management of IT risk.
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Remuneration committee report: background statement

The function of an efficient remuneration committee is to make sure that employees are fairly rewarded for the value they create and that the amount and types of pay used to motivate and compensate employees protect value for shareholders and other stakeholders, both today and well into the future.

SUMMARY OF RESPONSIBILITIES	
The committee oversees group remuneration and ensures that practices are appropriate and conform with the general philosophy of rewarding performance. **The committee assists the board in ensuring that the group remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term. This includes responsibility of ensuring that the group meets the requirements of section 64C of the Banks Act, the Financial Stability Board's Principles of Sound Compensation Practices and Implementation Guidelines and the recommended practices of King IV, where appropriate.**	**The effectiveness of the committee is assessed on an annual basis.** **The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulation and governance practices.**

COMPOSITION		MEETING ATTENDANCE
PM Goss (chairman)	Independent non-executive director	3/3
RM Loubser	Independent non-executive director	3/3
AT Nzimande	Independent non-executive director	3/3
BJ van der Ross	Independent non-executive director	3/3
LL Dippenaar	Non-executive director	3/3
JJ Durand	Non-executive director	3/3
Invitees CEO Deputy CEO Financial director Franchise CEOs Group head of human resources and sustainability.		

The chairman of the risk, capital management and compliance committee and a representative member of the social, ethics and transformation committee are members of the committee.

AREAS OF FOCUS
- variable pay pools, individual allocations and deferral structures were reviewed and approved; - compensation packages based on group and individual performance were reviewed and approved; - considered and approved compensation philosophy and principles; - considered and defined the clawback policy applicable to the group's discretionary remuneration schemes; - the remuneration for risk and control staff to discourage inappropriate risky behaviour was separately considered and approved; - the annual performance scorecards and key measures were agreed with the prescribed officers; - independent and objective guidance from PricewaterhouseCoopers Inc. on reward and remuneration trends were considered; and - the committee charter was reviewed and updated to align with King IV to provide for further engagement with shareholders.

INTERNAL AND EXTERNAL FACTORS THAT INFLUENCE REMUNERATION

The committee recognises that performance drivers for successful implementation of business strategy may vary from year to year relative to the economic cycle, specific business, regulatory or market conditions. FirstRand's compensation practices are accordingly tailored to respond to such changes, at the discretion of the committee and within the parameters of its mandate and policy fundamentals.

Just as it is more difficult to start a new business than to run an existing one, it is also more difficult to turn an underperforming business around than to build up an already successful one. The committee sees great value in adjusting compensation levels and types of pay relative to both economic cycles and the type of work required to execute on business strategy. Within this framework, the constant principle of shareholders benefiting disproportionately to employees is applied as the committee makes remuneration decisions based on what it, and its advisors, believe to be in the interests of the group's long-term profitability.

ENGAGEMENT WITH SHAREHOLDERS

In line with King IV, the remuneration policy and implementation report will be tabled annually for separate non-binding advisory votes by shareholders at the annual general meeting, (refer to resolution number 7.1 and 7.2 in the notice of annual general meeting). The group's remuneration policy and non-executive director's fees were put to shareholder vote at the previous annual general meeting and endorsed with an overwhelming majority (2016: 94% and 97% respectively).

The committee approved an engagement process in the event that either the remuneration policy resolution or the implementation report resolution, or both, have been voted against by 25% or more of the voting rights exercised at a shareholder meeting.

The board will continue to encourage regular dialogue with shareholders, to create and maintain a mutual understanding of what performance and value creation for the group constitutes for evaluating the remuneration policy.

FUTURE AREAS OF FOCUS

The committee will continue its efforts to align the interests of group employees with those of all stakeholders and ensure that the remuneration of executive management is fair and responsible in the context of overall employee remuneration.

Remuneration committee report: overview of remuneration policy

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming annual general meeting. The chairman of the remuneration committee attends the annual general meeting.

SCOPE OF POLICY

The remuneration committee's mandate and remuneration policy extends, on behalf of FirstRand, to include all wholly-owned and majority-owned South African-based subsidiaries and franchises within the FirstRand group. Entities and subsidiaries included in FirstRand Bank Limited, FirstRand Investment Holdings (Pty) Ltd, FirstRand EMA (Pty) Ltd, FirstRand Investment Management Holdings Limited and FirstRand Insurance Holdings (Pty) Ltd follow the governance structure and will form part of the reporting of the managing franchise or subsidiary.

The committee reviewed the group remuneration policy and no changes were made other than to clearly define the clawback policy and trigger events as detailed in the remuneration policy overview.

OBJECTIVES OF THE REMUNERATION POLICY

The remuneration policy aims to promote a culture that supports innovation, recognition, engagement and execution of company strategy that aligns the interests of employees in achieving profitable and sustainable long-term growth for the benefit of all stakeholders.

The remuneration committee oversees the design of the remuneration policy which strives to achieve the following objectives:

- attract, motivate, reward and retain human capital;
- promote the achievement of strategic objectives within the organisation's risk appetite;
- promote positive outcomes and fair, transparent and consistent remuneration practices; and
- promote an ethical culture and responsible corporate citizenship.

FIRSTRAND'S REMUNERATION PHILOSOPHY

- Compensation is fundamentally linked to value-add and all employees must be able to move up the pay ladder through creating more economic value for the group.
- Management must never do better than shareholders. The group's key performance measure, NIACC, ensures that employees only receive variable pay after obligations to regulators, depositors and shareholders are met.
- Remuneration on a "relative" basis to peers should not be out of line, particularly given the level of outperformance the group has delivered over the past five years.
- Targets set for management are always "stretch" but achievable and long-term performance alignment is guaranteed through a large deferred component of management remuneration, directly linked to performance.
- Share awards do not vest if performance criteria are not met.

This framework requires that management produce positive NIACC and group targets are set within the group's overall risk appetite.

NIACC is the amount of earnings left after shareholders and other capital providers are compensated for their investments.

COMPONENTS OF THE REMUNERATION SYSTEM

TOTAL COMPENSATION			
	INSTRUMENT	RATIONALE AND OVERVIEW	
FIXED REMUNERATION	**Cash package**	Designed to attract and retain human resources in line with scope, nature and skills requirement of the role. Guaranteed pay is market related and reflects the responsibilities, skills and expertise of the individual and role. The following independent salary surveys are used to benchmark against the market: • PwC RemchannelR; • Mercer; • Global Remuneration Solutions; and • other *ad hoc* salary surveys.	GUARANTEED PAY
FIXED REMUNERATION	**Retirement contribution**	Ensures that employees have appropriate savings resources for their retirement. Employer contribution matches employee contribution in line with applicable tax legislation.	GUARANTEED PAY
FIXED REMUNERATION	**Medical aid and life/ disability cover contribution**	Ensures that employees have appropriate life and disability cover included in employer's pension fund contributions. Employees are contractually obliged to belong to a medical aid.	GUARANTEED PAY
VARIABLE REMUNERATION	**Performance related**	Rewards and incentivises achievement of individual, business unit and group out-performance. Performance pay is not guaranteed and recognises individual performance and overall contribution to business unit performance based on agreed targets, which are always "stretch" but achievable. Performance measures include: • return on capital; • normalised earnings and NIACC; • diversification of earnings, volatility of earnings; • new growth opportunities and performance within risk appetite; • regulatory compliance and financial controls; • information governance; • employee engagement; • BEE transformation and diversity; • innovation; and • health of relationships with internal and external shareholders. Individual performance is assessed at least once a year based on objectives of individual roles. Qualitative feedback is also provided by 360 degree performance appraisals by the employee's managers, peers and subordinates.	SHORT-TERM INCENTIVES
VARIABLE REMUNERATION	**Conditional incentive plan and bonus deferral incentive plan**	Aligns employee interests with those of shareholders and other stakeholders whilst improving retention of top employees by allowing them to share directly in the success of the business. To link pay to the time horizon of risk taken on by the group, long-term incentives are dependent on certain corporate performance targets (CPTs) being met. These CPTs are measured on a cumulative basis over a three-year rolling period. Share awards do not vest if performance criteria are not met. CPTs for the group's long-term incentive schemes are clearly defined in the schedule in note 31 of the annual financial statements available on www.firstrand.co.za. The committee exercises its discretion in determining the total amount of long-term incentive awards made to any employee.	LONG-TERM INCENTIVES

Sign-on bonuses are applied when appropriate i.e. when the business is heavily reliant on scarce key skill sets which are in high demand, to replace prospective employees' current benefits and to remain attractive and competitive in the market.

The committee is of the opinion that the balance between short-term incentives and long-term deferred incentives linked to share price performance represents a healthy mix which will encourage focus on sustainability of profits and performance against well-defined financial and non-financial objectives.

The group aims to pay employees competitively, but also seeks to ensure that exceptional performers are paid at the top of the market when it comes to total remuneration.

FORWARD-LOOKING MEASURES

The chairman of the risk, capital management and compliance committee has provided formal confirmation that the risk element of FirstRand's compensation policy has been duly considered and does not encourage risky behaviour.

In addition to the above, the committee ensures that total variable compensation does not limit the group's ability to strengthen its capital base and compensation has been structured to account for all identified types of risk including credit and liquidity risk.

The size of the variable compensation pool and its allocation within the group takes current and potential future risks into account. These include:

- cost and quantum of capital required to support risks taken;
- liquidity risk assumed in the conduct of business;
- consideration of the timing and certainty of the realisation of accrued, but as yet unrealised, accounting profits included in current earnings;
- reputational and regulatory compliance;
- audit, and risk, capital management and compliance committee findings;
- quality and sustainability of earnings;
- health of relationship with stakeholders;
- progress on transformation; and
- culture, values and leadership.

To the extent that these risks result in a financial loss for the group, these costs would impact the income of the affected business unit and would, therefore, have a direct bearing on the size of the pool for the period under review.

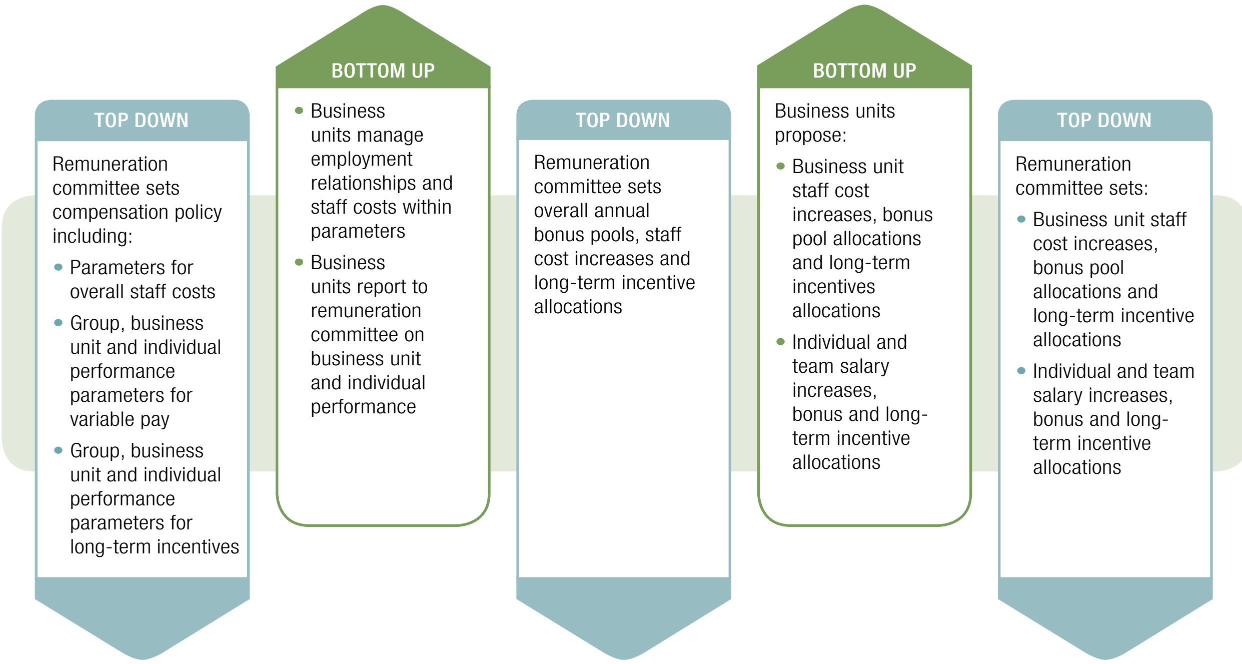
Attracting and retaining the best talent in the market is a critical enabler for FirstRand to maintain the quality of its franchises and to deliver to its stakeholders.

The remuneration philosophy is designed to support the group's high performance culture, which aims to engage people over the long term by providing challenging work and development opportunities, and by promoting diversity and rewarding for performance. FirstRand's franchises are uncompromising in their expectation of high performance.

The group embraces the principles of an outcomes-based remuneration philosophy, which is tailored to the diverse requirements of the various businesses, each of which operates uniquely with a multitude of factors impacting performance.

ANNUAL COMPENSATION PROCESS

The remuneration committee adopts a combination of top-down and bottom-up approaches to ensure that it effectively oversees the group's pay practices.



DEFERRAL OF VARIABLE PAY

For senior executives and all other employees whose actions have a material impact on the risk exposure of the group, a significant amount of compensation is deferred.

PERFORMANCE PAYMENT	DEFERRED CONDITIONAL AWARDS	PAYMENT DATE			
		Aug 2017	Dec 2017	Jun 2018	Sep 2019
≤ R650k	No	100%	**–**	–	–
≤ R2 million	No	R650k + 33% of balance of cash portion	**33% of balance of cash portion**	33% of balance of cash portion	–
> R2 million	30% – 50% of amount above R2 million	R650k + 33% of balance of cash portion	**33% of balance of cash portion**	33% of balance of cash portion	Qualifying awards vest
> R2 million (all employees earning variable compensation above R6.5 million)	50% of amount above R2 million	R650k + 33% of balance of cash portion	**33% of balance of cash portion**	33% of balance of cash portion	Qualifying awards vest
> R2 million (FirstRand and franchise executive committee members)	50% of amount above R2 million	R650k + 33% of balance of cash portion	**33% of balance of cash portion**	33% of balance of cash portion	Qualifying awards vest

There are no guaranteed bonuses for senior positions. Should an employee resign or be dismissed, unpaid bonus tranches are forfeited subject to the discretion of the committee.

MATERIAL RISK TAKERS, AND RISK AND COMPLIANCE EMPLOYEES

Material risk takers are defined as employees who have influence over the risk assumed in the course of conducting business. The committee defines material risk takers and control staff as the group's executive officers as defined in the South African Banks Act and group heads of risk and control functions.

Risk and compliance employees are compensated based on the achievement of risk management objectives. Remuneration of employees in the risk and compliance functions is reviewed annually and benchmarked to ensure that it is market related and adequate to attract and retain appropriately qualified and skilled staff. The heads of group enterprise risk management and group regulatory risk management provide input into the compensation levels of risk managers across the group. A subcommittee, the FirstRand risk and compliance remuneration committee, which has non-executive director representation, plays an independent oversight role of the remuneration of employees in the various risk and compliance functions at franchise level, to ensure that they are remunerated independently of the businesses they oversee.

MALUS AND CLAWBACK

If performance conditions are not satisfied, long-term incentive allocations are forfeited. The committee has the discretion to clawback the pre-tax proceeds of any discretionary payment received by employees in the event of a trigger event.

A trigger event would include, *inter alia*:

- the discovery of material misstatement of the financial statements, in terms of which the discretionary payment was made, to which the board is satisfied that the employee has contributed or is responsible for;
- the discovery that the assessment of any metrics upon which the award was made was based on erroneous, inaccurate or misleading information;
- any action or conduct which, in the reasonable opinion of the board, amounts to dishonesty, misbehaviour, fraud or misconduct;
- the discovery of a material failure in risk management to which the employee had contributed to or is responsible for; and/or
- the discovery that performance related to financial and non-financial targets was misrepresented and that such misstatement led to the over-payment of incentives.

The clawback applies for three years after the discretionary payment is made, or in the case of share schemes (both CIP and BCIP), three years after the awards have vested.

EXECUTIVE DIRECTOR'S AND PRESCRIBED OFFICER'S COMPENSATION

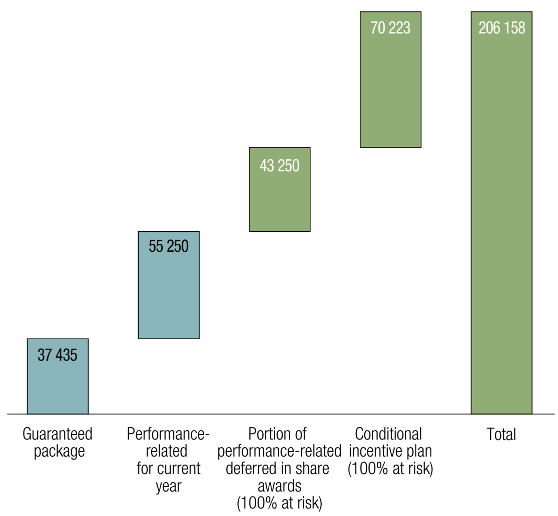
FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to the group performance. These officers are members of the group strategic executive committee and attend board meetings. Executive directors' and prescribed officers' emoluments are disclosed on pages 100 to 106.

The basis for remunerating executive directors and prescribed officers comprises guaranteed pay plus benefits, variable compensation and participation in long-term incentive schemes, benchmarked against industry peers and guidance obtained annually from independent assurance providers. All executive directors and prescribed officers have a notice period of one month and are employed under the group's standard employment contract.

The services of the prescribed officers are subject to one month's notice and no protection is provided in the event of an unsolicited takeover.

2017 aggregate prescribed officer pay split by instrument

R thousand



The group uses a performance measurement scorecard in executive directors' and prescribed officers' performance assessment and remuneration process which is linked to the relevant franchise's key performance metrics (i.e. ROE, EPS, NIACC and cost-to-income ratio) together with the following objectives measured over a 12-month period. Risk adjustments take into account both quantitative measures and human judgement.

PORTFOLIO MANAGEMENT AND SUSTAINABILITY

- diversification of earnings – transactional revenue as a % of normalised NIR;
- volatility of earnings within appetite;
- growth in NIACC in new operations, in line with business case;
- efficiency measures (operating jaws %);
- operational losses (rand value); and
- progress implementing key risk control projects relative to project timelines.

COMBINED ASSURANCE RISK AND CONTROL PROJECTS

Score flows through from most recent group combined assurance forum:

- regulatory compliance;
- access controls and information security;
- financial controls;
- information governance; and
- legacy systems/new systems.

VALUES AND CULTURE

- employee engagement;
- innovations implemented;
- alignment with FirstRand philosophy – organisational culture scorecard;
- employment equity score per FSC scorecard; and
- BEE contribution per FSC scorecard.

STAKEHOLDER ENGAGEMENT

- health of relationships with stakeholders (customers, regulators, employee unions, governance and civil society, and business partners).

MINIMUM SHAREHOLDING

A minimum shareholding requirement has been set, with effect from 1 September 2017, for prescribed officers, strategic executive committee members and franchise executive committee members to further align their interests with those of other stakeholders. At any given point, such executives must hold FirstRand shares to the value of at least 50% of their last three years' annual post-tax long-term incentives (LTI) vesting. Those who do not meet this requirement are given five years until 2021 to reach the 50% minimum shareholding requirement.

INTERNAL PAY GAPS

Benchmarking of guaranteed pay across different roles in the group has been performed in consultation with employee representatives. Outcomes-based compensation programmes have been put in place for areas of the group requiring large volumes of clerical or procedural work. Employee development plans exist to help employees who show potential for adding more value to the group.

Pay principles for all roles include:

- guaranteed pay in line with the volume of work, level of responsibility and individual value-add in the role; and
- outcome-based compensation based on performance measured after adjusting for amount of risk taken on and cost of capital incurred.

A member of the social, ethics and transformation committee is a member of the remuneration committee to assist the board in overseeing that remuneration is fair and responsible in the context of overall employee remuneration, addressing the gap between the remuneration of executives and those at the lower end of the pay scale.

NON-EXECUTIVE DIRECTOR'S FEES

Non-executive directors receive fees for their services as directors and for services provided as members of board committees. Non-executive directors do not participate in long-term incentive schemes. Fees paid to non-executive directors are benchmarked annually with independent assurance providers to ensure alignment with market practice. These fees are reviewed by the directors' affairs and governance committee and are approved in advance by shareholders at the annual general meeting.

PROMOTING INCOME EQUALITY

The committee has taken deliberate steps to ensure that it understands internal pay gaps within the group. In principle, the committee believes that there is nothing wrong with pay gaps provided employees are fairly remunerated for their work. The group's internal pay gap is significantly narrower than that of the countries in which it operates. In a performance-based company culture it is inevitable that pay gaps will emerge, in fact, it is important that employees feel that outperformance can and will be compensated.

What can, however, never be justified is inequity of pay that is not defendable or is based on arbitrary grounds such as race and gender. The group has thorough systems, methods and processes aimed at identifying and correcting any arbitrary inequalities in pay. These processes compare like-for-like objective criteria across the employee base (qualifications, performance, experience).

Almost 20 outcomes-based remuneration schemes are in place across the group, affecting around 15 000 employees, which give lower-earning employees the opportunity to earn variable pay for performance. These schemes have significantly assisted the group to narrow internal pay gaps, while further entrenching a culture of pay for performance.

In addition to these checks and balances FirstRand is party to a collective bargaining agreement. The majority of employees are covered by the outcome of those negotiated settlements. These settlement percentages tend to be much higher than that paid to management and executives, which has the effect of narrowing pay gaps between the highest and lowest paid employees. The group ensures that people get paid fairly for their work and that no employees are paid less than a living wage.

PM GOSS

Chairman, remuneration committee

6 September 2017

Remuneration committee report: implementation report

This report is part of the remuneration report and will be put to a non-binding advisory vote by shareholders at the upcoming annual general meeting. The chairman of the remuneration committee attends the annual general meeting.

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

Information relating to each director's and prescribed officer's remuneration for the year under review and details of share awards and dealings in FirstRand shares are set out in the following tables.

LONG-TERM EXECUTIVE MANAGEMENT RETENTION SCHEME

In addition to the group's existing long-term incentive plan, and in order to better align executive interest with those of the group's shareholders, the group has, during the year under review, introduced a long-term executive management retention scheme (LTEMRS).

The scheme is a five-year scheme, where members of the group's strategic committee are eligible to participate, on a once off voluntary basis, by purchasing an elected fixed amount of participation awards. Participants paid an upfront cash deposit of ten percent of the value of their elected amount of participation awards, with the balance being funded through a facilitated mechanism by the group.

The fixed amount for each participant was converted into a number of participation awards, determined by the share price of R53.3274, being the three-day volume weighted average price of the FirstRand share price at the date of award (15 December 2016).

Participation awards (thousands)	LTEMRS participation award made in December 2016
EXECUTIVE DIRECTOR	
JP Burger	188
AP Pullinger	188
HS Kellan	563
PRESCRIBED OFFICER	
J Celliers	469
C de Kock	938
J Formby	938

The scheme and the funding mechanism ensures that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash-settled scheme. Early termination of employment or participation before the expiry of three full years of service carries the full cost of early termination, including a forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five.

The scheme is economically hedged through the group's existing total return swap structure. There is no cost to the group from the scheme as all net costs are recovered from the participants.

NON-EXECUTIVE DIRECTOR'S FEES (AUDITED)

	2017			2016		
	Services as directors			Services as directors		
R thousand	FirstRand	Group	Total	FirstRand	Group	Total
Independent non-executive directors paid in ZAR						
VW Bartlett (retired 29 November 2016)	**373**	**124**	**497**	1 035	262	1 297
GG Gelink	**1 283**	**1 116**	**2 399**	1 191	1 160	2 351
PM Goss	**947**	**272**	**1 219**	868	202	1 070
NN Gwagwa	**553**	**508**	**1 061**	693	197	890
WR Jardine	**859**	**151**	**1 010**	792	84	876
RM Loubser	**2 294**	**1 970**	**4 264**	2 062	1 605	3 667
EG Mantenge-Sebesho	**908**	**614**	**1 522**	822	556	1 378
AT Nzimande	**706**	**262**	**968**	768	80	848
BJ van der Ross	**989**	**748**	**1 737**	911	749	1 660
Non-executive directors paid in ZAR						
MS Bomela	**900**	**106**	**1 006**	908	358	1 266
HL Bosman (appointed 3 April 2017)	**125**	**45**	**170**	–	–	–
P Cooper (alternate to Paul Harris) (resigned 30 April 2017)	**17**	**138**	**155**	294	80	374
L Crouse (resigned 31 March 2016)	**–**	**–**	**–**	854	28	882
LL Dippenaar (chairman)	**5 265**	**301**	**5 566**	5 028	258	5 286
JJ Durand	**750**	**87**	**837**	681	63	744
PK Harris	**553**	**45**	**598**	521	44	565
F Knoetze (appointed 1 April 2016)	**900**	**792**	**1 692**	134	208	342
PJ Makosholo (appointed 1 October 2015)	**908**	**496**	**1 404**	607	382	989
TS Mashego (appointed 1 January 2017)	**282**	**138**	**420**	–	–	–
KB Schoeman (resigned 30 September 2015)	**–**	**–**	**–**	95	–	95
Total non-executive directors paid in ZAR	**18 612**	**7 913**	**26 525**	18 264	6 316	24 580
Foreign domiciled independent non-executive directors paid in USD						
USD thousand						
D Premnarayen (retired 29 November 2016)	**51**	**2**	**53**	305	20	325
JH van Greuning	**360**	**162**	**522**	290	290	580
Foreign domiciled independent non-executive directors paid in INR						
INR thousand						
D Premnarayen (retired 29 November 2016)[1]	**–**	**7 128**	**7 128**	–	–	–

1. Includes fees earned in India between 1 July 2016 to 29 November 2016.

EXECUTIVE DIRECTOR'S AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED)

R thousand	2017	2016	2015	2014	2013
JP Burger[1]					
Cash package paid during the year	**9 328**	8 461	7 040	6 591	6 103
Retirement contributions paid during the year	**158**	978	1 056	981	915
Other allowances	**254**	178	119	98	156
Guaranteed package	**9 740**	9 617	8 215	7 670	7 174
Performance related in respect of the year[2]	**13 900**	13 165	11 770	9 000	10 440
Portion of performance related deferred in share awards[3]	**11 900**	11 165	10 270	10 000	5 960
Variable pay	**25 800**	24 330	22 040	19 000	16 400
Total guaranteed and variable pay	**35 540**	33 947	30 255	26 670	23 574
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**18 350**	15 630	11 800	10 800	9 630
Total reward including CIP	**53 890**	49 577	42 055	37 470	33 204
AP Pullinger[1]					
Cash package paid during the year	**6 718**	5 433	2 322	2 174	2 036
Retirement contributions paid during the year	**132**	1 075	464	556	407
Other allowances	**150**	154	133	13	122
Guaranteed package	**7 000**	6 662	2 919	2 743	2 565
Performance related in respect of the year[2]	**11 600**	11 000	11 750	15 000	13 200
Portion of performance related deferred in share awards[3]	**9 600**	9 000	10 250	9 000	7 800
Variable pay	**21 200**	20 000	22 000	24 000	21 000
Total guaranteed and variable pay	**28 200**	26 662	24 919	26 743	23 565
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**14 630**	10 000	9 250	7 500	7 500
Total reward including CIP	**42 830**	36 662	34 169	34 243	31 065
HS Kellan[1,5]					
Cash package paid during the year	**5 830**	4 938	4 493	4 046	–
Retirement contributions paid during the year	**40**	405	402	362	–
Other allowances	**130**	118	108	98	–
Guaranteed package	**6 000**	5 461	5 003	4 506	–
Performance related in respect of the year[2]	**5 250**	4 937	4 500	4 416	–
Portion of performance related deferred in share awards[3]	**3 250**	2 938	3 000	1 944	–
Variable pay	**8 500**	7 875	7 500	6 360	–
Total guaranteed and variable pay	**14 500**	13 336	12 503	10 866	–
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**8 600**	7 000	5 500	5 000	–
Total reward including CIP	**23 100**	20 336	18 003	15 866	–

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June.*
3. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date. Refer to note 31 in the annual financial statements.*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. Refer to note 31 in the annual financial statements.*
5. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*

EXECUTIVE DIRECTOR'S AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) *continued*

R thousand	2017	2016	2015	2014	2013
J Formby (CEO RMB)[1,6]					
Cash package paid during the year	**3 013**	2 630	–	–	–
Retirement contributions paid during the year	**52**	236	–	–	–
Other allowances	**176**	178	–	–	–
Guaranteed package	**3 241**	3 044	–	–	–
Performance related in respect of the year[2]	**12 250**	10 625	–	–	–
Portion of performance related deferred in share awards[3]	**10 250**	8 625	–	–	–
Variable pay	**22 500**	19 250	–	–	–
Total guaranteed and variable pay	**25 741**	22 294	–	–	–
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**7 500**	5 000	–	–	–
Total reward including CIP	**33 241**	27 294	–	–	–
J Celliers (CEO FNB)[1,5]					
Cash package paid during the year	**6 505**	5 867	5 513	4 901	–
Retirement contributions paid during the year	**116**	582	551	490	–
Other allowances	**130**	118	108	122	–
Guaranteed package	**6 751**	6 567	6 172	5 513	–
Performance related in respect of the year[2]	**7 000**	6 625	5 950	5 400	–
Portion of performance related deferred in share awards[3]	**5 000**	4 625	4 450	2 600	–
Variable pay	**12 000**	11 250	10 400	8 000	–
Total guaranteed and variable pay	**18 751**	17 817	16 572	13 513	–
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**11 943**	10 000	8 200	7 000	–
Total reward including CIP	**30 694**	27 817	24 772	20 513	–
C de Kock (CEO WesBank)[1,5]					
Cash package paid during the year	**4 532**	3 972	3 098	2 778	–
Retirement contributions paid during the year	**35**	347	291	266	–
Other allowances	**136**	98	69	71	–
Guaranteed package	**4 703**	4 417	3 458	3 115	–
Performance related in respect of the year[2]	**5 250**	5 000	4 250	4 200	–
Portion of performance related deferred in share awards[3]	**3 250**	3 000	2 750	1 800	–
Variable pay	**8 500**	8 000	7 000	6 000	–
Total guaranteed and variable pay	**13 203**	12 417	10 458	9 115	–
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**9 200**	7 500	7 000	6 500	–
Total reward including CIP	**22 403**	19 917	17 458	15 615	–

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June.*
3. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date. Refer to note 31 in the annual financial statements.*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. Refer to note 31 in the annual financial statements.*
5. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*
6. *Prescribed officer appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*

EXECUTIVE DIRECTOR'S AND PRESCRIBED OFFICERS' EMOLUMENTS (AUDITED) *continued*

R thousand	2017	2016	2015	2014	2013
SE Nxasana (retired 30 September 2015)					
Cash package paid during the year	–	2 113	8 056	7 522	7 037
Retirement contributions paid during the year	–	250	955	891	834
Other allowances	–	22	82	75	68
Guaranteed package	–	2 385	9 093	8 488	7 939
Performance related in respect of the year[2]	–	–	12 915	10 000	11 460
Portion of performance related deferred in share awards[3]	–	–	11 415	11 000	6 640
Variable pay	–	–	24 330	21 000	18 100
Total guaranteed and variable pay	–	2 385	33 423	29 488	26 039
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	–	–	14 680	13 465	12 021
Total reward including CIP	–	2 385	48 103	42 953	38 060

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, financial director and the CEOs of the group's operating franchises (FNB, RMB and WesBank) that contribute materially to group performance. All of these officers are members of the group strategic executive committee and attend board meetings.*
2. *Variable compensation paid in cash in respect of the year ended June is paid (with an interest factor) in three tranches during the following year ending on 30 June.*
3. *Performance payments deferred as a conditional award in terms of the FirstRand conditional incentive plan (CIP) vest two years after the award date. Refer to note 31 in the annual financial statements.*
4. *Long-term incentive awards are made annually under the CIP and vesting is dependent on certain corporate targets being met on a cumulative basis over three years. Refer to note 31 in the annual financial statements.*

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2017 although the FirstRand remuneration cycle runs from 1 August to 31 July.

The cash variable pay and variable pay deferred in CIP awards for 2017 reflect the amounts allocated to the prescribed officer in respect of the year ended 30 June 2017, however, the cash portion will be paid in future periods in terms of the group's deferral structure.

All executive directors and prescribed officers have a notice period of one month. Non-executive directors are appointed for a period of three years and are subject to the Companies Act, no. 71 of 2008, provision relating to removal.

Co-investment scheme

In addition to contractual and performance remuneration, eligible prescribed officers are entitled to participate in the co-investment scheme. Profit share, as shown in the table below, is based on a capital contribution placed at risk by participants. There is no cost to the group associated with the co-investment scheme.

R thousand	2017	2016
JP Burger	**2 446**	2 101
JR Formby	**4 942**	4 071
AP Pullinger	**2 617**	2 305
SE Nxasana (retired 30 September 2015)	**–**	172

OUTSTANDING LONG-TERM INCENTIVES (AUDITED)

	Outstanding long-term incentives			
	2017 (CIP allocation made in September 2016)		2016 (CIP allocation made in September 2015)	
	CIP	Bonus deferral CIP	CIP	Bonus deferral CIP
EXECUTIVE DIRECTORS				
JP Burger				
Opening balance (number of shares)	**–**	**–**	295 776	194 345
Granted/taken up this year (number of shares)	**387 914**	**236 025**	–	–
Closing balance (number of shares)	**387 914**	**236 025**	295 776	194 345
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
AP Pullinger				
Opening balance (number of shares)	**–**	**–**	189 236	193 967
Granted/taken up this year (number of shares)	**309 274**	**190 258**	–	–
Closing balance (number of shares)	**309 274**	**190 258**	189 236	193 967
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
HS Kellan				
Opening balance (number of shares)	**–**	**–**	132 465	56 770
Granted/taken up this year (number of shares)	**181 802**	**62 098**	–	–
Closing balance (number of shares)	**181 802**	**62 098**	132 465	56 770
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
PRESCRIBED OFFICERS				
J Celliers				
Opening balance (number of shares)	**–**	**–**	189 236	84 210
Granted/taken up this year (number of shares)	**252 472**	**97 772**	–	–
Closing balance (number of shares)	**252 472**	**97 772**	189 236	84 210
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
C de Kock				
Opening balance (number of shares)	**–**	**–**	141 927	52 039
Granted/taken up this year (number of shares)	**194 486**	**63 420**	–	–
Closing balance (number of shares)	**194 486**	**63 420**	141 927	52 039
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
J Formby				
Opening balance (number of shares)	**–**	**–**	94 618	158 485
Granted/taken up this year (number of shares)	**158 548**	**182 330**	–	–
Closing balance (number of shares)	**158 548**	**182 330**	94 618	158 485
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
SE Nxasana (retired 30 September 2015)				
Opening balance (number of shares)	**–**	**–**	–	–
Granted/taken up this year (number of shares)	**–**	**–**	–	216 013
Closing balance (number of shares)	**–**	**–**	–	216 013
Vesting date	**–**	**–**	–	21/09/2017

Definitions:

CIP: conditional share plan

Bonus deferral CIP – bonus deferral conditional incentive plan

Outstanding long-term incentives				
2015 (CIP allocation made in September 2014)			2014 (CIP allocation made in September 2013)	
CIP	Special three-year bonus deferral CIP	Bonus deferral CIP	CIP	Special CIP
260 728	15 025	220 956	349 563	87 895
–	–	(220 956)	(349 563)	(87 895)
260 728	15 025	–	–	–
12/09/2017	12/09/2017	13/09/2016	15/09/2016	01/10/2016
204 384	–	198 860	242 752	–
–	–	(198 860)	(242 752)	–
204 384	–	–	–	–
12/09/2017	–	13/09/2016	15/09/2016	–
121 526	–	42 954	161 835	–
–	–	(42 954)	(161 835)	–
121 526	–	–	–	–
12/09/2017	–	13/09/2016	15/09/2016	–
181 184	–	57 449	226 569	–
–	–	(57 449)	(226 569)	–
181 184	–	–	–	–
12/09/2017	–	13/09/2016	15/09/2016	–
154 669	–	39 772	145 651	57 481
–	–	(39 772)	(145 651)	(57 481)
154 669	–	–	–	–
12/09/2017	–	13/09/2016	15/09/2016	04/04/2017
64 078	–	141 412	92 732	–
–	–	(141 412)	(92 732)	–
64 078	–	–	–	–
12/09/2017	–	13/09/2016	15/09/2016	–
324 363	15 909	243 051	435 820	–
–	–	(243 051)	(435 820)	–
324 363	15 909	–	–	–
12/09/2017	12/09/2017	13/09/2016	15/09/2016	–

AGGREGATE COMPENSATION DISCLOSURES

	2017	2016
Employees receiving variable awards (number of employees)		
Employees receiving variable compensation	**25 289**	22 745
Employees receiving union-agreed variable compensation[1]	**15 897**	19 529
Total employees receiving variable awards	**41 186**	42 274
Employees receiving sign-on and severance awards (number of employees)		
Sign-on awards granted	**107**	109
Severance awards	**99**	154
Total sign-on and severance awards	**206**	263
Sign-on and severance awards (R million)		
Value of sign-on awards granted	**19**	22
Value of severance awards	**74**	75
Total value of sign-on and severance awards	**93**	97
Portion of 2017 compensation not deferred (R million)		
Guaranteed compensation	**14 847**	13 735
Union-agreed variable compensation[1]	**243**	282
Variable compensation[2]	**3 287**	3 472
Vested share-based long-term incentives (LTIs) exercised and paid[3]	**1 696**	1 936
Total value of compensation not deferred	**20 073**	19 425
Portion of 2017 compensation deferred (R million)		
2nd and 3rd cash tranches of variable compensation[5]	**799**	805
Portion of 2016 variable compensation deferred in shares[5]	**346**	356
Total value of deferred compensation	**1 145**	1 161
Cumulative outstanding deferred compensation at 30 June 2017[4,7] (R million)		
2016 share-based LTI award	**–**	1 224
2nd and 3rd cash tranches of variable compensation	**799**	805
Portion of variable compensation deferred (cumulative 2013 and 2014)	**446**	502
Share-based LTI awards	**1 015**	–
Share-linked LTI awards (cumulative 2014, 2015 and 2016)	**944**	2 703
Total cumulative outstanding deferred compensation	**3 204**	5 234
Total deferred compensation clawed back (R million)	**–**	–

1. *Guaranteed bonuses paid to non-managerial employees in the form of 13th cheques in terms of the group's annual union negotiations.*
2. *Includes tranche 1 of cash-settled variable compensation.*
3. *LTIs are share-based incentives that only become exercisable to clearly defined vesting criteria.*
4. *All deferred compensation is subject to clearly defined performance criteria to ensure alignment of employee remuneration with company performance.*
5. *Portion of cash bonus deferred to 2nd and 3rd tranche payments in December and June respectively of the proceeding financial year.*
6. *Cash portion of variable compensation deferred in FirstRand shares and subject to vesting criteria.*
7. *The values disclosed for LTIs have been determined on pro rata vesting basis assuming that the conditions precedent have been met. These incentives are, however, still subject to individual, business unit and corporate performance criteria before becoming exercisable.*

Social, ethics and transformation committee

The group is committed to ethical conduct and fair play in all its business dealings. The FirstRand code of ethics describes the group's commitment to responsibly advancing an entrepreneurial spirit and captures the ethos of creating value in an accountable and sustainable manner. The FirstRand group code of ethics forms the constitution for the business practices of all businesses in the FirstRand group. The committee's scope of focus is guided by the Companies Act, No. 71 of 2008, however, the aim is to drive integration of regulatory requirements and expectations into business processes such that compliance is pursued as an outcome of ethical behaviour and doing the right thing.

SUMMARY OF RESPONSIBILITIES

The role of the committee is to assist the board with ensuring responsible business practices within the FirstRand group and monitor group activities having regard for the Companies Act, the committee terms of reference and other legal requirements or prevailing codes of best practice in respect of social, transformation and economic development. It is charged with providing oversight of:

- **all culture and conduct risk programmes in all businesses of the FirstRand group; and**
- **the group's social value proposition.**

The committee has jurisdiction in all group business units in South Africa and in all other countries in which the group operates.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulations and governance practices.

The committee chairman is customarily available to report to shareholders at the annual general meeting on matters within its mandate. Any specific questions to the committee may be sent to the company secretary prior to the annual general meeting.

COMPOSITION		MEETING OF ATTENDANCE
NN Gwagwa (chairman)	Independent non-executive director	4/4
AT Nzimande	Independent non-executive director	4/4
P Cooper[1]	Independent non-executive director	3/4
PJ Makosholo	Non-executive director	Appointed with effect from 25 May 2017
F Knoetze	Non-executive director	Appointed with effect from 25 May 2017
CEO	Executive director[2]	3/4
Deputy CEO	Executive director[2]	4/4
Financial director	Executive director[2]	2/4

Ex-officio attendees

Franchise CEOs

Group head of regulatory risk

Head of public policy and regulatory affairs

Acting heads of ethics and conduct risk

Group head of HR and sustainability

Group employment equity manager

Organisational development executive

The committee is supported by the franchise ethics and transformation committees which report to the committee at every meeting.

1. Resigned from the board with effect from 30 April 2017.

2. At least one executive member to be present, per committee charter.

Until August 2016 the board's responsibilities in respect of social, ethics and transformation issues were delegated to a transformation monitoring committee and a social and ethics committee. The new combined committee was formed to consolidate oversight of these issues on behalf of the board, using the oversight framework below.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
B-BBEE, EMPLOYMENT EQUITY AND TRANSFORMATION		
Broad-Based Black Economic Empowerment (B-BBEE)	The committee: • oversaw the benchmarking of FirstRand against the other major banks, in preparation for the Parliamentary financial sector presentations; and • monitored the group's B-BBEE rating and submitted the required BEE report to the BEE Commissioner and Financial Sector Charter Council. The group was actively involved in the FSC and codes of good practice alignment discussions. A draft version of the FSC was issued by the Department of Trade and Industry for public comment. The aligned FSC had not been gazetted as a sector code by 31 December 2016, however, the committee will continue to monitor expected changes to targets, weightings and new areas of focus once a more stringent sector code is gazetted.	• The group maintained its level 2 B-BBEE status under the 2012 gazetted Financial Sector Charter (FSC). • The group BEE scorecard is available on the FirstRand website. www.firstrand.co.za.
Employment equity and transformation	In respect of employment equity transformation, the committee: • oversaw the strategic objectives and progress made against the Employment Equity plan for 2016 to 2019; • reviewed compliance with transformation legislation including the annual submission to the Department of Labour; • analysed FirstRand's progress compared to the South African Commissioner of Employment Equity report 2016; • reviewed attrition of ACI (African, Coloured and Indian) employees and considered programmes to retain and develop ACI talent; • reviewed gender equality and group networking initiatives for women; and • oversaw initiatives on increasing disability representation at all occupational levels, which included a disability awareness and education campaign.	• The group maintained 76% ACI representation and 60% overall female representation. • The group workforce profile is available on the FirstRand website. www.firstrand.co.za.
Skills development and decent working conditions	The committee continued to oversee the employee development initiatives aimed to support employees in their continued professional development to positively influence company commitment, reinforce retention, foster employee value proposition, harness and exploit skills and to facilitate knowledge sharing. Monitoring of employee wellness against International Labour Organisation protocol on decent work and working conditions continued, and reports on global trends were received.	• Skills development spend of R810 million for the year.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
RESPONSIBLE CORPORATE CITIZENSHIP		
CSI	The committee monitored the group's progress on CSI activities, principally undertaken through the FirstRand Foundation and FirstRand Empowerment Foundation.	• R218 million CSI spend. • The CSI report is available on www.firstrand.co.za
Contribution to economic development	The committee monitored the group's contributions to the development of the communities where the group operates, which included the following initiatives, over and above CSI contribution:	• Refer to statement of economic value added on page 112.
	• **Funding inclusive economic development:** contribution to empowerment funding initiatives which included affordable housing finance, black agriculture, SMEs and energy infrastructure.	• R10 billion contributed to empowerment financing initiatives.
	• **Consumer education initiatives:** financial consumer education initiatives that target mainstream market customers, educating both customers and potential customers on how to manage personal finances to equip them to make informed financial decisions.	• R28 million consumer education spend.
	• **Financial inclusion – reaching lower income households:** ensuring that all South Africans are able to transact easily and securely.	• Total eWallet users – 4.3 million. • 3.2 million people use eWallet for free.
	• **Supply chain management:** efforts to change the spending patterns of the group with a special focus area on procuring with black-owned and black women-owned entities.	• R7.5 billion spend with black-owned, black women-owned suppliers, and exempt micro enterprises and qualifying small enterprises.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT		
FirstRand conduct programmes	To assist the committee in monitoring the group's activities, having regard to all relevant legislation, legal requirements and prevailing codes of best practice, the FirstRand conduct programmes were organised into three themes: business conduct, market conduct and environmental conduct.	• The FirstRand code of ethics and FirstRand philosophy is the primary reference point for all conduct programmes.
Business conduct programmes	Incorporate principles on: • anti-bribery and corruption prevention; • conflict of interest management including gift declarations; • safe whistle-blowing; • code of conduct; • personal account trading rules; and • client desirability/reputation risk. An improvement in risk detection with the use of data analytics and the development of a risk assessment model was noted and risk assessments conducted in high risk jurisdictions.	• 43 661 employees enrolled for anti-bribery and corruption training. • Approximately R1 million awarded through the Leading Light reward programme that incentivises and rewards employees who demonstrate vigilance in assisting the group to direct and prevent theft, fraud and corruption. • 93% of suppliers signed the FirstRand supplier code of conduct by year end.
Market conduct programmes	Incorporate principles on: • consumer relationships and consumer protection; • treating clients fairly (TCF) and anti-trust measures; • ethical trading in financial markets (over-the-counter derivatives); • responsible wholesale banking; and • responsible competitive practices.	• The committee reviewed market conduct maturity and associated platform developments. • Fair market conduct training and awareness campaigns, including consumer education training initiatives received heightened focus.

REPORTING FRAMEWORK	FOCUS AREAS	IMPLEMENTATION
ETHICAL CONDUCT continued		
Environmental and social risk conduct programmes	Incorporate principles on: • environmental and social risk; • ecological footprint reduction (electricity/carbon emissions, waste and water); • green financing and positive banking; and • occupational health and safety. The committee reviewed quarterly reports on the group's progress in relation to environmental and social risk, including those relating to Equator Principles and ESRA (environmental and social risk assessment). Carbon consumption is calculated per franchise and reported internally to the franchise conduct executive committee, as well as externally by way of the carbon disclosure project. The focus being on climate resilience in regards to direct impact on operations as well as financing.	• Significant progress made to embed Equator Principles and ESRA in the rest of Africa. • The group energy management guideline was implemented with the focus being on efficiencies and accuracy of data and pricing. This process reduced electricity costs considerably. • Occupational health and safety received added focus and 66 occupational health and safety representatives were identified across the group. • FirstRand has ESRA and eco-footprint programmes, which allow the group to satisfy development finance covenants for general and specific capital funding with a green and socially responsible theme. Several pilot projects were developed and funding opportunities were assessed during the year, with focus on renewable energy and the financing of SMEs.

Planned areas of focus

The committee will continue to review planned areas of focus against regulatory requirements and strategic priorities. The committee has commenced reviewing pay practices for fairness, and to ensure that there is no gender and race-based pay discrimination. The group tax policy is currently being considered and will be tabled for review from a responsible corporate citizenship perspective.

Public reporting and assurance

The committee, together with the audit committee, is responsible for reviewing and approving the non-financial content included in the annual integrated report and published on the group website, as well as determining and making recommendations on the need for external assurance of the group's public reporting on its sustainable performance.

NN GWAGWA
Chairman, social, ethics and transformation committee

6 September 2017

Governance outcome

Sustainable value creation and performance

Responsible corporate citizenship

The board appreciates that there is an interdependent relationship between the group and its stakeholders, and the group's ability to create value for itself depends on its ability to create value for others. Robust governance processes exist to balance this relationship and to oversee the sustainability of this value creation.

During the year, the board oversaw the creation of R111 billion of economic value for the group's stakeholders.

	2017		2016	
Statement of economic value added – IFRS	R million	%	R million	%
Value added				
Net interest income after impairment	**72 387**	**65.3**	64 402	64.4
Non-operating revenue	**42 068**	**38.0**	38 646	38.7
Non-operating expenses	**(3 628)**	**(3.3)**	(3 079)	(3.1)
Value added by operations	**110 827**	**100.0**	99 969	100.0
To employees				
Salaries, wages and other benefits	**25 852**	**23.3**	24 463	24.5
To providers of funding	**49 174**	**44.4**	42 470	42.5
Dividends to shareholders	**13 650**		12 950	
Interest paid	**35 524**		29 520	
To suppliers	**13 229**	**11.9**	12 856	12.8
To government	**8 495**	**7.7**	7 593	7.6
Normal tax	**7 383**		6 650	
Value added tax	**1 067**		921	
Capital gains tax	**12**		8	
Other	**33**		14	
To communities				
CSI spend	**218**	**0.2**	171	0.2
To expansion and growth	**13 859**	**12.5**	12 416	12.4
Retained income	**11 278**		9 955	
Depreciation and amortisation	**2 977**		2 514	
Deferred income tax	**(396)**		(53)	
Total value added	**110 827**	**100.0**	99 969	100.0

NON-FINANCIAL REPORTING POLICIES

The board's responsibilities include oversight of financial and non-financial value drivers against agreed performance measures and targets, including environmental, social and governance issues impacting the sustainable profitability of the group and ensuring that the group is seen to be a responsible corporate citizen.

FirstRand's non-financial reporting policies are aligned to the Global Reporting Initiative G4 guidelines, incorporating recommendations set out in King IV, JSE Socially Responsible Investment Index, BEE transformation requirements set out by the Financial Sector Charter and the Department of Trade and Industry Codes of Good Practice.

Disclosures relating to non-financial issues have been selected based on principles of materiality to stakeholder inclusiveness. Materiality is defined as disclosures reflecting significant economic, environmental and social impacts, or those that would substantially influence the ability of stakeholders to make informed decisions about the company's performance. Data measurement techniques are replicable and measurement techniques, estimates and underlying assumptions are described when it is materially necessary to do so.

Stakeholder engagement

In the execution of its governance role and responsibilities, the board adopts a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders, in the best interests of the group over time.

The FirstRand Ethics and Compliance conference was held on 30 September 2016. The conference enabled a platform for business leaders, independent non-executives, key regulators and the ethics and compliance professionals across the group to reflect on the current macro-regulatory environment and to reassess the group's regulatory risk management approaches to be "fit for future". The committee received feedback from the conference.

During the year, the board approved the FirstRand external communication and public disclosure policy which governs communication with external stakeholders and the disclosure of material information in compliance with statutory requirements.

STAKEHOLDER	CHANNELS USED TO MANAGE RELATIONSHIP	KEY FOCUS AREAS
Government and regulators	• correspondence, interviews and meetings; • website, reports and presentations; • conferences and round-table; and • SENS.	• transformation, B-BBEE; • regulatory compliance; • economic development; • IT risk governance; and • regulatory announcements as required.
Shareholder and analysts	• investor presentations; • financial reporting; • roadshows and analyst meetings; and • website, media and SENS.	• business performance and continuity; • dividend payments and share price; • strategy and growth opportunities; and • transformation and economic development.
Employees	• internal newsletters and interactive videos; • information sessions, training and development; • website and intranet; • performance reviews; • functions and awards; and • employee wellness.	• group performance and business news; • industry trends and strategy implementation; • training focusing on cybercrime, IT security, anti-money laundering and declarations of interest, compliance and ethics matters; • professional development programmes; • awards and recognition initiatives; and • employee wellness facilities on campus.
Customers	• service level agreements; • website, advertising and apps; • customer surveys; and • branches/front office.	• customer service and experience; • innovation and product offering; • small business development; and • customer education.
Suppliers	• service level agreements; • relationship with applicable business unit; and • meetings and service deliverables.	• code of conduct and ethics; • business opportunity; and • trends and requirements.
Communities and civil society	• sponsorships; • social responsibility investments; • media and advertising; and • reports and website.	• job opportunities; • CSI opportunities, sponsorship and donations; and • small business development.

Audit committee

The fundamental role of an audit committee is to assist the board to fulfil its oversight responsibilities in areas such as financial reporting, internal control systems, risk management systems and the internal and external audit functions. The committee works closely with the group's risk, capital management and compliance committee, social, ethics and transformation committee and information and technology risk and governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another.

The committee is constituted as a statutory committee of FirstRand in respect of its duties in terms of section 94(7) of the Companies Act, no. 71 of 2008, section 64 of the Banks Act (1990) and as a committee of the FirstRand board concerning all other duties assigned to it by the board. The objectives and functions of the committee are set out in its charter, which was reviewed and updated during the year.

SUMMARY OF RESPONSIBILITIES

- **reviews the quality, independence and cost-effectiveness of the statutory audit and non-audit fees;**
- **reviews the appointment of the external auditors for recommendation to the board;**
- **oversees internal and external audits, including review and approval of internal and external audit plans, review of significant audit findings and monitors progress reports on corrective actions required to rectify reported internal control shortcomings;**
- **assists the board in evaluating the adequacy and effectiveness of FirstRand's system of internal control (including internal financial controls), accounting practices, information systems and auditing processes;**
- **reports its assessment of the adequacy and effectiveness of internal controls (including internal financial controls), processes, practices and systems as set out above to the board;**
- **ensures that a combined assurance model is applied to provide a coordinated approach to assurance activities;**
- **oversees financial risks and internal financial controls including integrity, accuracy and completeness of the annual integrated report (both financial and non-financial reporting);**
- **receives reports on fraud and IT risks as these relate to financial reporting;**
- **satisfies itself with the expertise, resources and experience of the group financial director and finance function; and**
- **provides independent oversight of the integrity of the annual financial statements and other external reports issued by FirstRand (i.e. sustainability reporting and disclosure integrated with financial reporting) and recommends the annual integrated report to the board for approval and in a format agreed with the board.**

The effectiveness of the committee and its individual members is assessed on an annual basis.

The committee is satisfied that it has executed its duties during the past financial year in accordance with these terms of reference, relevant legislation, regulation and governance practices.

Feedback was obtained from management, external audit and internal audit in making all assessments.

COMPOSITION		APPOINTED	MEETING	NOVEMBER TRILATERAL
JH van Greuning (chairman)	Independent non-executive director	September 2009	4/4	1/1
GG Gelink	Independent non-executive director	January 2013	4/4	1/1
RM Loubser	Independent non-executive director	September 2014	3/4	1/1
EG Matenge-Sebesho	Independent non-executive director	July 2010	4/4	1/1
PJ Makosholo	Non-executive director	March 2016	4/4	1/1

The committee is satisfied that the individual members of the committee possess appropriate qualifications and a balance of skills and experience to discharge their responsibilities.

ATTENDEES

Leon Crouse (specialist consultant) CEO Deputy CEO Financial director Chief risk officer Chief audit executive Chairman of the subcommittees External auditors and other assurance providers Heads of finance, risk and compliance	The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act. The external auditors and chief audit executive meet independently with the non-executive members as and when required.

AREAS OF FOCUS

During the year, the committee:

- reviewed the report on internal financial controls and going concern aspect of FirstRand, in terms of regulation 40(4) of the Banks Act regulations;
- considered feedback from the external auditors on the SARB bilateral meeting;
- conducted a financial trends analysis of the group's year-to-date performance;
- considered industry trend updates from the external auditors;
- reviewed and approved the internal audit charter;
- reviewed and approved the audit committee charter;
- attended the trilateral meeting with the SARB;
- considered IFRS 9 updates and impact assessments; and
- noted the findings of the report from the JSE on proactive monitoring of financial statements in 2016, published in February 2017.

EXTERNAL AUDIT

The committee nominated, for re-election at the annual general meeting, Deloitte & Touche and PricewaterhouseCoopers Inc. as the external audit firms responsible for performing the functions of auditor for the 2018 financial year.

The committee ensured that the appointment of the auditors complied with all legislation on appointment of auditors.

The committee annually reviews and approves the list of non-audit services which the auditors may perform. There is an approval process where all non-audit service engagements above a certain threshold must be approved by the financial director, and above a further threshold, pre-approved by the chairman of the audit committee.

The committee encouraged effective communication between the external and internal audit functions.

The committee has satisfied itself to the performance and quality of the external audit and that the external auditors and lead partners were independent of the group, as set out in section 94(8) of the Companies Act.

This included consideration of:

- representations made by the external auditors to the audit committee;
- independence criteria specified by the Independent Regulatory Board for Auditors and international regulatory bodies as well as criteria for internal governance processes within audit firms;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group;
- tenure of the auditors and rotation of the lead partners; and
- changes to management during the tenure of auditors, which mitigates the attendant risk of familiarity between the external auditor and management.

INTERNAL AUDIT

The internal audit function provides assurance to the board on the adequacy and effectiveness of the group's internal control and risk management practices, and the integrity of financial reporting systems. Internal audit assists management by making recommendations for improvements to the control and risk management environment.

During the year, the committee received regular reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

The committee has assessed the performance of the chief audit executive and the arrangements of internal audit, and is satisfied that the internal audit function is independent and appropriately resourced, and that the chief audit executive has fulfilled the obligations of that position.

The committee can confirm that the financial and risk management information contained in the annual integrated report accurately reflects information reported to the committee by management and has no reason to believe that the existing internal controls, including internal financial controls, do not form a sound basis for the preparation of reliable financial statements. The committee's opinion is supported by the reports received from the risk, capital management and compliance committee, external audit, internal audit and executive management.

FINANCIAL STATEMENTS AND FINANCE FUNCTION

Having achieved its objectives for the financial year, the committee recommended the consolidated financial statements, company financial statements and annual integrated report for the year ended 30 June 2017 for approval to the board. The financial statements will be open for discussion at the forthcoming annual general meeting.

An audit committee process has been established to receive and deal appropriately with any concerns or complaints relating to:

- reporting practices and internal audit of the group;
- content or auditing of the financial statements;
- internal financial controls of the bank or controlling company; and
- any other related matter.

No complaints were received relating to accounting practices or internal audit, nor to the content or audit of the group's annual financial statements.

With the enhancement of the new audit report standard, the committee has considered the appropriateness of the key audit matters reported on by the external auditors and is satisfied with the treatment and audit response thereof.

The committee is satisfied that the group has appropriate financial reporting control frameworks and procedures, and that these procedures are operating effectively.

The committee reports that, based on a formal assessment process, it was satisfied as to the appropriateness of the expertise, effectiveness and experience of the group financial director, Mr HS Kellan (BCom (Hons), CA(SA)) during the reporting period.

In addition, the committee is satisfied with:

- the expertise, effectiveness and adequacy of resources and arrangements in the finance function; and
- the experience, effectiveness, expertise and continuous professional development of senior members of the finance function.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses sustain its conclusions reached for the 2017 financial year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES	
The committee works closely with the group's risk, capital management and compliance committee, social, ethics and transformation monitoring committee and information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared and these functions can leverage off one another.	Based on the reports received, the committee is satisfied that: • the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and • the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE	
During the year, the committee monitored alignment of all assurance providers to achieve elimination of multiple approaches to risk assessment and reporting. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees, and supports the integrity of the group's external reports.	The committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance. During the year, the committee received regular reports from group internal audit on any weaknesses in controls that were identified, including financial controls, and considered corrective actions to be implemented by management.

Planned areas of focus

The committee recognises that there are many initiatives underway in the group in response to regulatory requirements and these represent significant demands on group resources and infrastructure. The implications of the mandatory audit firm rotation, effective for financial periods ending on or after April 2023, will be considered going forward.

The committee has conducted IFRS 9 readiness and impact assessments. The group has a detailed implementation project plan and progress against the plan is satisfactory.

JH VAN GREUNING
Chairman, audit committee

6 September 2017

INDEPENDENT ASSURANCE REPORT ON SELECTED NON-FINANCIAL INFORMATION TO THE DIRECTORS OF FIRSTRAND LIMITED

Group Internal Audit (GIA) have undertaken an assurance engagement on selected non-financial information, as presented in the FirstRand group annual integrated report for the year ended 30 June 2017.

Integrated reporting aims to:

- improve the quality of information available to providers of financial capital to enable a more efficient and productive allocation of capital;
- promote a more cohesive and efficient approach to corporate reporting that draws on different reporting strands and communicates the full range of factors that materially affect the ability of an organisation to create value over time;
- enhance accountability and stewardship for the broad base of capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and promote understanding of their interdependencies; and
- support integrated thinking, decision-making and actions that focus on the creation of value over the short, medium and long term.

FirstRand applies its own sustainability performance reporting criteria, derived from the Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI), the JSE Socially Responsible Investment (SRI) Index, BEE transformation reporting requirements and the King IV Code on Corporate Governance.

DIRECTORS' RESPONSIBILITY IN RESPECT OF NON-FINANCIAL INFORMATION

The directors are responsible for:

- the selection, preparation and presentation of the sustainability information included in the annual integrated report;
- the identification of stakeholders and stakeholder requirements; and
- establishing and maintaining appropriate performance management and internal control systems from which the reported information is derived and reported in FirstRand's annual integrated report.

GROUP INTERNAL AUDIT RESPONSIBILITY

GIA's responsibility is to express assurance conclusions on the selected non-financial information based on the procedures performed. We have conducted our engagement by applying guidance from the International Standard on Assurance Engagements, *ISAE 3000: Assurance Engagements other than Audits or Reviews of Historical Financial Information*. The standard requires that we plan and perform our engagement to obtain limited assurance about whether the selected sustainability information is free from material misstatement.

Our procedures selected depend on our judgment including the risks of material misstatement of the selected sustainability information. In making our risk assessments, we considered internal controls relevant to FirstRand's preparation of the report. We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our assurance conclusions.

GIA was not responsible for preparing any part of the report and confirms that we are not aware of any issue that could impair our objectivity in relation to this assurance engagement.

Multiple sources of sustainability assurance providers were utilised, reflecting technical and process competencies necessary for the evaluation of the sustainability information. The following items were included in the scope:

- Verification and review of the accurate transfer and aggregation of information from the franchise records to the FirstRand annual integrated report relating to:
  - doing business ethically, responsibly and sustainably:
    - whistle-blowing line calls;
  - Driving strategic change through systemic social investing:
    - CSI spend – FirstRand Foundation;
    - CSI spend – FirstRand Empowerment Fund; and
    - CSI spend – FirstRand Staff Assistance Trust.

Assurance work performed by GIA did not replicate verification assessments performed by the external assurance service providers (KPMG and SizweNtsalubaGobodo) and reliance was placed on the assurance opinion issued by the other parties where warranted. These are reflected below:

- Providing capital for inclusive economic development - this information was included in the scope of the review of the Department of Trade and Industry (dti) scorecard that was performed by SizweNtsalubaGobodo:
  - lending to affordable housing;
  - spend on consumer financial education;
  - deepening access to financial services through electronic channels;
  - transformational infrastructure;
  - lending to SMEs, BEE transactions and black agriculture;
  - spending on enterprise development; and
  - BEE procurement.
- Creating an environment that maximises the potential of our people - this information was included in the scope of the review of the dti scorecard that was performed by SizweNtsalubaGobodo:
  - SA workforce diversity (December 2016);
  - middle and junior management diversity;
  - senior management diversity;
  - top management diversity;
  - workforce gender; and
  - skills development spend.
- Doing business ethically, responsibly and sustainably;
  - Direct environmental footprint: This information is prepared in accordance with the World Business Council for Sustainable Development/ World Resources Institute Greenhouse Gas Reporting Guidelines and is included in the scope of the review of the FirstRand Bank carbon data for the South African operations which was performed by KPMG.
- Equator Principles transactions funded: This information is included in the scope of the review which was audited by KPMG.

Based on the results of the work performed on the selected non-financial information as presented in FirstRand's annual integrated report for the year ended 30 June 2017, GIA confirms that nothing has come to our attention that causes us to believe that the identified sustainability information selected for our review has not been prepared, in all material respects, in accordance with the defined reporting criteria. Statements included in the report that required correction were identified and all suggested changes and identified anomalies were resolved prior to the finalisation of the report. Additional improvements were recommended for further enhancement of sustainability management and reporting process within the group.

J JOHN
Chief audit executive

6 September 2017

summary risk and capital management report

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summary risk and capital management report

RISK MANAGEMENT APPROACH

FirstRand believes that effective risk, performance and financial resource management are key to its success and underpin the delivery of sustainable returns to stakeholders. These disciplines are, therefore, deeply embedded in the group's tactical and strategic decision-making.

The group believes a strong balance sheet and resilient earnings streams are key to growth, particularly during periods of uncertainty. FirstRand's franchises have consistently executed on a set of strategies which are aligned to certain group financial strategies and frameworks designed to ensure earnings resilience and growth, balance sheet strength, an appropriate risk/return profile and an acceptable level of earnings volatility under adverse conditions. These deliverables are underpinned by the application of critical financial discipline through frameworks set at the centre. These frameworks include:

RISK MANAGEMENT FRAMEWORK	PERFORMANCE MANAGEMENT FRAMEWORK	BALANCE SHEET FRAMEWORK
Key principles: • ensure material risks are identified, measured, monitored, mitigated and reported; • assess impact of the cycle on the group's portfolio; • understand and price appropriately for risk; and • originate within cycle-appropriate risk appetite and volatility parameters.	**Key principles:** • allocate capital appropriately; • ensure an efficient capital structure with appropriate/conservative gearing; and • require earnings to exceed cost of capital, i.e. positive NIACC.	**Key principles:** • execute sustainable funding and liquidity strategies; • protect credit rating; • preserve a "fortress" balance sheet that can sustain shocks through the cycle; and • ensure group remains appropriately capitalised.

The group defines risk widely – as any factor that, if not adequately assessed, monitored and managed, may prevent it from achieving its business objectives or result in adverse outcomes, including reputational damage.

Risk taking is an essential part of the group's business and the group explicitly recognises core risk competencies as necessary and important differentiators in the competitive environment in which it operates. These core risk competencies are integrated in all management functions, business areas and at risk-type level across the group to support business by providing the checks and balances to ensure sustainability and performance, create opportunity, achieve desired objectives, and avoid adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk associated with its activities if these risks are properly managed and controlled. The group's aim is not to eliminate risk, but to achieve an appropriate balance between risk and reward. This balance is achieved by controlling risk at the level of individual exposures, at portfolio level and in aggregate across all risk types and businesses through the application of the risk appetite framework. The group's risk appetite framework enables organisational decision-making and is aligned with FirstRand's strategic objectives.

Core risk competencies

1	2	3	4
IDENTIFICATION	**ASSESSMENT**	**MONITORING**	**MANAGEMENT**

FirstRand's core risk competencies are integrated in all management functions across the group to support business by providing the checks and balances to ensure sustainability, performance, the achievement of desired objectives and avoidance of adverse outcomes and reputational damage.

The group is exposed to a number of risks that are inherent in its operations. The group's core competencies are applied by the individual business areas to ensure these risks are appropriately managed. The risk appetite per key risk is monitored to ensure balance between risk and reward. Risk limits established across all risk types are an integral part of managing the risks and are instrumental in constraining risk appetite within acceptable levels. The risk definitions, roles and responsibilities of each stakeholder in business, support and control functions in the management of these risks are described in the group's business performance and risk management framework (BPRMF).

FRANCHISE ACTIVITIES AND RESULTANT RISKS

The group's strategy is executed through its portfolio of franchises within the framework set by the group.

	FNB	RMB	WesBank	Ashburton Investments	FCC
Key activities	**Retail and commercial banking, and insurance**	**Corporate and investment banking**	**Instalment finance and short-term insurance (VAPS)****	**Asset management**	**Group-wide functions**
Market segments	consumer small business agricultural medium corporate public sector	financial institutions large corporates public sector	retail, commercial and corporate	retail and institutional	custodianship mandate to manage relationships with key external stakeholders ownership of key frameworks ensure group delivers on commitments to stakeholders
Products and services	transactional and deposit taking mortgage and personal loans credit and debit cards investment products insurance products (funeral, risk, credit life) card acquiring credit facilities distribution channels FNB Connect wealth and investment management*	advisory structured finance markets and structuring transactional banking and deposit taking principal investing solutions and private equity	asset-based finance full maintenance leasing personal loans value-added products and services (short-term insurance)	traditional and alternative investment solutions	
Risks	Retail and commercial credit risk	Corporate and counterparty credit risk	Retail, commercial and corporate credit risk		Interest rate risk in the banking book
	Insurance risk	Traded market risk			Funding and liquidity risk
					Foreign exchange risk
	Equity investment risk				
	Operational risk				
Other risks	Strategic, business, reputational, model, environmental and social, and regulatory risk				

* With effect from 1 July 2017, the wealth and investment management business moved from Ashburton Investments to FNB.

** Value-added products and services.

RISK PROFILE

The following table provides a high-level overview of FirstRand's risk profile in relation to the its risk appetite. Refer to page 128 for a detailed discussion of the group's risk appetite.

Normalised ROE 23.4% 2016: 24.0% Long-term target **18% – 22%** **Normalised earnings growth** +7% 2016: +7% Long-term target **Nominal GDP plus >0% – 3%**	The quality of the group's operating franchises' growth strategies and disciplined allocation of financial resources has over time enabled the group to deliver on its earnings growth and return targets.	*The CFO's report provides an overview of the group's financial position and performance for the year ended 30 June 2017.*
Capital adequacy 17.1% 2016: 16.9% Target **>14%** **Tier 1** 14.9% 2016: 14.6% Target **>12%** **CET1** 14.3% 2016: 13.9% Target **10% – 11%** **Leverage ratio** 8.6% 2016: 8.4% Target **>5%**	FirstRand has maintained its strong capital position and continues to focus on loss-absorbing capital. The group continues to actively manage capital composition given the grandfathering and redemption of old-style Tier 2 instruments. To this end, the group has issued R2.3 billion Basel III-compliant Tier 2 instruments in the domestic market during the year. This results in a more efficient composition which is closely aligned with the group's internal targets. The Basel III leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring the interplay between capital and leverage. FirstRand has maintained a leverage ratio above the group's internal targets.	*For a detailed analysis of capital adequacy and leverage refer to page 136 of this report.*

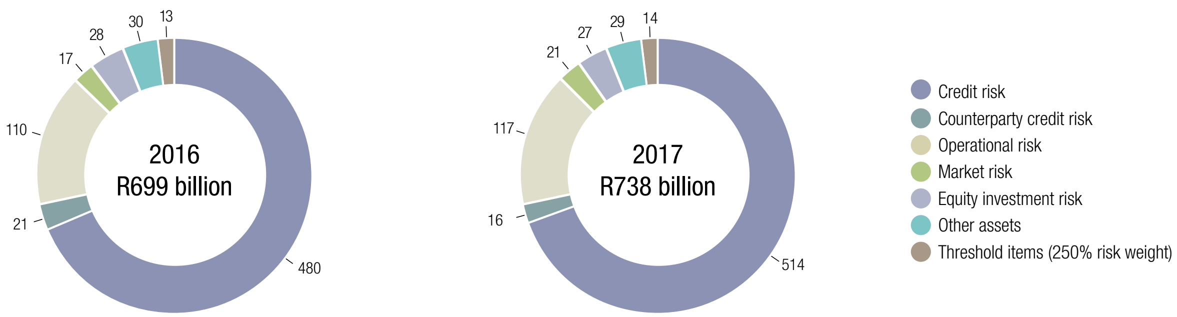
Note: Capital and leverage ratios include unappropriated profits.

Liquidity coverage ratio 97% 2016: 96% Minimum requirement 80% (2016: 70%)	Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The group exceeds the 80% minimum liquidity coverage ratio (LCR) as set out by the BCBS with an LCR measurement of 97%. The group's high quality liquid asset (HQLA) holdings amounted to R167 billion.	*For a detailed analysis of funding and liquidity risk refer to page 144 of this report.*

Normalised NPLs 2.41% 2016: 2.45% **Normalised credit loss ratio** 0.91% 2016: 0.86% Long-run average **100 – 110 bps**	Group credit loss rates increased as expected, impacted by a more challenging macroeconomic environment. Performance is acceptable and within risk appetite. Credit origination strategies are aligned to the group's macroeconomic outlook.	*For a detailed analysis of credit risk refer to page 137 of this report.*
Market risk 10-day ETL R350 million 2016: R307 million	The interest rate risk asset class represents the most significant market risk in the trading book exposure at June 2017. The group's market risk profile remained within risk appetite.	*For a detailed analysis of market risk in the trading book refer to page 146 of this report.*
Equity investment risk exposure as % of Tier 1 10.1% 2016: 10.5%	The year was characterised by some realisations and new investments added to the private equity portfolio. The quality of the investment portfolio remains acceptable and within risk appetite.	*For a detailed analysis of equity investment risk refer to page 151 of this report.*
NII sensitivity downward 200 bps -R2.1 billion 2016: -R2.3 billion **NII sensitivity upward 200 bps** R1.4 billion 2016: R1.9 billion	Assuming no change in the balance sheet and management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R2 066 million. A similar increase in interest rates would result in an increase in projected 12-month NII of R1 366 million. The group's average endowment book was R192 billion for the year.	*For a detailed analysis of interest rate risk in the banking book refer to page 148 of this report.*

Risk weighted assets (RWA) analysis

R billion



For a detailed analysis of risk and capital management refer to the Pillar 3 disclosure on www.firstrand.co.za/investorpages.aspx.

CURRENT AND EMERGING CHALLENGES

Identifying and monitoring challenges emerging in the wider operating environment and risk landscape, both domestically, in the rest of Africa and the UK, are integral to the group's approach to risk management. Challenges in the global environment are also monitored to identify possible impacts on the group's operating environment.

SOUTH AFRICA AND THE REST OF AFRICA

- Significant downward pressure on revenue growth given challenging macroeconomic conditions in South Africa.
- Effect of the sovereign rating downgrades on the macroeconomic environment and funding costs as well as risk of a further sovereign (local currency) downgrade.
- Increasing cost and scarcity of financial resources.
- Ongoing introduction of new regulations and legislation (particularly in banking activities), which could impact profitability over the medium to long term.
- Intensifying competition in banking profit pools from non-traditional competitors (specifically those with low-cost infrastructures) and insurance players.
- Increase in political risk.
- Increasing risk of protest actions and social unrest associated with deteriorating socio-economic conditions in South Africa.
- Rising regulatory and macroeconomic risks in the rest of Africa.

GLOBAL LANDSCAPE

- Rising income and wealth disparity.
- Global societal trends of deepening social and cultural polarisation and intensifying national sentiment.
- Deteriorating job prospects and the impact of rapid economic and technological change on global labour markets.
- Importance of protecting and strengthening global cooperation in light of countries withdrawing from international cooperation agreements (for example Brexit) and the effect of migration.
- Environmental-related risks include extreme weather conditions, failure of climate change mitigation and possibility of a water crisis.
- Rising cyber dependency, increasing incidence of data fraud/theft as well as large-scale cyberattacks.

RESPONSES

These challenges and associated risks are continuously identified, potential impacts determined, reported to and debated by appropriate risk committees and management. Developments in South Africa and other key markets are monitored with appropriate responses, strategic adjustments and proactive financial resource management actions implemented where required. Credit origination and funding strategies are assessed and adjusted in light of macroeconomic conditions and market liquidity. Actions are in place to ensure a resilient funding model. Significant investment in people, systems, processes and data projects are made to:

- manage the risks emanating from the large number of regulatory requirements;
- address possible control weaknesses and improve system security;
- improve operational business resilience capability; and
- improve risk data management aggregation and reporting.

FINANCIAL RESOURCE MANAGEMENT

FirstRand is expected, at a defined confidence level, to deliver on its commitments to its stakeholders. The management of financial resources, defined as capital, funding, liquidity and risk capacity is critical 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 and regulators. The expected outcomes and constraints are then stress tested and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level. 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 and pricing of financial resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets to deliver shareholder value.

The franchises are responsible for maximising risk-adjusted returns on a sustainable basis, within the limits of the group's risk appetite. Shifts in the macro environment are also critical to any strategic adjustments. FirstRand manages its business based on the group's house view which is used for budgeting, forecasting and business origination strategies. The house view focuses on the key macroeconomic variables that impact group financial and risk performance and position. The macroeconomic outlook for South Africa and a number of other jurisdictions where the group operates, is reviewed on a monthly basis and spans a three-year forecast horizon. Other jurisdictions with less data are updated less frequently, but at least quarterly. Business plans for the next three years are captured in the budget and forecasting process. Scenario planning is then used to assess whether the desired profile can be delivered and whether the business will remain within the constraints that have been set. The scenarios are based on changing macroeconomic variables, plausible event risks, and regulatory and competitive changes.

The strategy, risk and financial resource management processes inform the capital and funding plans of the group. A thorough analysis and understanding of the value drivers, markets and macroeconomic environment also inform portfolio optimisation decisions and the price and allocation of financial resources.

RISK APPETITE

The group's risk appetite enables organisational decision-making and is integrated with FirstRand's strategic objectives. Business and strategic decisions are aligned to risk appetite measures to ensure these are met during a normal cyclical downturn. At a business unit-level, strategy and execution are influenced by the availability and price of financial resources, earnings volatility limits and required hurdle rates and targets.

Risk appetite statement

FirstRand's **risk appetite** is the aggregate level and type of risks the group is willing and able to accept within its overall **risk capacity**, and is captured by a number of qualitative principles and quantitative measures.

The aim is to ensure that the group maintains an appropriate balance between risk and reward. Risk appetite limits and targets are set to ensure the group achieves its overall strategic objectives, namely:

- create long-term franchise value;
- deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility; and
- maintain balance sheet strength.

The group's strategic objectives and financial targets frame its risk appetite in the context of risk, reward and growth and contextualise the level of reward the group expects to deliver to its stakeholders under normal and stressed conditions for the direct and consequential risk it assumes in the normal course of business.

Risk capacity is the absolute maximum level of risk the group can technically assume given its current available financial resources. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk limits are clearly defined risk boundaries for different measures per risk type, and are also referred to as thresholds, tolerances or triggers.

The following diagram includes the quantitative measures and qualitative principles of the risk appetite framework during normal business cycles. The measures are reassessed as part of the group's ongoing review and refinement of risk appetite.

Process for determining risk appetite

Risk capacity

EARNINGS	CAPITAL

Filters

Strategic objectives and growth, return and volatility targets

Constraints based on commitments to stakeholders including regulators, depositors, debtholders and shareholders

Risk appetite

QUANTITATIVE MEASURES

	EARNINGS GROWTH, RETURN AND VOLATILITY TARGETS	MINIMUM CAPITAL AND LEVERAGE RATIO TARGETS	MINIMUM LIQUIDITY TARGETS AND TARGETED CREDIT RATING
Normal business cycles	**ROE** 18% – 22%	**Capital** CET1: 10% – 11%	**Liquidity** To exceed minimum regulatory requirements with appropriate buffers
	Earnings growth Nominal GDP plus >0% – 3%	**Basel III leverage** > 5%	**Credit rating*** Equal to highest in SA banking industry

** Refers to a rating agency's measure of a bank's intrinsic creditworthiness before considering external factors and refers to FirstRand Bank Limited.*

QUALITATIVE PRINCIPLES

Always act with a fiduciary mindset.	Limit concentrations in risky asset classes or sectors.
Comply with prudential regulatory requirements.	Avoid reputational damage.
Comply with the spirit and intention of accounting and regulatory requirements.	Manage the business on a through-the-cycle basis to ensure sustainability.
Build and maintain a strong balance sheet which reflects conservatism and prudence across all disciplines.	Identify, measure, understand and manage the impact of downturn and stress conditions.
Do not take risk without a deep understanding thereof.	Strive for operational excellence and responsible business conduct.
Comply with internal targets in various defined states to the required confidence interval.	Ensure the group's sources of income remain appropriately diversified across business lines, products, markets and regions.
Do not implement business models with excessive gearing through either on- or off-balance sheet leverage.	

The risk appetite statement aims to drive the discipline of balancing risk, return and sustainable growth across all the portfolios. Through this process the group ultimately seeks to achieve an optimal trade-off between its ability to take on risk and the sustainability of the returns delivered to stakeholders.

APPLICATION OF THE RISK/REWARD FRAMEWORK

Risk appetite, targets and limits are used to monitor the group's risk/reward profile on an ongoing basis and are measured point-in-time and on a forward-looking basis. Risk appetite influences franchise business plans and informs risk-taking activities and strategies. The risk/reward framework provides for a structured approach to define risk appetite, targets and limits that apply to each key resource as well as the level of risk that can be assumed in this context. The group cascades overall appetite into targets and limits at risk type, franchise and subsequent activity level, and these represent the constraints the group imposes to ensure its commitments are attainable. Management of risk is the responsibility of everybody across all levels of the group, supported through the three lines of control, the BPRMF and the group's risk governance committees.

RISK GOVERNANCE

The group believes that effective risk management is supported by effective governance structures, robust policy frameworks and a risk-focused culture. Strong governance structures and policy frameworks foster the embedding of risk considerations in business processes and ensure that consistent standards exist across the group. In line with the group's corporate governance framework, the board retains ultimate responsibility for providing strategic direction, setting risk appetite and ensuring that risks are adequately identified, measured, monitored, managed and reported on.

The group's BPRMF describes the group's approach to risk management. Effective risk management requires multiple points of control or safeguards that should consistently be applied at various levels throughout the organisation. There are three lines of control across the group's operations, which are recognised in the BPRMF. The responsibilities of the different business areas in the operating franchises and FCC in the lines of risk control are described in the diagram on the next page.

The risk management structure is set out in the group's BPRMF. As a policy of the board, the BPRMF delineates the roles and responsibilities of key stakeholders in business, support and control functions across the various franchises and the group.

The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in each franchise, the governance structures of which align closely with that of the group, as illustrated in the risk governance structure on page 132.

The group board committees comprise members of franchise advisory boards, audit and risk committees to ensure a common understanding of the challenges businesses face and how these are addressed across the group. The franchise audit, risk and compliance committees support the board risk committees and RCC subcommittees in the third line of control across the group.

Lines of risk control

FIRST LINE OF CONTROL

RISK OWNERSHIP

Risk inherent in business activities

Head of business
Reports to franchise CEO

Group Treasury in FCC
Supports business owners, the board and Stratco

Franchise executive committees

Strategic executive committee (Stratco)

- Group CEO (chair)
- Group deputy CEO
- Group CFO
- Franchise CEOs
- Group Treasurer
- Head: Group Human Capital and Sustainability

- Financial resource management executive committee
- Conduct executive committee
- Platform executive committee
- People, leadership and talent forum
- Africa executive committee

SECOND LINE OF CONTROL

RISK CONTROL

Risk identification, measurement, control and independent oversight and monitoring

Enterprise Risk Management (ERM)
Headed by group CRO, represented on platform and conduct executive committees

Regulatory Risk Management (RRM)
- RRM head represented on platform and conduct executive committees
- Franchise compliance heads have functional reporting lines to RRM head

Insurance control functions
Heads report to FirstRand Life Assurance CEO, ERM and RRM

Deployed franchise, segment and business unit risk managers
- Involved in all business decisions
- Represented at franchise executive committees

BOARD

RCC committee

Specialised risk committees

Franchise risk committees

Franchise CROs
Report to franchise CEOs and group CRO

THIRD LINE OF CONTROL

INDEPENDENT ASSURANCE

Adequacy and effectiveness of internal control, governance and risk management

Group Internal Audit (GIA)
Headed by chief audit executive with direct, unrestricted access to audit committee chairman, group CEO, franchises, records, property and personnel

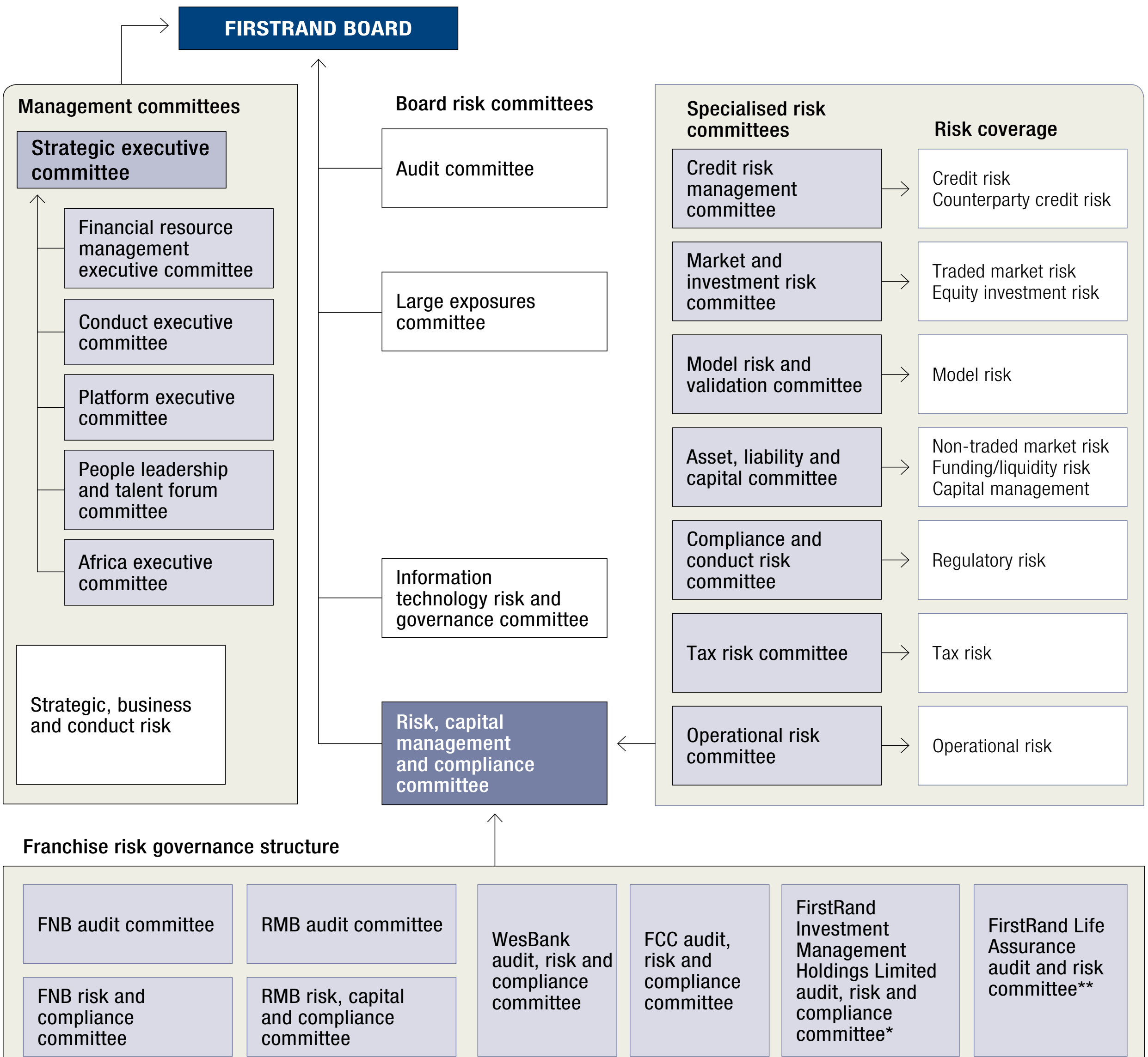
External advisors

Audit committee

Franchise audit committees

The following diagram illustrates how the risk committees fit into the board committee structure and the risk coverage of each committee. Further detail on the roles and responsibilities of the RCC committee and its subcommittees relating to each particular risk type is provided in the group's Pillar 3 disclosure on www.firstrand.co.za. Other board committees also exist, with clearly defined responsibilities. The strategic executive committee ensures alignment of franchise strategies, sets risk appetite and is responsible for optimal deployment of the group's financial and non-financial resources.

Risk governance structure



* *Represents the governance committee of Ashburton Investments.*

** *FirstRand Life Assurance is not a franchise but a subsidiary of FirstRand Insurance Holdings (Pty) Ltd. This committee provides oversight of the group's insurance risk.*

DISCLOSURE OF KEY RISKS

The definitions of key risks, a description of how each risk arise and the group's objectives, policies and processes for managing these risks are provided below.

The financial instruments recognised on the group's statement of financial position, expose the group to various financial risks. The quantitative information required by IFRS 7 is presented in the notes to the financial statements in the annual financial statements and sets out the group's exposure to these financial and insurance risks.

Further detailed analysis of the group's risks and the Pillar 3 disclosure requirements are provided in the Pillar 3 disclosure and can be found on the group's website www.firstrand.co.za/investorpages.aspx.

Financial and insurance risks

RISK	DEFINITION	DISCLOSURE	REPORT REFERENCE
Capital management	The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets.	• Capital adequacy and composition of capital • Common disclosure templates in line with directive 3/2015 and 4/2014	Pillar 3 disclosure
Credit risk	The risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads. Credit risk also includes credit default, pre-settlement, country, concentration and securitisation risk.	• IFRS 7 quantitative information	Annual financial statements
		• Pillar 3 disclosure requirements	Pillar 3 disclosure
Counterparty credit risk	The risk of a counterparty to a contract, transaction or agreement defaulting prior to the final settlement of the transaction's cash flows.	• Pillar 3 disclosure requirements	Pillar 3 disclosure
Funding and liquidity risk		• IFRS 7 quantitative information	Annual financial statements
• Funding liquidity risk	The risk that a bank will not be able to effectively meet current and future cashflow and collateral requirements without negatively affecting the normal course of business, financial position or reputation.	• Funding and liquidity risk governance, assessment and management • Liquidity risk profile	Pillar 3 disclosure
• Market liquidity risk	The risk that market disruptions or lack of market liquidity will cause a bank to be unable (or able, but with difficulty) to trade in specific markets without affecting market prices significantly.		

RISK	DEFINITION	DISCLOSURE	REPORT REFERENCE
Market risk in the trading book	The risk of adverse revaluation of any financial instrument as a consequence of changes in market prices or rates.	• IFRS 7 quantitative information	Annual financial statements
		• Pillar 3 disclosure requirements	Pillar 3 disclosure
Non-traded market risk • Interest rate risk in the banking book • Structural foreign exchange risk	The sensitivity of a bank's financial position and earnings to unexpected, adverse movements in interest rates. Foreign exchange risk is the risk of an adverse impact on the group's financial position and earnings as a result of movements in foreign exchange rates impacting balance sheet exposures.	• Projected NII sensitivity • Net structural foreign exposures	Annual financial statements
		• Governance, assessment and management • NII sensitivity • Banking book NAV sensitivity • Net structural foreign exposures	Pillar 3 disclosure
Equity investment risk	The risk of an adverse change in the fair value of an investment in a company, fund or listed, unlisted or bespoke financial instrument.	• Investment risk exposure and sensitivity	Annual financial statements
		• Governance, assessment and management • Investment risk exposure, sensitivity and capital	Pillar 3 disclosure
Insurance risk	Insurance risk arises from the inherent uncertainties relating to liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of liabilities differing from expectations. Insurance risk can arise throughout the product cycle and relates to product design, pricing, underwriting or claims management.	• Assessment and management of insurance risk	Summary risk and capital management report Pillar 3 disclosure

Non-financial risks

RISK	DEFINITION	DISCLOSURE	REPORT REFERENCE
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. It includes fraud and criminal activity (internal and external), project risk, legal risk, business continuity, information and IT risk, process and human resources risk. Strategic, business and reputational risks are excluded from the definition.	• Assessment and management	Summary risk and capital management report
		• Pillar 3 disclosure requirements	Pillar 3 disclosure
Regulatory risk	The risk of statutory or regulatory sanction and material financial loss or reputational damage as a result of failure to comply with any applicable laws, regulations or supervisory requirements.	• Assessment and management • Pillar 3 disclosure requirements	Summary risk and capital management report and Pillar 3 disclosure
Strategic risk	The risk to current or prospective earnings arising from inappropriate business decisions or the improper implementation of such decisions.	• Assessment and management • Pillar 3 disclosure requirements	Pillar 3 disclosure
Business risk	The risk to earnings and capital from potential changes in the business environment, client behaviour and technological progress. Business risk is often associated with volume and margin risk, and relates to the group's ability to generate sufficient levels of revenue to offset its costs.		
Model risk	The use of models presents model risk, which is the potential for adverse consequences from decisions based on incorrect or misused model outputs and reports. Model risk can lead to financial losses, poor business and strategic decision making, or damage to the group's reputation.		
Reputational risk	The risk of reputational damage due to compliance failures, pending litigations, underperformance or negative media coverage.		
Environmental and social risk	Relates to environmental and social issues which impact the group's ability to successfully and sustainably implement business strategy.	• Governance and assessment	Environmental and social risk report on www.firstrand.co.za

CAPITAL MANAGEMENT

INTRODUCTION AND OBJECTIVES

The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group's solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity and a sustainable dividend policy.

CAPITAL ADEQUACY AND PLANNING

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

The group continues to focus on maintaining strong capital and leverage levels, with focus on the quality of capital and optimisation of the group's RWA and capital mix during the transitional period of Basel III implementation.

The group comfortably operated above its capital and leverage targets during the year. No changes were made to current internal targets. The table below summarises the group's capital and leverage ratios at 30 June 2017.

Composition of capital analysis

R million	CET1 capital	Tier 1 capital	Total qualifying capital
Internal targets	**10% – 11%**	**> 12%**	**> 14%**
2017			
Including unappropriated profits	**105 737**	**110 035**	**126 191**
Risk weighted assets	**738 386**	**738 386**	**738 386**
Capital adequacy (%)	**14.3**	**14.9**	**17.1**
2016			
Including unappropriated profits	97 283	101 970	117 811
Risk weighted assets	698 732	698 732	698 732
Capital adequacy (%)	13.9	14.6	16.9

Leverage position

%	2017	2016
Internal target	**>5.0**	
Including unappropriated profits	**8.6**	8.4

Capital adequacy for the group's regulated subsidiaries and foreign branches

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

CREDIT RISK

INTRODUCTION AND OBJECTIVES

Credit risk arises primarily from advances and certain investment securities. Other sources of credit risk include reinsurance assets, cash and cash equivalents, accounts receivable and derivative balances.

The goal of credit risk management is to maximise the group's measure of economic profit, NIACC, within acceptable levels of earnings volatility by maintaining credit risk exposure within acceptable parameters.

Credit risk management objectives are two-fold:

- **Risk control:** Appropriate limits are placed on the assumption of credit risk and steps taken to ensure the accuracy of credit risk assessments and reports. Deployed and central credit risk management teams fulfil this task.
- **Management:** Credit risk is taken within the constraints of the risk appetite framework. The credit portfolio is managed at an aggregate level to optimise the exposure to this risk. Business units and deployed risk functions, overseen by the group credit risk management function in ERM and relevant board committees, fulfil this role.

Based on the group's credit risk appetite, as measured on a ROE, NIACC and volatility-of-earnings basis, credit risk management principles include holding the appropriate level of capital and pricing for risk on an individual and portfolio basis. The scope of credit risk identification and management practices across the group, therefore, spans the credit value chain, including risk appetite, credit origination strategy, risk quantification and measurement as well as collection and recovery of delinquent accounts.

CREDIT RISK PROFILE* (AUDITED)

R million	2017	2016
Gross advances	**909 646**	867 562
Credit loss ratio (%)	**0.91**	0.86
NPLs as % of advances	**2.41**	2.45
Specific coverage ratio (%)**	**38.8**	38.6
Total impairments coverage ratio (%)	**75.5**	75.9
Performing book coverage ratio (%)	**0.91**	0.94

* *These metrics are on an IFRS basis.*

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

IFRS 9 UPDATE

The group is well positioned to implement IFRS 9 for the financial year ending 30 June 2019. The group established a steering committee in 2015, which is supported by a number of working groups that have made good progress in setting accounting policies, determining the classification of instruments under IFRS 9, developing pilot models for estimating expected credit losses and designing reporting templates.

The group has developed and/or amended applicable credit and accounting policies to incorporate the new requirements of IFRS 9. In addition, group-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 group. This will ensure that movement of customer accounts through impairment stages is applied consistently.

The group will be adopting the PD/LGD approach for the calculation of expected credit losses (ECL) for material advances and a simplified approach for less material balances such as certain exposures within the rest of Africa and non-advances e.g. accounts receivable. The ECL will be based on a probability-weighted average of multiple macroeconomic scenarios. Appropriate ECL models have been developed, including underlying PD, LGD and EAD models. All required models are being developed within the group, and are validated independently both internally (ERM) and externally by the group's external auditors. Model development has been guided by appropriate frameworks, which articulate minimum required standards and reference industry 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.

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 assessments have been performed on a six-monthly basis since the formal inception of the IFRS 9 project in 2015 and the group continues to refine the calculations. Some models are still in development whilst others are in the process of independent validation.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Aligned credit origination strategies to the group's macroeconomic outlook with particular reference to low economic growth and lack of employment growth. • Reviewed counterparty ratings impacted by the sovereign downgrade and re-assessed associated origination strategies. • Continued roll-out of the group's IFRS 9 programme, focusing on model development and validation against established group frameworks. • Implemented model risk management software to enhance model risk management practices across the credit value chain. • Continued to roll-out minimum requirements and data architecture refinements related to BCBS 239. • Continued to focus on and strengthen credit risk management disciplines across the subsidiaries in the rest of Africa.	• Ongoing review of risk appetite and credit origination strategies, as macroeconomic prospects unfold. • Continue to monitor sovereign rating prospects, and the ratings of associated entities, with proactive revisions where required. • Complete validation of IFRS 9 credit models and implement in production and complete end-to-end parallel runs. • Continue to invest in people, systems and processes related to credit model risk management to ensure appropriate governance with increasing model complexity. • Continue to roll-out data architecture refinements related to BCBS 239.

ASSESSMENT AND MANAGEMENT

Credit risk is managed through the implementation of comprehensive policies, processes and controls to ensure a sound credit risk management environment with appropriate credit granting, administration, measurement, monitoring and reporting of credit risk exposure. Credit risk management across the group is split into three distinct portfolios: retail, commercial and corporate, and are aligned to customer profiles.

The assessment of credit risk across the group relies on internally-developed quantitative models for addressing regulatory and business needs. The models are used for the internal assessment of the three primary credit risk components:

- probability of default (PD);
- exposure at default (EAD); and
- loss given default (LGD).

Management of the credit portfolio is reliant on these three credit risk measures. PD, EAD and LGD are inputs into the portfolio and group-level credit risk assessment where the measures are combined with estimates of correlations between individual counterparties, industries and portfolios to reflect diversification benefits across the portfolio.

The group employs a granular, 100-point master rating scale, which has been mapped to the continuum of default probabilities, as illustrated in the following table. FirstRand (FR)1 is the lowest PD and FR100 the highest. External ratings have also been mapped to the master rating scale for reporting purposes. These mappings are reviewed and updated on a regular basis.

Mapping of FR grades to rating agency scales

FirstRand rating	Midpoint PD	International scale mapping*
1 – 14	**0.06%**	**AAA, AA, A**
15 – 25	**0.29%**	**BBB**
26 – 32	**0.77%**	**BB+, BB**
33 – 39	**1.44%**	**BB-**
40 – 53	**2.52%**	**B+**
54 - 83	**6.18%**	**B**
84 – 90	**13.68%**	**B-**
91 – 99	**59.11%**	**Below B-**
100	**100%**	**D (Defaulted)**

* *Indicative mapping to the international rating scales of S&P Global Ratings (S&P). The group currently only uses mapping to S&P's rating scales.*

RATING PROCESS

The group employs a consistent rating process differentiated by the type of counterparty and the type of model employed. For example, retail portfolios are segmented into homogeneous pools in an automated process. Based on the internal product level data, PDs are then estimated (and continuously updated) for each pool. The following table summarises the processes and approaches employed and provides an overview of the types of exposures within each portfolio.

PORTFOLIO	MODEL TYPE	MODEL DESCRIPTIONS
Large corporate portfolios (RMB and WesBank) Private sector counterparties including corporates and securities firms, and public sector counterparties. Products include loan facilities, structured finance facilities, contingent products and derivative instruments.	**PD**	• Internally developed statistical rating models using internal and external data covering full economic cycles is used and results supplemented with qualitative assessments based on international rating agency methodologies. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments are made to ratings to reflect information not captured by the models.
	LGD	• LGD estimates are based on modelling a combination of internal and suitably adjusted international data with the wholesale credit committee responsible for reviewing and approving LGDs. The LGD models consider the type of collateral underlying the exposure.
	EAD	• EAD estimates are based on suitably adjusted international data. The credit conversion factor approach is typically used to inform the EAD estimation process. The same committee process responsible for reviewing and approving PDs is applied to the review and approval of EADs.
Low default portfolios: sovereign and bank exposures South African and non-South African banks, local and foreign currency sovereign and sub-sovereign exposures.	**PD**	• PDs are based on internally-developed statistical and expert judgement models, which are used in conjunction with external rating agency ratings and structured peer group analysis to determine final ratings. PD models are calibrated using external default data and credit spread market data. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments are made to ratings to reflect information not captured by the models.
	LGD	• LGD estimates are based on modelling a combination of internal and suitably adjusted international data with the same committee process responsible for reviewing and approving LGDs as for PDs. The LGD models consider the type of collateral underlying the exposure.
	EAD	• Estimation is based on regulatory guidelines with credit conversion factors used, as appropriate. External data and expert judgement are used due to the low default nature of the exposures.

PORTFOLIO	MODEL TYPE	MODEL DESCRIPTIONS
Specialised lending portfolios (RMB, FNB commercial) Exposures to private-sector counterparties for the financing of project finance, high volatility commercial real estate, and income-producing real estate.	**PD**	• The rating systems are based on hybrid models using a combination of statistical cash flow simulation models and qualitative scorecards calibrated to a combination of internal data and external benchmarks. • All ratings (and associated PDs) are reviewed by the wholesale credit committee and, if necessary, final adjustments are made to ratings to reflect information not captured by the models.
	LGD	• The LGD estimation process is similar to that followed for the PD with simulation and expert judgement used as appropriate.
	EAD	• EAD estimates are based on internal as well as suitably adjusted external data. The credit conversion factor approach is typically used to inform the EAD estimation process.
Commercial portfolios (FNB commercial) Exposures to SME corporate and retail clients. Products include loan facilities, contingent products and term lending products.	**PD**	• **SME corporate** – counterparties are scored using financial statement information in addition to other internal risk drivers, the output of which is calibrated to internal historical default data. • **SME retail** – the SME retail portfolio is segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status. PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• **SME corporate** – recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data and Basel guidelines. • **SME retail** – LGD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
	EAD	• **SME corporate** – portfolio-level credit conversion factors are estimated on the basis of the group's internal historical experience and benchmarked against international studies. • **SME retail** – EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
Residential mortgages (FNB HomeLoans, One Account, FNB housing finance and wealth (RMB Private Bank and FNB Private Clients)) Exposures to individuals for the financing of residential properties.	**PD**	• Portfolios/products are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• LGD estimates are based on subsegmentation with reference to collateral or product type, time in default and post-default payment behaviour. Final estimates are based on associated analyses and modelling of historical internal loss data.
	EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.

PORTFOLIO	MODEL TYPE	MODEL DESCRIPTIONS
Qualifying revolving retail exposures (FNB card, FNB value banking solutions and wealth) Exposures to individuals providing a revolving limit through credit card or overdraft facility.	**PD**	• Portfolios/products are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• LGD estimates are based on subsegmentation with reference to product type. Final estimates are based on associated analyses and modelling of historical internal loss data.
	EAD	• EAD measurement plays a significant role in the assessment of risk due to the typically high level of undrawn facilities characteristic of these product types. EAD estimates are based on actual historic EAD, segmented appropriately, e.g. straight *versus* budget in the case of credit cards.
Other exposures (FNB personal loans, WesBank loans and WesBank vehicle and asset finance (VAF)).	**PD**	• Portfolios/products are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each subpool based on internal product-level history associated with the respective homogeneous pools and subpools.
	LGD	• LGD estimates are based on subsegmentation with reference to collateral (in the case of WesBank VAF) or product type and time in default. Final estimates are based on associated analyses and modelling of historical internal loss data.
	EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.

The following tables provide the main parameters used for the calculation of capital requirements for the exposures in the advanced internal ratings-based (AIRB) models split by asset class and shown within fixed regulatory PD ranges. These exposures are for **FirstRand Bank (SA)**, where the AIRB models are applied. The information provided in the different columns are explained as follows:

- regulatory supplied credit conversion factors (CCF) are used;
- number of obligors corresponds to the number of counterparties in the PD band;
- average PD and LGD are weighted by EAD;
- average maturity is the obligor maturity in years weighted by EAD;
- RWA density is the total RWA to EAD post credit risk mitigation (CRM); and
- provisions are only included on a total basis.

A breakdown of credit exposures per portfolio by PD range is included in the Pillar 3 disclosure on www.firstrand.co.za/investorpages.aspx.

CREDIT RISK EXPOSURES

FirstRand Bank (SA) advanced internal ratings-based approach credit risk exposures by portfolio and PD range

	Total FirstRand Bank (SA)					
	As at 30 June 2017					
PD scale	Original on-balance sheet gross exposure R million	Off-balance sheet exposures pre-CCF R million	Average CCF %	EAD post-CRM and post-CCF R million	Average PD %	Number of obligors
0.00 to < 0.15	153 312	28 845	39.70	149 364	0.02	205 679
0.15 to < 0.25	86 617	50 355	49.46	101 192	0.18	114 571
0.25 to < 0.50	158 064	66 025	43.12	174 022	0.36	327 244
0.50 to < 0.75	73 797	24 050	49.44	84 033	0.66	444 836
0.75 to < 2.50	249 161	51 953	53.04	256 941	1.54	1 683 646
2.50 to < 10.00	128 314	21 462	28.95	139 951	4.79	2 776 791
10.00 to < 100.00	31 065	2 279	49.51	32 220	26.89	991 481
100.00 (default)	18 354	33	18.20	18 847	100.0	1 166 850
Total	**898 684**	**245 002**	**45.56**	**956 570**	**4.14**	**7 711 098**

	Total FirstRand Bank (SA)					
	As at 30 June 2017					
PD scale	Average LGD %	Average maturity Years	RWA R million	RWA density %	Expected loss R million	Provisions R million
0.00 to < 0.15	30.37	2.11	8 382	5.61	11	
0.15 to < 0.25	31.41	1.62	25 691	25.39	56	
0.25 to < 0.50	27.67	1.35	55 042	31.63	178	
0.50 to < 0.75	26.29	0.97	27 409	32.62	151	
0.75 to < 2.50	26.15	0.74	107 171	41.71	1 086	
2.50 to < 10.00	35.57	0.53	94 328	67.40	2 468	
10.00 to < 100.00	40.00	0.39	36 621	113.66	3 495	
100.00 (default)	40.69	0.51	16 191	85.90	6 524	
Total	**29.79**	**1.13**	**370 835**	**38.77**	**13 969**	**13 239**

FirstRand Bank (SA) advanced internal ratings-based approach credit risk exposures by portfolio and PD range continued

	Total FirstRand Bank (SA)					
	As at 30 June 2016					
PD scale	Original on-balance sheet gross exposure R million	Off-balance sheet exposures pre-CCF R million	Average CCF %	EAD post-CRM and post-CCF R million	Average PD %	Number of obligors
0.00 to < 0.15	202 581	31 089	57.59	157 192	0.07	140 981
0.15 to < 0.25	46 826	35 929	55.70	80 116	0.21	102 951
0.25 to < 0.50	88 503	54 821	51.59	110 293	0.37	265 777
0.50 to < 0.75	52 241	20 910	56.10	63 088	0.61	519 395
0.75 to < 2.50	271 490	63 381	57.73	293 256	1.46	2 570 708
2.50 to < 10.00	158 973	21 085	56.08	144 513	4.34	1 919 358
10.00 to < 100.00	32 786	4 214	31.86	34 168	28.76	1 204 366
100.00 (default)	16 133	86	79.20	16 123	100.00	1 073 723
Total	869 533	231 515	55.18	898 749	4.18	7 797 259

	Total FirstRand Bank (SA)					
	As at 30 June 2016					
PD scale	Average LGD %	Average maturity Years	RWA R million	RWA density %	Expected loss R million	Provisions R million
0.00 to < 0.15	28.35	1.55	15 489	9.85	53	
0.15 to < 0.25	34.96	1.80	23 127	28.87	43	
0.25 to < 0.50	26.09	1.31	30 452	27.61	98	
0.50 to < 0.75	31.40	0.96	21 326	33.80	111	
0.75 to < 2.50	26.32	0.99	109 919	37.48	1 033	
2.50 to < 10.00	37.19	1.37	100 210	69.34	2 211	
10.00 to < 100.00	38.73	0.85	37 560	109.93	3 788	
100.00 (default)	41.08	1.46	12 204	75.69	6 047	
Total	30.26	1.26	350 287	38.97	13 384	13 157

FUNDING AND LIQUIDITY RISK

INTRODUCTION AND OBJECTIVES

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

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

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

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

Liquidity risk arises from all assets and liabilities with differing maturity profiles.

LIQUIDITY RISK PROFILE

	FirstRand	
R billion	2017	2016
High quality liquid assets (HQLA)		
– Cash and deposit with central banks	**35**	32
– Government bonds and bills	**98**	83
– Other liquid assets	**34**	42
Total HQLA	**167**	157
LCR %	**97**	96

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• During the year, the deposit franchise grew 8%, with institutional and other funding increasing by 5%. • Innovative customer deposit products showed strong growth, supporting the group's strategy to grow its deposit franchise. • Provisional directive on the NSFR in November 2015 has subsequently been issued as directive 4 of 2016 in August 2016. The SARB has applied their discretion in relation to the treatment of deposits with maturity of up to 6 months received from financial institutions. The NSFR framework assigns a 0% available stable funding factor to these funds whereas the SARB has elected to apply a 35% factor. It is anticipated that this change will significantly assist the South African banking sector in meeting NSFR requirements. On a pro forma basis FirstRand expects that it would exceed the minimum requirements.	• Continue to focus on the Basel III liquidity regime with emphasis on both funding and market liquidity risk management. • Further optimise and diversify the funding profile on a risk-adjusted basis in line with Basel III and LCR requirements. • Continue to focus on growing the deposit franchise through innovative products and improve the risk profile of institutional funding. • Continue to optimise the group's market liquidity risk profile by developing execution platforms for additional funding sources.

ASSESSMENT AND MANAGEMENT

The group focuses on continuously monitoring and analysing the potential impact of other risks and events on the funding and liquidity position of the group to ensure business activities preserve and improve funding stability. This ensures the group is able to operate through periods of stress when access to funding is constrained.

Mitigation of market and funding liquidity risks is achieved via contingent liquidity risk management. Buffer stocks of high quality, highly liquid assets are held either to be sold into the market or provide collateral for loans to cover any unforeseen cash shortfall that may arise.

The group's approach to liquidity risk management distinguishes between structural, daily and contingency liquidity risk management across all currencies and various approaches are employed in the assessment and management of these on a daily, weekly and monthly basis.

STRUCTURAL LIQUIDITY RISK	DAILY LIQUIDITY RISK	CONTINGENCY LIQUIDITY RISK
Managing the risk that structural, long-term on- and off-balance sheet exposures cannot be funded timeously or at reasonable cost.	Ensuring that intraday and day-to-day anticipated and unforeseen payment obligations can be met by maintaining a sustainable balance between liquidity inflows and outflows.	Maintaining a number of contingency funding sources to draw upon in times of economic stress.

Regular and rigorous stress tests are conducted on the funding profile and liquidity position as part of the overall stress testing framework with a focus on:

- quantifying the potential exposure to future liquidity stresses;
- analysing the possible impact of economic and event risks on cash flows, liquidity, profitability and solvency position; and
- proactively evaluating the potential secondary and tertiary effects of other risks on the group.

MARKET RISK IN THE TRADING BOOK

INTRODUCTION AND OBJECTIVES

The group distinguishes between **market risk in the trading book** and **non-traded market risk**. For non-traded market risk, the group distinguishes between **interest rate risk in the banking book (IRRBB)** and **structural foreign exchange risk**.

The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant businesses in RMB function as the centres of expertise with respect to all market risk-related activities. Market risk is managed and contained within the group's appetite. Overall diversified levels of market risk have remained fairly low during the last few years, with this trend continuing over the year under review. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk.

Market risk in the trading book includes interest rate risk in the trading book, traded equity and credit risk, commodity risk, foreign exchange risk and interest rate risk in the RMB banking book which is managed as part of the trading book.

MARKET RISK IN THE TRADING BOOK PROFILE

Traded market risk VaR exposure per asset class for the group excluding subsidiaries in the rest of Africa (excluding diversification effects across jurisdictions)

%

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Overall diversified levels of market risk increased over the year. There are no significant concentrations in the portfolio. • The increase in market risk across the group emanated mainly from the local portfolio.	• Given the impending regulatory changes regarding BCBS's documents, *Fundamental review of the trading book* and BCBS 239, RMB is reviewing the current target operating platform for market risk, considering platform capabilities across both front office and risk areas, and aligning market risk processes, analysis and reporting in line with these requirements.

ASSESSMENT AND MANAGEMENT

Management and monitoring of the FirstRand domestic banking book is split between the RMB book and the remaining domestic banking book. RMB manages the majority of its banking book under the market risk framework, with risk measured and monitored in conjunction with the trading book and management oversight provided by the market and investment risk committee. The RMB banking book interest rate risk exposure was R56.8 million on a 10-day expected tail loss (ETL) basis at 30 June 2017 (2016: R95.3 million). Interest rate risk in the remaining domestic banking book is discussed in the *interest rate risk in the banking book* section.

The risk related to market risk-taking activities is measured as the higher of the group's internal ETL measure (as a proxy for economic capital) and regulatory capital based on Value-at-Risk (VaR) plus stressed VaR (sVaR).

ETL	The internal measure of risk is an ETL metric at the 99% confidence level under the full revaluation methodology using historical risk factor scenarios (historical simulation method). In order to accommodate the regulatory stress loss imperative, the set of scenarios used for revaluation of the current portfolio comprises historical scenarios which incorporate both the past 260 trading days and at least one static period of market distress observed in history (2008/2009). The choice of period 2008/2009 is based on the assessment of the most volatile period in recent history. ETL is liquidity adjusted for illiquid exposures. Holding periods, ranging between 10 and 90 days or more, are used in the calculation and are based on an assessment of distressed liquidity of portfolios.
VaR	VaR is calculated at the 99%, 10-day actual holding period level using data from the past 260 trading days.

NON-TRADED MARKET RISK

For non-traded market risk, the group distinguishes between **IRRBB** and **structural foreign exchange risk**.

RISK AND JURISDICTION	RISK MEASURE	MANAGED BY
Interest rate risk in the banking book		
Domestic – FNB, WesBank and FCC balance sheet	• 12-month earnings sensitivity; and • economic sensitivity of open risk position.	Group Treasury
Subsidiaries in rest of Africa and international branches	• 12-month earnings sensitivity; and • economic sensitivity of open risk position.	In-country management
Structural foreign exchange risk		
Group	• total capital in a functional currency other than rand; • impact of translation back to rand reflected in group's income statement; and • foreign currency translation reserve value.	Group Treasury

Interest rate risk in the banking book

INTRODUCTION AND OBJECTIVES

IRRBB originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.

IRRBB PROFILE

The following tables show the 12-month NII sensitivity for sustained, instantaneous parallel 200 bps downward and upward shocks to interest rates. The decreased sensitivity is attributable to the level of strategic hedges put in place to manage the margin impact of the capital and deposit endowment books through the cycle. At 30 June 2017, the book was positioned to benefit from further interest rate hikes, whilst protecting against rate uncertainty. Given current uncertainty on the length and extent of the hiking cycle, the endowment book is actively managed.

Projected NII sensitivity to interests rate movements (audited)

	FirstRand	
R million	2017	2016
Downward 200 bps	**(2 066)**	(2 319)
Upward 200 bps	**1 366**	1 856

The bulk of the NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R192 billion for the year. Total sensitivity in the group is measured to rand rate moves and to local currency moves in the subsidiaries in the rest of Africa.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
- There was no change in the monetary policy rate in the current financial year. The last change in interest rates was in March 2016 when the policy rate was increased by 25 bps.	- The BCBS, through the task force for IRRBB, has published a more robust regulation for IRRBB which is due to be implemented by December 2017. The group is addressing these new requirements. - Given current uncertainty about the level and direction of future interest rates, the endowment book remains actively managed.

ASSESSMENT AND MANAGEMENT

FirstRand Bank (South Africa)

The measurement techniques used to monitor IRRBB include NII sensitivity/earnings risk and NAV/economic value of equity (EVE). A repricing gap is also generated to better understand the repricing characteristics of the balance sheet. In calculating the repricing gap, all banking book assets, liabilities and derivative instruments are placed in gap intervals based on repricing characteristics. The repricing gap, however, is not used for management decisions.

The internal funds transfer pricing process is used to transfer interest rate risk from the franchises to Group Treasury. This process allows risk to be managed centrally and holistically in line with the group's macroeconomic outlook. Management of the resultant risk position is achieved by balance sheet optimisation or through the use of derivative transactions. Derivative instruments used are mainly interest rate swaps, for which a liquid market exists. Where possible, hedge accounting is used to minimise accounting mismatches, thus ensuring that amounts deferred in equity are released to the income statement at the same time as movements attributable to the underlying hedged asset/liability. Interest rate risk from the fixed-rate book is managed to low levels with remaining risk stemming from timing and basis risk.

Foreign operations

Management of subsidiaries in the rest of Africa and international branches is performed by in-country management teams with oversight provided by Group Treasury and FCC Risk Management. For subsidiaries, earnings sensitivity measures are used to monitor and manage interest rate risk in line with the group's appetite. Where applicable, PV01 and ETL risk limits are also used for endowment hedges.

Sensitivity analysis

A change in interest rates impacts both the earnings potential of the banking book (as underlying assets and liabilities reprice to new rates), as well as in the economic value/NAV of an entity (as a result of a change in the fair value of any open risk portfolios used to manage the earnings risk). The role of management is to protect both the financial performance as a result of a change in earnings and to protect the long-term economic value. To achieve this, both earnings sensitivity and economic sensitivity measures are monitored and managed within appropriate risk limits and appetite levels, considering the macroeconomic environment and factors which would cause a change in rates.

Structural foreign exchange risk

INTRODUCTION AND OBJECTIVES

Structural foreign exchange risk arises as a result of the group's offshore operations with a functional currency other than the South African rand, and is the risk of a negative impact on the group's financial position, earnings, or other key ratios as a result of negative translation effects.

The group is exposed to foreign exchange risk both as a result of on-balance sheet transactions in a currency other than the rand, as well as through structural foreign exchange risk from the translation of foreign entities' results into rand. The impact on equity as a result of structural foreign exchange risk is recognised in the foreign currency translation reserve balance, which is included in qualifying capital for regulatory purposes.

Structural foreign exchange risk as a result of net investments in entities with a functional currency other than rand is an unavoidable consequence of having offshore operations and can be a source of both investor value through diversified earnings, as well as unwanted volatility as a result of rand fluctuations. Group Treasury is responsible for actively monitoring the net capital invested in foreign entities, as well as the currency value of any capital investments and dividend distributions. Reporting and management for the group's foreign exchange exposure and macro prudential limit utilisation is centrally owned by Group Treasury as the clearer of all currency positions in the group. Group Treasury is also responsible for oversight of structural foreign exchange risk with reporting through to group ALCCO, a subcommittee of the RCC committee.

STRUCTURAL FOREIGN EXCHANGE PROFILE

Net structural foreign exposures (audited)

	FirstRand	
R million	**2017**	2016
Total net foreign exposure	**21 331**	21 416
Impact on equity from 15% currency translation shock	**3 198**	3 213

Year under review and focus areas

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Continued to strengthen principles regarding the management of foreign exchange positions and funding of the group's foreign entities. • Monitored the net open forward position in foreign exchange exposure against limits in each of the group's foreign entities.	• Continue to assess and review the group's foreign exchange exposures and enhance the quality and frequency of reporting.

ASSESSMENT AND MANAGEMENT

The ability to transact on-balance sheet in a currency other than the home currency (rand) is governed by in-country macro-prudential and regulatory limits. In the group, additional board limits and management appetite levels are set for this exposure. The impact of any residual on-balance positions is managed as part of market risk reporting (see *market risk in the trading book* section). Group Treasury is responsible for consolidated group reporting and utilisation of these limits against approved limits and appetite levels.

Foreign exchange risk in the banking book comprises funding and liquidity management, and risk mitigating activities which are managed to low levels. To minimise funding risk across the group, foreign currency transactions are matched where possible, with residual liquidity risk managed centrally by Group Treasury (see *funding and liquidity risk* section). Structural foreign exchange risk impacts both the current NAV of the group as well as future profitability and earnings potential. Economic hedging is done where viable, given market constraints and within risk appetite levels. Where possible, hedge accounting is applied. Any open hedges are included as part of market risk in the trading book.

EQUITY INVESTMENT RISK

INTRODUCTION AND OBJECTIVES

Equity investment risk arises primarily from equity exposures from investment banking and private equity activities in RMB, e.g. exposures to equity risk arising from principal investments or structured lending. Where appropriate and attractive investment opportunities arise in FNB through lending activities to medium corporate clients, a memorandum of understanding has been put in place between RMB and FNB to co-invest in the investee entity, provided the arrangement is within approved mandates and policies and is aligned with group strategy.

Other sources of equity investment risk include strategic investments held by WesBank, FNB and FCC. These investments are, by their nature, core to the individual business' daily operations and are managed as such.

Ashburton Investments, which provides a wider asset management service, also contributes to equity investment risk. This risk emanates from long-term or short-term seeding activities both locally and offshore.

EQUITY INVESTMENT RISK PROFILE

	FirstRand					
	2017			2016		
R million	Listed investments	Unlisted investments	Total	Listed investments	Unlisted investments	Total
Carrying value of investments	**429**	**9 327**	**9 756**	595	9 449	10 044
Fair value	**429**	**15 049**	**15 478**	665	14 882	15 547
Sensitivity to 10% movement in market value on investment fair value (audited)			**238**			367

During the year, the private equity portfolio had a large realisation and acquired a number of new investments. The unrealised value of the private equity investment portfolio at 30 June 2017 decreased to R3.7 billion from R4.2 billion in 2016 due to realisations during the year, but remains significant. The 10% sensitivity movement is calculated on the carrying value of investments excluding investments subject to the ETL process and includes the carrying value of investments in associates and joint ventures.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Private Equity had a large realisation during the year and made several new investments. • Significant progress was made on the winding down of the RMB Resources portfolio, with only one non-performing exposure remaining.	• Focus on the disposal of the last remaining non-performing exposure in the RMB Resources portfolio. • Prepare for the introduction of the new BCBS standard relating to the treatment of investments in funds.

ASSESSMENT AND MANAGEMENT

The equity investment risk portfolio is managed through a rigorous evaluation and review process from inception to exit of a transaction. All investments are subject to a comprehensive due diligence, during which a thorough understanding of the target company's business, risks, challenges, competitors, management team and unique advantage or value proposition is developed.

For each transaction, an appropriate structure is put in place which aligns the interests of all parties involved through the use of incentives and constraints for management and the selling party. Where appropriate, the group seeks to take a number of seats on the company's board and maintains close oversight through monitoring of operations and financial discipline.

The investment thesis, results of the due diligence process and investment structure are discussed at the investment committee before final approval is granted. In addition, normal biannual reviews are carried out for each investment and crucial parts of these reviews, such as valuation estimates, are independently peer reviewed.

INSURANCE RISK

INTRODUCTION AND OBJECTIVES

The risk arises from the group's long-term insurance operations, underwritten through its subsidiary, FirstRand Life Assurance Limited (FirstRand Life).

FirstRand Life currently underwrites funeral policies, risk policies and credit life policies (against FNB credit products). These policies are all originated through the FNB franchise. The health cash plan was launched in October 2016.

Funeral policies pay benefits upon death of the policyholder and, therefore, expose the group to mortality risk. The underwritten risk policies and credit life policies further cover policyholders for disability and critical illness, which are morbidity risks. Credit life policies also cover retrenchment risk. As a result of these insurance risk exposures, the group is exposed to catastrophe risk, stemming from the possibility of an extreme event linked to any of the above.

For all of the above, the risk is that the decrement rates (e.g. mortality rates, morbidity rates, etc.) and associated cash flows are different from those assumed when pricing or reserving. Mortality, morbidity and retrenchment risk can further be broken down into parameter risk, random fluctuations and trend risk, which may result in the parameter value assumed differing from actual experience.

Over the past year, policies underwritten by FirstRand Life have become available through all of FNB's distribution channels. Some of these channels introduce the possibility of anti-selection which also impacts the level of insurance risk.

FirstRand Life also writes linked-investment policies distributed by Ashburton Investments. There is, however, no insurance risk associated with these policies as they are not guaranteed.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• Transfer of policies previously underwritten by MMI Holdings Limited and RMB Structured Life onto the FirstRand Life licence. • Initiated sales of all credit life products on the FirstRand Life licence. • Approval of risk appetite statements.	• Continue to monitor incidence rates, claims ratios and business mix of funeral sales. • Enhance IT risk capabilities to support the new policy system. • Operationalisation of risk appetite for insurance risk.

ASSESSMENT AND MANAGEMENT

The assessment and management of insurance risk is influenced by the frequency and severity of claims, especially if actual benefits paid are greater than originally estimated, and the subsequent impact on estimated long-term claims.

FirstRand Life manages the insurance risk of its funeral and credit life policies through monitoring incidence rates, claims ratios and business mix as policies are not underwritten and pricing is flat. Any other risk policies sold to a different target market will be underwritten. This will allow underwriting limits and risk-based pricing to be applied to manage the insurance risk. Where various channels introduce the risk of anti-selection, mix of business by channel is monitored. There is also a reinsurance agreement in place to manage catastrophe risk.

Rigorous and proactive risk management processes to ensure sound product design and accurate pricing include:

- independent model validation;
- challenging assumptions, methodologies and results;
- debating and challenging design, relevance, target market, market competitiveness and treating customers fairly;
- identifying potential risks;
- monitoring business mix and mortality risk of new business; and
- thoroughly reviewing policy terms and conditions.

OPERATIONAL RISK

INTRODUCTION AND OBJECTIVES

The group continuously evaluates and enhances existing frameworks, policies, methodologies, processes, standards, systems and infrastructure to ensure that the operational risk management practices are practical, adequate, effective, adaptable, and in line with regulatory developments and emerging best practice.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
- Established minimum standards for the risk management treatment of critical third-party service providers and key insourced arrangements. - Formalised risk acceptance through policy implementation. - Automated key risk drivers to assist in the identification of key risks. - Formalised actions with defined timelines for compliance with the Basel principles for risk data aggregation and reporting. - Reviewed contingency plans to manage business resilience risks associated with water supply shortages and mass protest action, given the current external environment. - Internal validation of the application and quality of operational risk management tools within business. - Ongoing review of key outsourcing arrangements. - Process automation projects continued to reduce manual processes and improve controls. - Upgrading key facilities and infrastructure with completion planned for 2018. - Continued to review and align risk mitigation strategies to combat cybercrime and ensure that controls are adequate and effective. - Refined processes, and improved data quality and records management practices. - Information governance now forms an integral part of the group's overall risk management framework.	- Enhance the quality and coverage of process-based risk, and control identification and assessments. - Enhance risk management procedures related to critical third parties, third-party outsourcing and key interfranchise insourcing. - Enhance value and use of operational risk management information and analysis to business. - Address gaps relating to BCBS 239. - Embed control testing as part of the responsibilities of the second line of control. - Prioritise operational risk management activities to support execution of strategy and strengthen key controls. - Enhance operational risk management awareness and skills within the organisation. - Assess risk management and measurement impact of changes to the BCBS's operational risk capital approach. - Align IT and related frameworks with changing business models and the technology landscape. - Conduct regular IT risk assessments to ensure improvement of identified gaps. - Improve information management capabilities and the control environment, and roll-out awareness programmes on records management, data quality and data privacy management.

ASSESSMENT AND MANAGEMENT

The group obtains assurance that the principles and standards in the operational risk management framework are being adhered to by the three lines of control model which is integrated in operational risk management. In this model, business units own the operational risk profile as the first line of control. In the second line of control, ERM is responsible for consolidated operational risk reporting, policy ownership and facilitation, and coordination of operational risk management and governance processes. GIA, as the third line of control, provides independent assurance on the adequacy and effectiveness of operational risk management processes and practices.

In line with international best practice, a variety of tools are employed and embedded in the assessment and management of operational risk.

A number of key risks exist for which specialised teams, frameworks, policies and processes have been established and integrated into the broader operational risk management and governance programmes. These include business resilience, legal risk, IT risk, information governance, fraud and security risks, and risk insurance. Insurance is not a mitigating factor in the calculation of capital.

The principal operational risks currently facing the group are:

- **commercial and violent crime** (including internal fraud);
- **information security risk** (risk of loss or theft of information), given the growing sophistication of cyberattacks globally;
- **business disruption** due to increased mass protest action and possible national water and electricity supply shortages, given its potential impact on operations; and
- **execution, delivery and process management risk** (the risk of process weaknesses and control deficiencies) as the business continues to grow and evolve.

REGULATORY RISK

INTRODUCTION AND OBJECTIVES

The group expects ethical behaviour that contributes to the overall objective of prudent regulatory compliance and risk management by striving to observe both the spirit and the letter of the law. Management's ownership and accountability contributes to this through providing responsible financial products and services, and treating customers fairly. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees. RRM's objective is to ensure business practice, policies, frameworks and approaches across the group are consistent with applicable laws and that regulatory risks are identified and proactively managed.

Compliance with laws and regulations applicable to its operations is critical to the group as non-compliance may have potentially serious consequences and lead to both civil and criminal liability, including penalties, claims for loss and damages, or restrictions imposed by regulatory authorities.

YEAR UNDER REVIEW AND FOCUS AREAS

YEAR UNDER REVIEW	RISK MANAGEMENT FOCUS AREAS
• The Financial Intelligence Centre Amendment Bill was signed into law by the President on 26 April 2017. The Minister of Finance, who must determine the commencement date, has recently pronounced on sections that took effect and announced that the remaining sections would be effective from 2 October 2017. In this regard, draft regulations and guidance has been published for comment whilst further transitional periods for implementation of related regulations and requirements will be agreed with the relevant regulatory authorities. • The Financial Sector Regulation Bill, was recently passed by the National Assembly after which it was sent to the President for acceptance. • The Regulations relating to Banks is currently in process of being amended in line with various new and/or revised internationally agreed frameworks and requirements.	• Continue to cooperate with regulatory authorities and other stakeholders. • Continue to make significant investments in people, systems and processes to manage risks emanating from the large number of new local and international regulatory requirements, including the Financial Intelligence Centre Act, National Credit Act, Financial Advisory and Intermediary Services Act and Protection of Personal Information Act. • Ongoing investment in systems, processes and resources to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation. • Strengthen focus on anti-bribery and corruption strategy and programmes to ensure compliance with both local and international regulatory instruments with extraterritorial reach. • Continue to focus on managing regulatory and conduct risk posed by clients and other external stakeholders. • Continue to focus on managing organisational culture risk detection, prevention and remediation, which supports regulatory risk management. • Ongoing focus on remediation actions required in respect of identified regulatory risk management matters, including matters identified by the SARB during its AML/CFT inspection, and AML/CFT compliance assessments by regulators in other jurisdictions such as Namibia, Botswana and Swaziland. • Continue to work closely with regulators and industry on the authenticated collections project; the main objective of which is to prevent debit order abuse. • Continue to manage risks associated with illicit cross-border flows.

ASSESSMENT AND MANAGEMENT

RRM's board mandate is to ensure full compliance with statutes and regulations. To achieve this, RRM has implemented appropriate structures, policies, processes and procedures to identify regulatory and supervisory risks. RRM monitors the management of these risks and reports on the level of compliance to the board and SARB. These include:

- risk identification through documenting which laws, regulations and supervisory requirements are applicable to the group;
- risk measurement through the development of risk management plans;
- risk monitoring and review of remedial actions;
- risk reporting; and
- providing advice on compliance-related matters.

Although independent of other risk management and governance functions, the RRM function works closely with the group's business units, the public policy and regulatory affairs office, GIA, ERM, external auditors, internal and external legal advisors, and the company secretary's office to ensure effective functioning of compliance processes.

PUBLIC POLICY AND REGULATORY AFFAIRS OFFICE

In line with the responsibilities of FirstRand as the group's holding company, the public policy and regulatory affairs office facilitates the process through which the board maintains an effective relationship with both local and international regulatory authorities for the group's regulated subsidiaries and branches. The office also provides the group with a central point of engagement, representation and coordination in respect of relevant regulatory and public policy-related matters at a strategic level. This function is differentiated from the existing and continuing engagement with regulators at an operational level, i.e. regulatory reporting, compliance and audit. Its main objective is to ensure that group and franchise executives are aware of key developments relating to public policy, legislation and regulation pertinent to the group's business activities. It also supports executives in developing the group's position on issues pertaining to government policy, proposed and existing legislation and regulation.

This office reports directly to the group CEO and deputy CEO and indirectly, through designated subcommittees, to the board and maintains close working relationships with RRM, ERM and business units where specific technical expertise resides.

FirstRand group summary consolidated financial statements

FirstRand group summary consolidated financial statements

DIRECTORS' RESPONSIBILITY STATEMENT

for the year ended 30 June 2017

These summary consolidated financial statements comprise a summary of the audited consolidated financial statements of the group for the year ended 30 June 2017 and have been audited by the group's external auditors, PricewaterhouseCoopers Inc. and Deloitte & Touche. Their opinion on the summary consolidated financial statements appears on page 160.

The summary consolidated financial statements are not the group's statutory financial statements and do not contain all the disclosures required by International Financial Reporting Standards (IFRS). Reading the summary consolidated financial statements is not a substitute for reading the audited consolidated financial statements of the group, as these do not contain sufficient information to allow for a complete understanding of the results and state of affairs of the group. The consolidated financial statements have been audited by the group's external auditors. Their unmodified report is available for inspection at the group's registered office.

The audited consolidated financial statements are available online at www.firstrand.co.za, or may be obtained from the company secretary.

BASIS OF PRESENTATION

FirstRand prepares its summary consolidated financial statements in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary Financial Statements (25 July 2011) which requires the summary consolidated financial statements to be prepared in accordance with:

- the framework concepts and the recognition and measurement requirements of IFRS, and also, at a minimum, contain the information required by *IAS 34 Interim Financial Reporting*;
- the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee;
- the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council; and
- requirements of the Companies Act, no 71 of 2008, as amended, applicable to summarised financial statements.

The consolidated financial statements, from which the summarised consolidated financial statements are extracted, are:

- prepared by applying accounting policies that are in accordance with IFRS;
- in accordance with the going concern principle;
- using the historical cost basis as modified by fair value accounting of certain assets and liabilities where required or permitted by IFRS; and
- presented in South African rand, which is the group's presentation currency.

The group voluntarily changed how it presents certain items of net interest income and non-interest revenue as well as the classification of certain credit investments and accrued interest on deposits. The change in presentation had no impact on the profit or loss or net asset value of the group and only affects the classification of items on the income statement and statement of financial position. The impacts on previously reported results are set out on pages 202 to 204.

Other than the changes in presentation described above, the accounting policies are consistent with those applied for the year ended 30 June 2016. No new or amended IFRS standards became effective for the year ended 30 June 2017 that had an effect on the group's reported earnings, financial position or reserves, or a material impact on the accounting policies.

The board acknowledges its responsibility to ensure the integrity of the summary consolidated financial statements. The board has applied its mind to the summary consolidated financial statements and believes that this document addresses all material issues and fairly presents the group's integrated performance and impacts.

Jaco van Wyk, CA(SA), supervised the preparation of the consolidated annual financial statements from which these summary consolidated annual financial statements are extracted. The consolidated annual financial statements were approved by the board of directors on 6 September 2017 and signed on its behalf by:

LL DIPPENAAR	**JP BURGER**
Chairman	CEO

2 October 2017

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Opinion

The summary consolidated financial statements of FirstRand Limited, set out on pages 165 to 204 of the annual integrated report, which comprise the summary consolidated statement of financial position as at 30 June 2017, the summary consolidated statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited consolidated financial statements of FirstRand Limited for the year ended 30 June 2017.

In our opinion, the accompanying summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements, in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary of Financial Statements (25 July 2011), which are set out in the basis of preparation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary consolidated financial statements

The summary consolidated financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated financial statements and the auditors' report thereon, therefore, is not a substitute for reading the audited consolidated financial statements and the auditors' report thereon. The summary consolidated financial statements and the audited consolidated financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited consolidated financial statements.

The audited consolidated financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated financial statements in our report dated 6 September 2017. That report also includes communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period.

Directors' responsibility for the summary consolidated financial statements

The directors are responsible for the preparation of the summary consolidated financial statements in accordance with the requirements of the JSE Limited as set out in the Guidance Letter: Summary of Financial Statements (25 July 2011), which are set out in the basis of preparation to the summary consolidated financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditor's responsibility

Our responsibility is to express an opinion on whether the summary consolidated financial statements are consistent, in all material respects, with the audited consolidated financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), *Engagements to Report on Summary Financial Statements*.

Deloitte & Touche

DELOITTE & TOUCHE
Per partner: Darren Shipp
Registered auditor

Woodlands Office Park
Johannesburg

2 October 2017

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: Francois Prinsloo
Registered auditor

2 Eglin Road
Johannesburg

2 October 2017

DIRECTORS' REPORT
for the year ended 30 June 2017

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company with a primary listing on the JSE Limited (JSE) (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of franchises comprises FNB, RMB, WesBank and Ashburton Investments and provides a universal set of transactional, lending, investment and insurance products and services. The FCC franchise represents group-wide functions.

Whilst the group is predominantly South African based, it has subsidiaries in Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Dubai, Kenya, Angola and China.

Refer to page 66 for a simplified group structure of the group.

INTEGRATED REPORT

The board acknowledges its responsibility for the integrity of this integrated report. Guidelines as provided by 2016 King Code have been adopted in preparation of this integrated report. The board believes that this report fairly represents the performance of the group.

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a total gross cash dividend totalling 255.0 cents per ordinary share out of income reserves for the year ended 30 June 2017.

DIVIDENDS

Ordinary shares

	Year ended 30 June	
Cents per share	2017	2016
Interim (declared 8 March 2017)	**119.0**	108.0
Final (declared 6 September 2017)	**136.0**	118.0
	255.0	226.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Tuesday 3 October 2017
Shares commence trading ex-dividend	Wednesday 4 October 2017
Record date	Friday 6 October 2017
Payment date	Monday 9 October 2017

Share certificates may not be dematerialised or rematerialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both days inclusive.

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

For South African shareholders who are subject to DWT, the net final dividend after deducting 20% tax will be 108.80000 cents per share.

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

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

B preference shares

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

Dividends declared and paid

	Preference dividends	
Cents per share	2017	2016
Period:		
1 September 2015 – 29 February 2016		366.5
1 March 2016 – 29 August 2016		394.7
30 August 2016 – 27 February 2017	**395.6**	
28 February 2017 – 28 August 2017	**393.6**	

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2017 are shown in note 3 to the group's summary financial statements in the annual integrated report.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS (AUDITED)

The following shareholders have a significant beneficial interest in FirstRand's issued ordinary shares.

%	2017	2016
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)	**34.1**	34.1
Public Investment Corporation	**9.1**	9.5
BEE partners	**5.2**	5.2*
Financial Securities Limited (Remgro)	**3.9**	3.9

* *Restated*

A further analysis of shareholders is set out on page 211.

EVENTS AFTER REPORTING PERIOD

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

DIRECTORATE

Details of the board of directors are on pages 76 to 78.

BOARD CHANGES

Movements in the directorate during the year under review.

		EFFECTIVE DATE
Appointments		
TS Mashego	Non-executive director	1 January 2017
HL Bosman	Non-executive director	3 April 2017
Resignations/retirements		
VW Bartlett	Independent non-executive director (retired)	29 November 2016
D Premnarayen	Independent non-executive director (retired)	29 November 2016
P Cooper	Alternate non-executive director (resigned)	30 April 2017
Change of designation		
AT Nzimande	Non-executive director	31 December 2016
AT Nzimande	Independent non-executive director	1 January 2017

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under cautionary or where participants have knowledge of price sensitive information. Similar prohibitions exist in respect of trading in RMB Holdings Limited shares because of the relative importance of FirstRand in the earnings of RMB Holdings Limited. All directors' dealings require the prior approval of the chairman and the company secretary retains a record of all such share dealings and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

Ordinary shares (audited)

	Direct beneficial (thousands)	Indirect beneficial (including held by associates) (thousands)	Indirect via RMBH (thousands)	Total 2017 (thousands)	Percentage holding %	Total 2016 (thousands)
Executive directors and prescribed officers						
JP Burger	504	6 117	1 670	**8 291**	0.15	8 291
AP Pullinger	4 550	35	–	**4 585**	0.08	4 311
HS Kellan	780	629	11	**1 420**	0.03	1 359
J Celliers	–	333	5	**338**	0.01	270
C de Kock	300	836	–	**1 136**	0.02	300
JR Formby	598	587	–	**1 185**	0.02	1 185
Non-executive directors						
VW Bartlett*	798	–	–	**798**	0.01	798
HL Bosman**	120	–	–	**120**	–	–
P Cooper#	1 731	891	5 127	**7 749**	0.14	7 749
LL Dippenaar	1 377	1 728	101 627	**104 732**	1.87	105 047
GG Gelink	102	–	–	**102**	–	102
PM Goss	1	–	16 401	**16 402**	0.29	16 393
NN Gwagwa	251	–	–	**251**	–	251
PK Harris	–	313	9 473	**9 786**	0.17	9 786
WR Jardine	–	232	11	**243**	–	243
RM Loubser	–	–	1 868	**1 868**	0.03	1 868
EG Matenge-Sebesho	–	77	–	**77**	–	77
BJ van der Ross	463	–	–	**463**	0.01	463
Total	11 575	11 778	136 193	**159 546**	2.83	158 493

* *Retired November 2016.*

** *Appointed April 2017.*

Resigned April 2017.

Directors' interests remained unchanged from the end of the financial year to the date of this report.

B preference shares (audited)

	Indirect beneficial (thousands)	Total 2017 (thousands)	Total 2016 (thousands)
Non-executive directors			
LL Dippenaar	250	**250**	250
Total	250	**250**	250

LL DIPPENAAR
Chairman

6 September 2017

JP BURGER
CEO

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88 (2) (E) OF THE COMPANIES ACT.

I declare that, to the best of my knowledge, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

C LOW
Company secretary

Sandton

2 October 2017

SUMMARY CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2017	2016*
Interest and similar income		**80 441**	71 561
Interest expense and similar charges		**(35 524)**	(29 520)
Net interest income before impairment of advances		**44 917**	42 041
Impairment and fair value of credit of advances	2	**(8 054)**	(7 159)
Net interest income after impairment of advances		**36 863**	34 882
Non-interest revenue		**40 922**	36 934
Income from operations		**77 785**	71 816
Operating expenses		**(44 585)**	(41 657)
Net income from operations		**33 200**	30 159
Share of profit of associates after tax		**757**	930
Share of profit of joint ventures after tax		**281**	526
Income before tax		**34 238**	31 615
Indirect tax		**(1 081)**	(928)
Profit before tax		**33 157**	30 687
Income tax expense		**(7 018)**	(6 612)
Profit for the year		**26 139**	24 075
Attributable to			
Ordinary equityholders		**24 572**	22 563
NCNR preference shareholders		**356**	342
Equityholders of the group		**24 928**	22 905
Non-controlling interests		**1 211**	1 170
Profit for the year		**26 139**	24 075
Earnings per share (cents)			
Basic		**438.2**	402.4
Diluted		**438.2**	402.4

* *Restated, refer to pages 202 to 204.*

SUMMARY CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	2017	2016
Profit for the year	**26 139**	24 075
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(150)**	118
(Losses)/gains arising during the year	**(141)**	144
Reclassification adjustments for amounts included in profit or loss	**(67)**	20
Deferred income tax	**58**	(46)
Available-for-sale financial assets	**(282)**	(504)
Losses arising during the year	**(397)**	(671)
Reclassification adjustments for amounts included in profit or loss	**(52)**	(6)
Deferred income tax	**167**	173
Exchange differences on translating foreign operations	**(1 633)**	567
(Losses)/gains arising during the year	**(1 633)**	567
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(157)**	87
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	**169**	(139)
Gains/(losses) arising during the year	**241**	(194)
Deferred income tax	**(72)**	55
Other comprehensive (loss)/income for the year	**(2 053)**	129
Total comprehensive income for the year	**24 086**	24 204
Attributable to		
Ordinary equityholders	**22 574**	22 665
NCNR preference shareholders	**356**	342
Equityholders of the group	**22 930**	23 007
Non-controlling interests	**1 156**	1 197
Total comprehensive income for the year	**24 086**	24 204

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2017	2016*	2015*
ASSETS				
Cash and cash equivalents		**68 483**	64 303	65 567
Derivative financial instruments		**35 459**	40 551	34 500
Commodities		**14 380**	12 514	7 354
Investment securities		**167 427**	142 648	137 366
Advances	1	**893 106**	851 405	779 171
– Advances to customers		**848 649**	808 699	751 366
– Marketable advances		**44 457**	42 706	27 805
Accounts receivable		**8 878**	10 152	8 009
Current tax asset		**147**	428	115
Non-current assets and disposal groups held for sale		**580**	193	373
Reinsurance assets		**89**	36	388
Investments in associates		**5 924**	4 964	5 781
Investments in joint ventures		**1 430**	1 344	1 282
Property and equipment		**17 512**	16 909	16 288
Intangible assets		**1 686**	1 569	1 068
Investment properties		**399**	386	460
Defined benefit post-employment asset		**5**	9	4
Deferred income tax asset		**2 202**	1 866	1 540
Total assets		**1 217 707**	1 149 277	1 059 266
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions		**15 276**	14 263	5 685
Derivative financial instruments		**44 403**	50 782	40 917
Creditors, accruals and provisions		**17 014**	17 141	17 529
Current tax liability		**277**	270	353
Liabilities directly associated with disposal groups held for sale		**195**	141	–
Deposits		**983 529**	920 074	865 616
– Deposits from customers		**715 101**	668 010	617 371
– Debt securities		**179 115**	153 727	158 171
– Asset-backed securities		**35 445**	29 305	28 574
– Other		**53 868**	69 032	61 500
Employee liabilities		**9 884**	9 771	9 734
Other liabilities		**6 385**	8 311	6 876
Policyholder liabilities		**3 795**	1 402	542
Tier 2 liabilities		**18 933**	18 004	12 497
Deferred income tax liability		**832**	1 053	913
Total liabilities		**1 100 523**	1 041 212	960 662
Equity				
Ordinary shares	3	**56**	56	56
Share premium	3	**7 960**	7 952	7 997
Reserves		**100 868**	91 737	82 725
Capital and reserves attributable to ordinary equityholders		**108 884**	99 745	90 778
NCNR preference shares		**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group		**113 403**	104 264	95 297
Non-controlling interests		**3 781**	3 801	3 307
Total equity		**117 184**	108 065	98 604
Total equity and liabilities		**1 217 707**	1 149 277	1 059 266

* *Restated, refer to pages 202 to 204.*

SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2015	56	7 997	**8 053**	(791)	190
Net proceeds of issue of share capital	–	–	**–**	–	–
Proceeds of issue of share capital	–	–	**–**	–	–
Share issue expenses	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	(45)	**(45)**	–	–
Total comprehensive income for the year	–	–	**–**	(139)	118
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2016	56	7 952	**8 008**	(930)	308
Net proceeds of issue of share capital	–	–	**–**	–	–
Proceeds of issue of share capital	–	–	**–**	–	–
Share issue expenses	–	–	**–**	–	–
Acquisition of subsidiaries	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Transfer from/(to) general risk reserves	–	–	**–**	–	–
Changes in ownership interest of subsidiaries	–	–	**–**	–	–
Consolidation of treasury shares	–	8	**8**	–	–
Total comprehensive income for the year	–	–	**–**	169	(150)
Vesting of share-based payments	–	–	**–**	–	–
Balance as at 30 June 2017	56	7 960	**8 016**	(761)	158

	Ordinary share capital and ordinary equityholders’ funds								
	Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	Reserves attributable to ordinary equity-holders	NCNR preference shares	Non-controlling interests	Total equity
	21	64	2 757	261	80 223	82 725	4 519	3 307	98 604
	–	–	–	–	–	–	–	39	39
	–	–	–	–	–	–	–	24	24
	–	–	–	–	–	–	–	15	15
	–	–	–	–	–	–	–	19	19
	5	–	–	20	(16)	9	–	10	19
	–	–	–	–	(12 608)	(12 608)	–	(761)	(13 369)
	–	–	–	–	–	–	(342)	–	(342)
	–	–	–	18	(18)	–	–	–	–
	–	–	–	–	(1 077)	(1 077)	–	(10)	(1 087)
	–	–	–	–	10	10	–	–	(35)
	–	(505)	553	75	22 563	22 665	342	1 197	24 204
	(17)	–	–	–	30	13	–	–	13
	9	(441)	3 310	374	89 107	91 737	4 519	3 801	108 065
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	–	–
	–	–	–	–	–	–	–	8	8
	3	–	–	195	(167)	31	–	81	112
	–	–	–	–	(13 294)	(13 294)	–	(1 099)	(14 393)
	–	–	–	–	–	–	(356)	–	(356)
	–	–	–	16	(16)	–	–	–	–
	–	–	–	–	(175)	(175)	–	(166)	(341)
	–	–	–	–	(8)	(8)	–	–	–
	–	(274)	(1 620)	(123)	24 572	22 574	356	1 156	24 086
	(3)	–	–	–	6	3	–	–	3
	9	(715)	1 690	462	100 025	100 868	4 519	3 781	117 184

SUMMARY CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	2017	2016*
Cash generated from operating activities		
Interest and fee commission receipts	**108 306**	95 004
Trading and other income	**2 857**	4 167
Interest payments	**(35 285)**	(28 933)
Other operating expenses	**(35 106)**	(33 417)
Dividends received	**5 971**	6 544
Dividends paid	**(13 650)**	(12 950)
Dividends paid to non-controlling interests	**(1 099)**	(761)
Cash generated from operating activities	**31 994**	29 654
Movement in operating assets and liabilities		
Liquid assets and trading securities	**(24 588)**	(4 009)
Advances	**(59 143)**	(69 673)
Deposits	**71 085**	44 788
Creditors (net of debtors)	**3 262**	(3 495)
Employee liabilities	**(5 337)**	(5 350)
Other liabilities	**(319)**	8 245
Taxation paid	**(8 237)**	(7 793)
Net cash generated from/(utilised by) operating activities	**8 717**	(7 633)
Cash flows from investing activities		
Acquisition of investments in associates	**(98)**	(187)
Proceeds on disposal of investments in associates	**38**	1 932
Acquisition of investments in joint ventures	**(44)**	–
Proceeds on disposal of investments in joint ventures	**17**	–
Acquisition of investments in subsidiaries	**(257)**	(181)
Proceeds on disposal of investments in subsidiaries	**1 815**	588
Acquisition of property and equipment	**(4 581)**	(4 135)
Proceeds on disposal of property and equipment	**514**	1 170
Acquisition of intangible assets and investment properties	**(434)**	(294)
Proceeds on disposal of intangible assets and investment properties	**–**	45
Proceeds on disposal of non-current assets held for sale	**170**	1 017
Net cash outflow from investing activities	**(2 860)**	(45)
Cash flows from financing activities		
(Redemption)/issue of other liabilities	**(1 675)**	1 587
Net proceeds from the issue of Tier 2 liabilities	**941**	5 486
Acquisition of additional interest in subsidiaries from non-controlling interests	**(162)**	(1 357)
Issue of shares of additional interest in subsidiaries to non-controlling interests	**–**	39
Net cash (outflow)/inflow from financing activities	**(896)**	5 755
Net increase/(decrease) in cash and cash equivalents	**4 961**	(1 923)
Cash and cash equivalents at the beginning of the year	**64 303**	65 567
Effect of exchange rate changes on cash and cash equivalents	**(763)**	663
Transfer to non-current assets held for sale	**(18)**	(4)
Cash and cash equivalents at the end of the year	**68 483**	64 303

* *Certain prior year numbers have been restated due to reclassifications. Cash in subsidiaries acquired or disposed of, previously disclosed in the cash reconciliation and not any specific activity, has been included under cash flows from investing activities (acquisition of investment in subsidiaries and proceeds on disposal of investments in subsidiaries). The net impact on the prior year is a decrease in net cash outflow from investing activities of R857 million.*

STATEMENT OF HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

for the year ended 30 June

	Earnings attributable R million		Cents per share	
	2017	2016	**2017**	2016
Headline earnings				
– Basic	**23 762**	22 387	**423.7**	399.2
– Diluted	**23 762**	22 387	**423.7**	399.2
Earnings attributable to ordinary equityholders				
– Basic	**24 572**	22 563	**438.2**	402.4
– Diluted	**24 572**	22 563	**438.2**	402.4
Dividends – ordinary				
– Interim			**119.0**	108.0
– Final declared/paid			**136.0**	118.0
Dividends – preference				
– Interim			**395.6**	366.5
– Final declared/paid			**393.6**	394.7

Weighted average number of shares

	2017	2016
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(1 480 934)**	(1 800 471)
– Shares for client trading	**(1 480 934)**	(1 800 471)
Weighted average number of shares in issue	**5 608 007 067**	5 607 687 530
Diluted weighted average number of shares in issue	**5 608 007 067**	5 607 687 530

The same weighted average number of shares was used for the diluted HEPS and diluted EPS as there are no potential dilutive ordinary shares in issue.

Headline earnings reconciliation

	2017		2016	
R million	Gross	Net	Gross	Net
Earnings attributable to ordinary equityholders		**24 572**		22 563
Adjusted for				
Gain on disposal of investment securities of a capital nature	**(3)**	**(3)**	(5)	(5)
Gain on disposal of available-for-sale assets	**(52)**	**(33)**	(6)	(8)
Losses on disposal of non-private equity associates	**5**	**5**	–	–
Impairment of non-private equity associates	**4**	**4**	–	–
Gains on disposal of investments in subsidiaries	**(1 817)**	**(1 361)**	(82)	(82)
Losses on reclassification of non-current assets and disposal groups held for sale which were not sold	**95**	**95**	–	–
Loss/(gains) on disposal of property and equipment	**14**	**10**	(148)	(118)
Impairment of goodwill	**119**	**119**	8	8
Fair value movement of investment properties	**–**	**–**	22	13
Impairment of assets in terms of IAS 36	**370**	**354**	47	16
Headline earnings attributable to ordinary equityholders		**23 762**		22 387

SELECTED NOTES TO THE SUMMARY CONSOLIDATED FINANCIAL STATEMENTS
for the year ended 30 June

1. ADVANCES

R million	Notes	2017	2016
Notional value of advances		**911 720**	869 247
Contractual interest suspended		**(2 074)**	(1 685)
Gross value of advances		**909 646**	867 562
Category analysis			
Overdrafts and cash management accounts		**78 742**	68 734
Term loans		**53 465**	50 881
Card loans		**25 870**	23 722
Instalment sales and hire purchase agreements		**180 625**	174 297
Lease payments receivable		**5 872**	7 865
Property finance		**234 381**	226 538
Personal loans		**40 639**	36 781
Preference share agreements		**44 459**	39 131
Assets under agreement to resell		**30 885**	43 005
Investment bank term loans		**139 294**	124 177
Long-term loans to group associates and joint ventures		**1 891**	1 861
Other		**29 066**	27 864
Total customer advances		**865 189**	824 856
Marketable advances		**44 457**	42 706
Gross value of advances		**909 646**	867 562
Impairment and fair value of credit of advances	2	**(16 540)**	(16 157)
Net advances		**893 106**	851 405

2. IMPAIRMENT AND FAIR VALUE OF CREDIT OF ADVANCES

	FNB		RMB		
R million	Retail	Commercial	Investment banking	Corporate banking	
Analysis of movement in impairment of advances per class of advance					
Balance as at 1 July 2015	4 587	1 188	3 679	428	
Amounts written off	(3 508)	(274)	(573)	(6)	
Disposals of subsidiaries	–	–	–	–	
Acquisitions/(disposals) of advances	–	–	29	–	
Transfers (to)/from other divisions	(62)	94	(154)	264	
Transfer from non-current assets or disposal groups held for sale	–	–	45	–	
Reclassifications	–	–	–	–	
Exchange rate differences	26	–	131	–	
Unwinding of discounted present value on NPLs	(66)	(2)	–	–	
Net new impairments created/(released)	4 587	430	551	162	
Balance as at 30 June 2016	5 564	1 436	3 708	848	
(Increase)/decrease in impairments	(4 587)	(430)	(551)	(162)	
Recoveries of bad debts previously written off	1 249	40	–	–	
Impairment (loss)/profit recognised in profit or loss	(3 338)	(390)	(551)	(162)	
Balance as at 1 July 2016	**5 564**	**1 436**	**3 708**	**848**	
Amounts written off	**(4 474)**	**(460)**	**(1 030)**	**(46)**	
Disposals of subsidiaries	**–**	**–**	**–**	**–**	
Disposals of advances	**–**	**–**	**–**	**–**	
Transfers (to)/from other divisions	**–**	**–**	**(4)**	**(5)**	
Transfer to non-current assets or disposal groups held for sale	**–**	**–**	**(39)**	**–**	
Reclassifications	**–**	**–**	**–**	**–**	
Exchange rate differences	**(28)**	**(1)**	**(69)**	**–**	
Unwinding of discounted present value on NPLs	**(97)**	**(3)**	**–**	**–**	
Net new impairments created/(released)	**5 382**	**586**	**400**	**138**	
Balance as at 30 June 2017	**6 347**	**1 558**	**2 966**	**935**	
(Increase)/decrease in impairments	**(5 382)**	**(586)**	**(400)**	**(138)**	
Recoveries of bad debts previously written off	**1 476**	**56**	**–**	**1**	
Impairment (loss)/profit recognised in profit or loss	**(3 906)**	**(530)**	**(400)**	**(137)**	

WesBank	FCC and other	Total impairment	Specific impairment	Portfolio impairment
3 380	1 111	14 373	7 033	7 340
(3 007)	–	(7 368)	(7 368)	–
–	–	–	–	–
(31)	–	(2)	(2)	–
(80)	(62)	–	–	–
–	–	45	45	–
–	–	–	191	(191)
(6)	–	151	133	18
(16)	–	(84)	(84)	–
3 607	(295)	9 042	8 270	772
3 847	754	16 157	8 218	7 939
(3 607)	295	(9 042)	(8 270)	(772)
594	–	1 883	1 883	–
(3 013)	295	(7 159)	(6 387)	(772)
3 847	**754**	**16 157**	**8 218**	**7 939**
(3 494)	**–**	**(9 504)**	**(9 504)**	**–**
–	**–**	**–**	**–**	**–**
–	**–**	**–**	**–**	**–**
8	**1**	**–**	**–**	**–**
(1)	**–**	**(40)**	**(40)**	**–**
–	**–**	**–**	**244**	**(244)**
(51)	**–**	**(149)**	**(83)**	**(66)**
3	**–**	**(97)**	**(97)**	**–**
4 017	**(350)**	**10 173**	**9 751**	**422**
4 329	**405**	**16 540**	**8 489**	**8 051**
(4 017)	**350**	**(10 173)**	**(9 751)**	**(422)**
586	**–**	**2 119**	**2 119**	**–**
(3 431)	**350**	**(8 054)**	**(7 632)**	**(422)**

3. SHARE CAPITAL AND SHARE PREMIUM

Share capital and share premium classified as equity

Authorised shares	2017	2016
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares – unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares – listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares – unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares – unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

	2017			2016		
Issued shares	Number of shares	Ordinary share capital R million	Share premium R million	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Treasury shares	**(311 919)**	**–**	**(96)**	(2 201 270)	–	(104)
Total issued share capital attributable to ordinary equityholders	**5 609 176 082**	**56**	**7 960**	5 607 286 731	56	7 952
B preference shares	**45 000 000**	**–**	**4 519**	45 000 000	–	4 519
Total issued share capital attributable to equityholders		**56**	**12 479**		56	12 471

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The shareholding of subsidiaries in FirstRand Limited was 0.01% (2016: 0.04%) of total issued ordinary shares and these shares have been treated as treasury shares.

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

4. CONTINGENCIES AND COMMITMENTS

R million	2017	2016
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**34 006**	34 733
Letters of credit	**6 731**	7 339
Total contingencies	**40 737**	42 072
Irrevocable commitments	**119 325**	101 418
Committed capital expenditure	**3 936**	4 264
Operating lease commitments	**3 779**	3 599
Other	**306**	379
Contingencies and commitments	**168 083**	151 732
Legal proceedings		
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis.		
Provision made for liabilities that are expected to materialise	**129**	93
Commitments		
Commitments in respect of capital expenditure and long-term investments by the directors	**3 936**	4 264

5. FAIR VALUE MEASUREMENTS

5.1 Valuation methodology

In terms of IFRS, the group is required to or elects to measure and/or disclose certain assets and liabilities at fair value. The group has established control frameworks and processes at a franchise level to independently validate its valuation techniques and inputs used to determine its fair value measurements. At a franchise level, 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 group level, and are responsible for overseeing the valuation control process and considering the appropriateness of the valuation techniques applied in fair value measurement. The valuation models and methodologies are subject to independent review and approval at a franchise level by the required valuation specialists, valuation committees and relevant risk committees annually or more frequently if considered appropriate.

Fair value measurements are determined by the group 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:

- the 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;
- IFRS 3 where assets and liabilities are measured at fair value at acquisition date; and
- IAS 36 where the recoverable amount is based on the fair value less costs to sell.

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

5. FAIR VALUE MEASUREMENTS *continued*

Financial instruments

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

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

Financial instruments not measured at fair value

This category includes 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 section 5.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

5.2 Fair value hierarchy and measurements

The group classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. 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 group cannot mark-to-market, it applies a mark-to-model approach, subject to valuation adjustments. Mark-to-model is defined as any valuation which has to be benchmarked, extrapolated or otherwise calculated from a market input. The group will consider the following in assessing whether a mark-to-model valuation is appropriate:

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

5. FAIR VALUE MEASUREMENTS *continued*

Measurement of assets and liabilities at level 2

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents.	Market interest rates and curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option, market related discount rate, forward rate and cap and floor volatility
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, curves, volatilities, dividends and share prices
Loans and advances to customers			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year, it may become significant in future. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates, curves and credit spreads
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 curves

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
Investment securities *continued*			
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves
Unlisted equities	Price earnings (P/E) model 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
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves
Treasury bills	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and curves
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. 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

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
Deposits *continued*			
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rates, foreign exchange rates and credit inputs
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates or performance of underlying
Policyholder liabilities under investment contracts			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplying this by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of the future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates and curves
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and curves

5. FAIR VALUE MEASUREMENTS *continued*

Measurement of assets and liabilities at level 3

The table below sets out the valuation techniques applied by the group 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 group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. PE ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable PE ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model 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 group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments

5. FAIR VALUE MEASUREMENTS *continued*

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	SIGNIFICANT UNOBSERVABLE INPUTS OF LEVEL 3 ITEMS
Investment properties	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period. The fair value changes unfavourably if the inverse occurs.	Income capitalisation rates
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 group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

5. FAIR VALUE MEASUREMENTS *continued*

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 previous table, 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 or 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 two business combination transactions resulting in investments in subsidiaries at 30 June 2017. The assets and liabilities of these subsidiaries were measured at fair value on acquisition date and classified as level 2 and 3 on the fair value hierarchy, depending on the nature of the assets and liabilities. Further details have been provided in note 7 of this report.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2017. The assets and liabilities in the disposal group were measured at fair value less costs to sell and classified as level 2 and level 3 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability. Further details have been provided in note 14 of FirstRand's annual financial statements.

During the current year impairments were recognised for assets that are measured at fair value on a non-recurring basis for further detail please refer to note 3 of FirstRand's annual financial statements.

During the prior year an investment in a joint venture was impaired. The impairment was as a result of the carrying amount exceeding the recoverable amount. The recoverable amount was determined as the fair value less costs to sell. Further detail has been provided in note 17 of FirstRand's annual financial statements.

5. FAIR VALUE MEASUREMENTS *continued*

5.2.1 Fair value hierarchy

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

	2017			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	268	35 183	8	35 459
Advances	–	31 236	199 179	230 415
Investment securities	86 118	38 931	2 230	127 279
Non-recourse investments	–	10 369	–	10 369
Commodities	14 380	–	–	14 380
Investment properties	–	–	399	399
Total fair value assets – recurring	100 766	115 719	201 816	418 301
Non-recurring fair value measurements				
Assets acquired in business combinations	–	49	166	215
Non-current assets and disposal groups held for sale	–	188	79	267
Total fair value assets – non-recurring	–	237	245	482
Liabilities				
Recurring fair value measurements				
Short trading positions	15 276	–	–	15 276
Derivative financial instruments	307	43 863	233	44 403
Deposits	1 962	75 482	536	77 980
Non-recourse deposits	–	10 369	–	10 369
Other liabilities	–	2 226	1 543	3 769
Policyholder liabilities under investment contracts	–	3 150	–	3 150
Total fair value liabilities – recurring	17 545	135 090	2 312	154 947
Non-recurring fair value measurements				
Liabilities acquired in business combinations	–	–	215	215
Liabilities associated with disposal groups held for sale	–	123	–	123
Total fair value liabilities – non-recurring	–	123	215	338

5. FAIR VALUE MEASUREMENTS *continued*

	2016			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	241	40 248	62	40 551
Advances	148	43 646	204 736	248 530
Investment securities	83 464	32 154	2 380	117 998
Non-recourse investments	–	11 716	–	11 716
Commodities	12 514	–	–	12 514
Investment properties	–	–	386	386
Total fair value assets – recurring	96 367	127 764	207 564	431 695
Non-recurring fair value measurements				
Assets acquired in business combinations	427	890	164	1 481
Non-current assets and disposal groups held for sale	–	–	–	–
Total fair value assets – non-recurring	427	890	164	1 481
Liabilities				
Recurring fair value measurements				
Short trading positions	14 263	–	–	14 263
Derivative financial instruments	121	50 533	128	50 782
Deposits	2 406	99 446	679	102 531
Non-recourse deposits	–	11 716	–	11 716
Other liabilities	–	3 371	1 479	4 850
Policyholder liabilities under investment contracts	–	1 090	–	1 090
Total fair value liabilities – recurring	16 790	166 156	2 286	185 232
Non-recurring fair value measurements				
Liabilities acquired in business combinations	–	–	562	562
Liabilities associated with disposal groups held for sale	–	–	–	–
Total fair value liabilities – non-recurring	–	–	562	562

5. FAIR VALUE MEASUREMENTS *continued*

5.3 Additional disclosures for level 3 financial instruments

5.3.1 Transfers between fair value hierarchy levels

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

	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 current year 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)**	

	2016		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	–	(2 821)	There were no transfers into level 1.
Level 2	–	(522)	There were no transfers into level 2.
Level 3	3 343	–	The market for certain bonds listed in South Africa became inactive because of stresses in the macro environment. The market price is, therefore, not representative of fair value and a valuation technique was applied. Because of credit valuation being unobservable the bonds were classified from level 1 into level 3 of the hierarchy. An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3. An evaluation of the significant inputs utilised in determining the fair value of investment property, considering current market factors, resulted in a transfer of R415 million out of level 2 of the fair value hierarchy and into level 3.
Total transfers	3 343	(3 343)	

5. FAIR VALUE MEASUREMENTS *continued*

5.3.2 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	Investment properties	Derivative financial liabilities	Other liabilities	Deposits
Balance as at 30 June 2015	70	185 513	2 042	–	5	–	1 273
Gains/losses recognised in profit or loss	9	13 009	682	(22)	13	36	67
Gains/losses recognised in other comprehensive income	–	–	16	–	–	–	–
Purchases, sales, issue and settlements	(19)	1 351	(369)	–	3	1 422	(669)
Acquisitions/disposals of subsidiaries	–	–	–	(7)	–	21	–
Transfer into level 3	–	2 821	–	415	107	–	–
Exchange rate differences	2	2 042	9	–	–	–	8
Balance as at 30 June 2016	**62**	**204 736**	**2 380**	**386**	**128**	**1 479**	**679**
Gains/losses recognised in profit or loss	**(54)**	**15 295**	**80**	**–**	**71**	**175**	**(33)**
Gains/losses recognised in other comprehensive income	**–**	**(1)**	**(21)**	**–**	**–**	**–**	**–**
Purchases, sales, issue and settlements	**–**	**(18 910)**	**(192)**	**13**	**(5)**	**(110)**	**(103)**
Acquisitions/disposals of subsidiaries	**–**	**(947)**	**–**	**–**	**–**	**–**	**–**
Transfer into level 3	**–**	**–**	**–**	**–**	**38**	**–**	**–**
Exchange rate differences	**–**	**(994)**	**(17)**	**–**	**1**	**(1)**	**(7)**
Balance as at 30 June 2017	**8**	**199 179**	**2 230**	**399**	**233**	**1 543**	**536**

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

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

5. FAIR VALUE MEASUREMENTS *continued*

5.3.3 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.

	2017		2016	
R million	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Derivative financial instruments	**8**	**–**	9	–
Advances*	**12 148**	**(1)**	12 301	–
Investment securities	**257**	**(21)**	586	16
Investment properties	**–**	**–**	(22)	–
Total	**12 413**	**(22)**	12 874	16
Liabilities				
Derivative financial instruments	**(72)**	**–**	19	–
Deposits	**(27)**	**–**	(58)	–
Other liabilities	**97**	**–**	19	–
Total	**(2)**	**–**	(20)	–

* *Amount is mainly accrued interest on fair value loans and advances and movements in interest rates that have been economically hedged. This is the portion of RMB's advances that are classified as fair value to effectively manage the interest rate and foreign exchange risk 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 most of RMB's key markets. 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.

5. FAIR VALUE MEASUREMENTS *continued*

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

ASSET/LIABILITY	SIGNIFICANT UNOBSERVABLE INPUTS	UNOBSERVABLE INPUT TO WHICH REASONABLY POSSIBLE CHANGES ARE APPLIED	REASONABLY POSSIBLE CHANGES APPLIED
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Scenario analysis	The range of scenarios are run as part of the group'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 or 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 on the underlying contracts	Increased and decreased by 1%.

5. FAIR VALUE MEASUREMENTS *continued*

	2017			2016		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
R million	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
Assets						
Derivative financial instruments	**8**	**11**	**4**	62	71	55
Advances	**199 179**	**199 854**	**198 783**	204 736	205 560	202 747
Investment securities	**2 230**	**2 394**	**2 100**	2 380	3 111	2 430
Total financial assets measured at fair value in level 3	**201 417**	**202 259**	**200 887**	207 178	208 742	205 232
Liabilities						
Derivative financial instruments	**233**	**227**	**246**	128	124	129
Deposits	**536**	**526**	**547**	679	614	784
Other liabilities	**1 543**	**1 526**	**1 561**	1 479	1 462	1 626
Total financial liabilities measured at fair value in level 3	**2 312**	**2 279**	**2 354**	2 286	2 200	2 539

5. FAIR VALUE MEASUREMENTS *continued*

5.4 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.

	2017				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	**662 691**	**667 600**	**–**	**105 381**	**562 219**
Investment securities	**29 779**	**29 843**	**22 121**	**6 995**	**727**
Total financial assets at amortised cost	**692 470**	**697 443**	**22 121**	**112 376**	**562 946**
Liabilities					
Deposits	**895 180**	**897 677**	**41**	**888 725**	**8 911**
Other liabilities	**2 602**	**2 601**	**–**	**967**	**1 634**
Tier 2 liabilities	**18 933**	**19 242**	**–**	**19 242**	**–**
Total financial liabilities at amortised cost	**916 715**	**919 520**	**41**	**908 934**	**10 545**

	2016				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	602 875	606 713	–	96 693	510 020
Investment securities	12 934	12 931	444	12 083	404
Total financial assets at amortised cost	615 809	619 644	444	108 776	510 424
Liabilities					
Deposits	805 827	805 469	7 897	794 523	3 049
Other liabilities	3 434	3 437	–	1 851	1 586
Tier 2 liabilities	18 004	18 216	–	18 216	–
Total financial liabilities at amortised cost	827 265	827 122	7 897	814 590	4 635

5. FAIR VALUE MEASUREMENTS *continued*

5.5 Day 1 profit or loss

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

R million	2017	2016
Opening balance	**39**	11
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**17**	37
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(9)
Closing balance	**51**	39

5.6 Financial instruments designated at fair value through profit or loss

FINANCIAL INSTRUMENTS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. The methods used are:	
Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances based on the original credit spreads (as determined using the group's credit spread pricing matrix) and the fair value of advances based on the most recent credit spreads where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is R nil.

5. FAIR VALUE MEASUREMENTS *continued*

5.6.1 Loans and receivables designated as at fair value through profit or loss

Certain financial assets designated at fair value also meet the definition of loans and receivables in terms of IAS 39. The table below contains details on the change in credit risk attributable to these financial assets.

	2017			
			Change in fair value	
			Due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	**211 192**	**4 460**	**(63)**	**(2 137)**
Investment securities	**6 416**	**–**	**–**	**–**
Non-recourse investments	**10 369**	**–**	**–**	**–**
Total	**227 977**	**4 460**	**(63)**	**(2 137)**

	2016			
			Change in fair value	
			Due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	233 889	3 559	(433)	(3 741)
Investment securities	7 338	–	(20)	(20)
Non-recourse investments	11 716	–	–	–
Total	252 943	3 559	(453)	(3 761)

Losses are indicated with brackets.

5.6.2 Financial liabilities designated at fair value through profit or loss

	2017		2016	
R million	Fair value	Contractually payable at maturity	Fair value	Contractually payable at maturity
Deposits	**77 980**	**78 068**	102 531	115 565
Non-recourse deposits	**10 369**	**6 263**	11 716	10 785
Other liabilities	**3 769**	**3 706**	4 850	4 763
Policyholder liabilities under investment contracts	**3 150**	**3 150**	1 090	1 090
Total	**95 268**	**91 187**	120 187	132 203

The change in the fair value of these liabilities due to own credit risk is not material.

5.7 Total fair value income included in profit or loss for the year

R million	2017	2016
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue	**6 231**	4 137
Fair value of credit of advances included in impairment of advances	**(274)**	(257)

6. SUMMARISED SEGMENT INFORMATION

	2017								
			RMB						
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments**	FirstRand group – IFRS
Profit before tax	**17 948**	**880**	**8 101**	**1 731**	**5 612**	**(1 286)**	**32 986**	**171**	**33 157**
Total assets	**348 562**	**49 959**	**401 157**	**45 872**	**214 222**	**157 973**	**1 217 745**	**(38)**	**1 217 707**
Total liabilities	**330 301**	**49 982**	**392 412**	**43 634**	**207 809**	**76 385**	**1 100 523**	**–**	**1 100 523**

	2016								
			RMB						
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group – normalised	Normalised adjustments**	FirstRand group – IFRS
Profit before tax	16 586	1 297	7 452	1 466	5 518	(1 176)	31 143	(456)	30 687
Total assets	334 199	49 217	395 822	39 311	205 016	125 761	1 149 326	(49)	1 149 277
Total liabilities	317 633	49 309	385 887	37 435	199 686	51 262	1 041 212	–	1 041 212

* *Includes FNB's activities in India.*

** *The group believes that normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies. IFRS earnings are therefore adjusted to take into account headline earnings adjustments, non-operational items and accounting anomalies. This is the measurement basis used by the chief operating decision maker to manage the group. Refer to note 34 in the annual financial statements for detailed description of the normalised earnings adjustments.*

7. EVENTS AFTER REPORTING PERIOD

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

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group is an integrated financial services group comprising banking, insurance and asset management operations. The majority of the group's operations are in Africa with branches in India and London.

The group's operations are conducted through its five significant wholly-owned subsidiaries:

Subsidiary	Operation
FirstRand Bank Limited	Banking
FirstRand EMA Proprietary Limited	Financial services
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand Insurance Holdings Proprietary Limited	Insurance

With the exception of the mandatory balances with central banks, there are no other significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to page 66 for a simplified group structure.

8.1 Acquisitions of subsidiaries

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are as follows:

	MotoVantage Holdings Proprietary Limited		Other insignificant acquisitions	
R million	**2017**	2016	**2017**	2016
ASSETS				
Cash and cash equivalents	**–**	439	**71**	451
Accounts receivable	**–**	141	**43**	2
Current tax asset	**–**	–	**1**	–
Advances	**–**	–	**84**	–
Investment securities	**–**	424	**67**	3
Investments in associates	**–**	–	**28**	–
Property and equipment	**–**	7	**6**	–
Deferred income tax asset	**–**	12	**46**	–
Intangible assets	**–**	–	**186**	–
Total assets acquired	**–**	1 023	**532**	456
LIABILITIES				
Creditors and accruals	**–**	453	**83**	1
Current tax liability	**–**	28	**2**	–
Deposits	**–**	–	**159**	–
Employee liabilities	**–**	6	**1**	–
Other liabilities	**–**	23	**4**	–
Deferred income tax liability	**–**	52	**13**	–
Total liabilities acquired	–	562	**262**	1
Net asset value as at date of acquisition	**–**	461	**270**	455

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.1.1 Acquisition that results in obtaining control

	MotoVantage Holdings Proprietary Limited		Other insignificant acquisitions	
R million	**2017**	2016	**2017**	2016
Total goodwill is calculated as follows:				
Total cash consideration transferred	**–**	570	**328**	501
Total non-cash consideration transferred	**–**	107	**–**	–
Contingent consideration transferred	**–**	1	**–**	–
Less: net identifiable asset value as at date of acquisition	**–**	(461)	**(270)**	(455)
Add: non-controlling interests at acquisition	**–**	189	**–**	–
Goodwill on acquisition	**–**	406	**58**	46

Significant acquisitions in 2016

MotoVantage Holdings Proprietary Limited

WesBank, together with Hollard Insurance Company, formed a new holding company, MotoVantage Holdings Proprietary Limited (MotoVantage) during the prior year. FirstRand Investment Holdings Proprietary Limited through its wholly-owned subsidiary, Newinvest 231 Proprietary Limited, is the majority shareholder with 81.1% shareholding in MotoVantage. The company acquired two subsidiaries, Motorite and SMART. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover, and offers paint and dent protection policies. By combining resources it is envisaged that going forward WesBank will be in a very strong position to provide innovative and competitively priced value-added solutions for customers. The goodwill recognised as a result of these transactions represents the synergies envisaged.

Other insignificant acquisitions in 2017

Other insignificant acquisitions include one specific acquisition of a 100% equity interest in a group of companies to enable FNB to become a leading financial services provider in Namibia. The effective date of the acquisition was 30 March 2017. This transaction included the acquisition of a commercial bank and a group of companies that provide investment and wealth management services. This acquisition resulted in the recognition of goodwill of R45 million.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.1.2 Acquisition that does not result in a change of control

	RMB Private Equity		Direct Axis SA Proprietary Limited		Other insignificant acquisitions	
R million	**2017**	2016	**2017**	2016	**2017**	2016
Carrying amount of non-controlling interest acquired	**32**	–	**–**	270	**134**	10
Consideration paid to non-controlling interest acquired	**(121)**	–	**–**	(1 335)	**(41)**	(22)
– Discharged by cash consideration	**(121)**	–	**–**	(1 335)	**(41)**	(22)
– Non-cash consideration	**–**	–	**–**	–	**–**	–
(Loss)/gain recognised directly in equity	**(89)**	–	**–**	(1 065)	**93**	(12)

Significant acquisitions in 2016

Direct Axis SA Proprietary Limited

WesInvest Holdings Proprietary Limited, a wholly-owned subsidiary of FirstRand Investment Holdings Proprietary Limited, acquired the remaining 34.5% non-controlling interests in Direct Axis SA Proprietary Limited on 1 July 2015 for a total consideration of R1 335 million. The transaction resulted in Direct Axis moving from a partly-owned subsidiary to a wholly-owned subsidiary of WesInvest Holdings. As the transaction occurred between equityholders, R1 065 million economic goodwill was recognised directly in equity by WesInvest during the prior year.

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

8.2 Disposals of subsidiaries

8.2.1 Disposals of interest in subsidiaries with loss in control

	RMB Private Equity		Other insignificant disposals	
R million	**2017**	2016	**2017**	2016
ASSETS				
Cash and cash equivalents	**–**	30	**–**	3
Accounts receivable	**–**	468	**–**	–
Advances	**–**	–	**2 391**	–
Property and equipment	**–**	133	**–**	94
Intangible assets	**–**	74	**–**	–
Investment properties	**–**	7	**–**	–
Deferred income tax asset	**–**	–	**–**	4
Non-current assets and disposal groups held for sale	**674**	–	**–**	–
Total assets disposed of	**674**	712	**2 391**	101
LIABILITIES				
Creditors and accruals	**–**	27	**2 420**	–
Current tax liability	**–**	1	**–**	–
Employee liabilities	**–**	17	**–**	–
Other liabilities	**–**	155	**–**	11
Liabilities directly associated with disposal groups held for sale	**647**	–	**–**	–
Total liabilities disposed of	**647**	200	**2 420**	11
Net asset value as at date of disposal	**27**	512	**(29)**	90
Total gain on disposal is calculated as follows:				
Total consideration received	**1 823**	617	**–**	166
Total cash consideration received	**1 815**	455	**–**	166
Total non-cash consideration received	**8**	162	**–**	–
Add: non-controlling share of net asset value at disposal date	**(8)**	(33)	**–**	(68)
Less: group's portion of the net asset value on disposal	**(27)**	(512)	**29**	(90)
Gain on disposal of controlling interest in a subsidiary	**1 788**	72	**29**	8
Cash flow information				
Discharged by cash consideration	**1 815**	455	**–**	166
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**–**	(30)	**–**	(3)
Net cash inflow on disposal of subsidiaries	**1 815**	425	**–**	163

8. SUBSIDIARIES AND NON-CONTROLLING INTERESTS *continued*

RMB Private Equity

FirstRand Investment Holdings (Pty) Limited disposed of a private equity subsidiary that was held via RMB Investments and Advisory (Pty) Limited (RMBIA). A gain of R1 788 million was made on the disposal of the subsidiary.

The group consolidates entities, including investment funds, that it controls. When the investment funds are initially established the group provides seed capital and as a result of a significant interest and other factors, the group consolidates these funds. Refer to the basis of consolidation and equity accounting section of the accounting policies in the FirstRand annual financial statements for details of when the group controls investment funds in line with the requirements of IFRS 10. As the external investors increase, the group's interest decreases and the group loses control over the fund.

Other insignificant disposals

During the current financial year, it was assessed that the group no longer controls one of these investment funds, but retains significant influence. The fund is no longer consolidated, but accounted for as an investment in associate.

During the prior year, various RMB Private Equity and other individually insignificant subsidiaries were disposed of.

8.3 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are First National Bank of Namibia Holdings Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank Holdings Botswana Limited. The non-controlling interests recognised by the group results from First National Bank Holdings Botswana Limited's shareholding in FNB Botswana Limited. The non-controlling interests own 30.54% of FNB Botswana Limited.

In addition to the above the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMBIA sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank of Namibia Holdings Limited	First National Bank Botswana Limited
Country of incorporation	**Namibia**	**Botswana**
% ownership held by NCI	**40.1**	**30.5**
% voting rights by NCI	**40.1**	**30.5**

R million	**2017**	2016	**2017**	2016
Balances included in the consolidated statement of financial position				
Total assets	**37 810**	34 197	**30 129**	29 678
Balances with central banks*	**334**	1 052	**1 178**	1 038
Total liabilities	**33 269**	30 144	**26 573**	26 207
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 283**	2 866	**1 844**	1 759
Non-interest revenue	**1 654**	1 611	**1 255**	1 238
Profit or loss before tax	**1 637**	1 751	**877**	884
Total comprehensive income	**1 100**	1 217	**446**	938
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**232**	221	**128**	168
Profit or loss attributable to non-controlling interests	**459**	499	**209**	198
Accumulated balance of non-controlling interests	**1 859**	1 648	**1 036**	1 007

* *These balances are not available to the group for day-to-day operational use.*

9. RESTATEMENT OF PRIOR YEAR NUMBERS

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

9.1 Description of restatements

9.1.1 Fair value of credit adjustments

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

9.1.2 Credit-based investments included in advances

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

9.1.3 Accrued interest on deposits

The group 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 practise for advances where the accrued interest is recognised as part of the carrying value of the underlying financial instrument.

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

9.2 Restated summary consolidated income statement for the year ended 30 June 2016

R million	As previously reported	Fair value credit adjustment	Restated
Interest and similar income	71 561	–	71 561
Interest expense and similar charges	(29 520)	–	(29 520)
Net interest income before impairment of advances	42 041	–	42 041
Impairment and fair value of credit of advances	(6 902)	(257)	(7 159)
Net interest income after impairment of advances	35 139	(257)	34 882
Non-interest revenue	36 677	257	36 934
Income from operations	71 816	–	71 816
Operating expenses	(41 657)	–	(41 657)
Net income from operations	30 159	–	30 159
Share of profit of associates after tax	930	–	930
Share of profit of joint ventures after tax	526	–	526
Income before tax	31 615	–	31 615
Indirect tax	(928)	–	(928)
Profit before tax	30 687	–	30 687
Income tax expense	(6 612)	–	(6 612)
Profit for the year	24 075	–	24 075
Attributable to			
Ordinary equityholders	22 563	–	22 563
NCNR preference shareholders	342	–	342
Equityholders of the group	22 905	–	22 905
Non-controlling interests	1 170	–	1 170
Profit for the year	24 075	–	24 075

9. RESTATEMENT OF PRIOR YEAR NUMBERS *continued*

9.3 Restated summary consolidated statement of financial position as at 30 June 2016

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	64 303	–	–	64 303
Derivative financial instruments	40 551	–	–	40 551
Commodities	12 514	–	–	12 514
Investment securities	185 354	(42 706)	–	142 648
Advances	808 699	42 706	–	851 405
– Advances to customers	808 699	–	–	808 699
– Marketable advances	–	42 706	–	42 706
Accounts receivable	10 152	–	–	10 152
Current tax asset	428	–	–	428
Non-current assets and disposal groups held for sale	193	–	–	193
Reinsurance assets	36	–	–	36
Investments in associates	4 964	–	–	4 964
Investments in joint ventures	1 344	–	–	1 344
Property and equipment	16 909	–	–	16 909
Intangible assets	1 569	–	–	1 569
Investment properties	386	–	–	386
Defined benefit post-employment asset	9	–	–	9
Deferred income tax asset	1 866	–	–	1 866
Total assets	1 149 277	–	–	1 149 277
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	14 263	–	–	14 263
Derivative financial instruments	50 782	–	–	50 782
Creditors, accruals and provisions	17 285	–	(144)	17 141
Current tax liability	270	–	–	270
Liabilities directly associated with disposal groups held for sale	141	–	–	141
Deposits	919 930	–	144	920 074
– Deposits from customers	667 995	–	15	668 010
– Debt securities	153 727	–	–	153 727
– Asset-backed securities	29 305	–	–	29 305
– Other	68 903	–	129	69 032
Employee liabilities	9 771	–	–	9 771
Other liabilities	8 311	–	–	8 311
Policyholder liabilities	1 402	–	–	1 402
Tier 2 liabilities	18 004	–	–	18 004
Deferred income tax liability	1 053	–	–	1 053
Total liabilities	1 041 212	–	–	1 041 212
Equity				
Ordinary shares	56	–	–	56
Share premium	7 952	–	–	7 952
Reserves	91 737	–	–	91 737
Capital and reserves attributable to ordinary equityholders	99 745	–	–	99 745
NCNR preference shares	4 519	–	–	4 519
Capital and reserves attributable to equityholders of the group	104 264	–	–	104 264
Non-controlling interests	3 801	–	–	3 801
Total equity	108 065	–	–	108 065
Total equities and liabilities	1 149 277	–	–	1 149 277

9.4 Restated consolidated statement of financial position as at 30 June 2015

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	65 567	–	–	65 567
Derivative financial instruments	34 500	–	–	34 500
Commodities	7 354	–	–	7 354
Investment securities	165 171	(27 805)	–	137 366
Advances	751 366	27 805	–	779 171
– Advances to customers	751 366	–	–	751 366
– Marketable advances	–	27 805	–	27 805
Accounts receivable	8 009	–	–	8 009
Current tax asset	115	–	–	115
Non-current assets and disposal groups held for sale	373	–	–	373
Reinsurance assets	388	–	–	388
Investments in associates	5 781	–	–	5 781
Investments in joint ventures	1 282	–	–	1 282
Property and equipment	16 288	–	–	16 288
Intangible assets	1 068	–	–	1 068
Investment properties	460	–	–	460
Defined benefit post-employment asset	4	–	–	4
Deferred income tax asset	1 540	–	–	1 540
Total assets	1 059 266	–	–	1 059 266
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	5 685	–	–	5 685
Derivative financial instruments	40 917	–	–	40 917
Creditors, accruals and provisions	17 624	–	(95)	17 529
Current tax liability	353	–	–	353
Liabilities directly associated with disposal groups held for sale	–	–	–	–
Deposits	865 521	–	95	865 616
– Deposits from customers	617 371	–	–	617 371
– Debt securities	158 171	–	–	158 171
– Asset-backed securities	28 574	–	–	28 574
– Other	61 405	–	95	61 500
Employee liabilities	9 734	–	–	9 734
Other liabilities	6 876	–	–	6 876
Policyholder liabilities	542	–	–	542
Tier 2 liabilities	12 497	–	–	12 497
Deferred income tax liability	913	–	–	913
Total liabilities	960 662	–	–	960 662
Equity				
Ordinary shares	56	–	–	56
Share premium	7 997	–	–	7 997
Reserves	82 725	–	–	82 725
Capital and reserves attributable to ordinary equityholders	90 778	–	–	90 778
NCNR preference shares	4 519	–	–	4 519
Capital and reserves attributable to equityholders of the group	95 297	–	–	95 297
Non-controlling interests	3 307	–	–	3 307
Total equity	98 604	–	–	98 604
Total equities and liabilities	1 059 266	–	–	1 059 266

definitions and abbreviations

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Capital divided by RWA.
Common Equity Tier 1 capital (CET1)	Tier 1 less Additional Tier 1 capital.
Common Equity Tier 1 capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	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.

HEALTH CHECK DEFINITIONS

- Peer group includes big four South African universal banks. ROE for FirstRand is as disclosed at 23.4% for the year to 30 June 2017. For the remainder of the peer group (big four excluding FirstRand's contribution) it is the weighted average as at 31 December 2016 in line with these banks' financial year ends.
- NIACC % of total is calculated using each bank's own cost of equity as disclosed as well as earnings and NAV for respective year ends. For FirstRand, this includes the five years from 30 June 2013 to 30 June 2017. For the rest of the peer group, this includes is the five years from 31 December 2012 to 31 December 2016.
- For FirstRand earnings CAGR includes the five years beginning 30 June 2012 and ending 30 June 2017. For the rest of the peer group this includes the five-year weighted average across the peer group (excluding FirstRand) beginning 31 December 2011 and ending 31 December 2016.

ABBREVIATIONS

AIRB	Advanced internal ratings based approach
AMA	Advanced measurement approach
AVC	Asset value correlation
BIA	Basic indicator approach
BPRMF	Business performance and risk management framework
CVA	Credit value adjustment
ICR	Individual capital requirement
LCR	Liquidity coverage ratio
NOFP	Net open forward position in foreign exchange
NSFR	Net stable funding ratio
TSA	The standardised approach
VaR	Value-at-Risk

shareholders' information

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shareholders' information

ANALYSIS OF ORDINARY SHAREHOLDERS (AUDITED)

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)		1 910 433	34.1
Public Investment Corporation		513 734	9.1
BEE partners*		290 317	5.2
Financial Securities Ltd (Remgro)		219 828	3.9
Subtotal		2 934 312	52.3
Other		2 675 176	47.7
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 261	38.0
Pension funds		904 988	16.1
Insurance companies and banks		249 984	4.5
Unit trusts		1 226 506	21.9
Individuals		34 880	0.6
BEE partners*		290 317	5.2
Other		772 552	13.7
Total		5 609 488	100.0
Public and non-public shareholders			
Public	55 135	3 177 335	56.6
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 261	38.0
– Directors and prescribed officers**	18	11 575	0.2
– BEE partners*	6	290 317	5.2
Total	55 161	5 609 488	100.0
Geographic ownership			
South Africa		3 776 585	67.3
International		1 442 655	25.7
Unknown/unanalysed		390 248	7.0
Total		5 609 488	100.0

* *Includes staff assistance trust.*

** *Reflects direct beneficial ownership.*

ANALYSIS OF B PREFERENCE SHAREHOLDERS (AUDITED)

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**5 932**	**44 750**	**99.4**
Non-public			
– directors	**1**	**250**	**0.6**
Total	**5 933**	**45 000**	**100**

PERFORMANCE ON THE JSE

	2017	2016
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**4 715**	4 484
High	**5 446**	5 780
Low	**4 198**	3 408
Weighted average	**4 914**	4 731
Closing price/net asset value per share	**2.43**	2.52
Closing price/earnings (headline)	**11.13**	11.23
Volume of shares traded (millions)	**3 537**	3 491
Value of shares traded (millions)	**171 871**	161 496
Market capitalisation (R billion)	**264.49**	251.53

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, BJ van der Ross, JH van Greuning

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Fax: +27 11 282 4184

NAMIBIAN SPONSOR

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

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The Woodlands, Woodlands Drive
Woodmead, Sandton

LISTED FINANCIAL INSTRUMENTS OF THE GROUP

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

ORDINARY SHARES

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

NON-CUMULATIVE NON-REDEEMABLE B PREFERENCE SHARES

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

ORDINARY SHARES

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

Botswana Stock Exchange (BSE)

ORDINARY SHARES

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

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium term note programme

BOND CODE	ISIN CODE
Subordinated debt	
FRB05	ZAG000031337
FRB11	ZAG000102054
FRB12	ZAG000116278
FRB13	ZAG000116286
FRB14	ZAG000116294
Senior unsecured	
FRBZ01	ZAG000049255
FRBZ02	ZAG000072711
FRBZ03	ZAG000080029
FRJ18	ZAG000084187
FRJ19	ZAG000104563
FRJ20	ZAG000109596
FRJ21	ZAG000115858
FRJ25	ZAG000124256
FRJ27	ZAG000141912
FRS36	ZAG000077397
FRS37	ZAG000077793
FRS43	ZAG000078643
FRS46	ZAG000079807
FRS49	ZAG000081787
FRS51	ZAG000086117

BOND CODE	ISIN CODE
Subordinated debt	
FRB15	ZAG000124199
FRB16	ZAG000127622
FRB17	ZAG000127630
FRB18	ZAG000135229
FRB19	ZAG000135310
Senior unsecured	
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

BOND CODE	ISIN CODE
Subordinated debt	
FRB20	ZAG000135385
FRB21	ZAG000140856
FRB22	ZAG000141219
FRBC21	ZAG000052283
FRBC22	ZAG000052390
Senior unsecured	
FRS138	ZAG000127556
FRS142	ZAG000130782
FRS143	ZAG000130790
FRS145	ZAG000131483
FRS146	ZAG000134636
FRS147	ZAG000135724
FRS148	ZAG000136144
FRS149	ZAG000136573
FRS150	ZAG000136615
FRS151	ZAG000136987
FRS152	ZAG000136995
FRS153	ZAG000137670
FRS157	ZAG000144197
FRS158	ZAG000145012
FRS160	ZAG000145038

LISTED DEBT INSTRUMENTS *continued*

BOND CODE	ISIN CODE
Senior unsecured	
FRS62	ZAG000090614
FRS64	ZAG000092529
FRS81	ZAG000100892
FRS85	ZAG000104985
FRS86	ZAG000105008
FRS87	ZAG000105420
FRS90	ZAG000106410
FRS94	ZAG000107871
FRS96	ZAG000108390
FRS100	ZAG000111634
FRS101	ZAG000111774
Inflation-linked bonds	
FRBI22	ZAG000079666
FRBI23	ZAG000076498
FRBI25	ZAG000109588
Credit-linked notes	
FRC46	ZAG000082959
FRC61	ZAG000087347
FRC66	ZAG000088485
FRC67	ZAG000088741
FRC69	ZAG000088766
FRC71	ZAG000088923
FRC76	ZAG000089574
FRC107	ZAG000094574
FRC109	ZAG000094889
FRC112	ZAG000095621
FRC113	ZAG000095761
FRC115	ZAG000095852
FRC116	ZAG000095860
FRC124	ZAG000096579
FRC125	ZAG000096678
FRC134	ZAG000097056
FRC144	ZAG000097569
FRC145	ZAG000097627
FRC150	ZAG000099821
FRC151	ZAG000099904
FRC152	ZAG000100330

BOND CODE	ISIN CODE
Senior unsecured	
FRS126	ZAG000125188
FRS127	ZAG000125394
FRS129	ZAG000125865
FRS130	ZAG000125873
FRS131	ZAG000126186
FRS132	ZAG000126194
FRS133	ZAG000126541
FRS134	ZAG000126574
FRS135	ZAG000126608
FRS136	ZAG000126780
FRS137	ZAG000127549
Inflation-linked bonds	
FRBI28	ZAG000079237
FRBI33	ZAG000079245
FRI38	ZAG000141862
Credit-linked notes	
FRC169	ZAG000104852
FRC170	ZAG000105586
FRC171	ZAG000105719
FRC172	ZAG000105818
FRC173	ZAG000105826
FRC174	ZAG000105891
FRC176	ZAG000107178
FRC177	ZAG000107632
FRC178	ZAG000107897
FRC179	ZAG000108168
FRC181	ZAG000108549
FRC182	ZAG000108713
FRC183	ZAG000109356
FRC185	ZAG000111451
FRC188	ZAG000111873
FRC189	ZAG000112145
FRC192	ZAG000114521
FRC195	ZAG000114745
FRC206	ZAG000116088
FRC207	ZAG000117649
FRC208	ZAG000117656

BOND CODE	ISIN CODE
Senior unsecured	
FRS161	ZAG000145046
FRX17	ZAG000094376
FRX18	ZAG000076472
FRX19	ZAG000073685
FRX24	ZAG000073693
FRX26	ZAG000112160
FRX27	ZAG000142506
FRX30	ZAG000124264
FRX31	ZAG000084195
FRX32	ZAG000142514
Inflation-linked bonds	
FRBI46	ZAG000135302
FRBI50	ZAG000141649
FRI33	ZAG000141706
Credit-linked notes	
FRC217	ZAG000121088
FRC218	ZAG000121096
FRC219	ZAG000121138
FRC220	ZAG000121146
FRC221	ZAG000121229
FRC225	ZAG000121435
FRC231	ZAG000125030
FRC233	ZAG000128752
FRC234	ZAG000130816
FRC236	ZAG000135211
FRC237	ZAG000135203
FRC238	ZAG000135237
FRC239	ZAG000135245
FRC240	ZAG000135252
FRC241	ZAG000135393
FRC242	ZAG000135401
FRC243	ZAG000135419
FRC244	ZAG000135427
FRC245	ZAG000135468
FRC246	ZAG000135476
FRC247	ZAG000135484

LISTED DEBT INSTRUMENTS *continued*

BOND CODE	ISIN CODE
Credit-linked notes	
FRC153	ZAG000100348
FRC154	ZAG000100694
FRC155	ZAG000101643
FRC161	ZAG000102260
FRC163	ZAG000102898
FRC166	ZAG000103573
FRC167	ZAG000104019
FRC168	ZAG000104753
Structured notes	
FRPT01	ZAE000205480

BOND CODE	ISIN CODE
Credit-linked notes	
FRC209	ZAG000118613
FRC210	ZAG000120296
FRC211	ZAG000121013
FRC212	ZAG000121054
FRC213	ZAG000121047
FRC214	ZAG000121039
FRC215	ZAG000121021
FRC216	ZAG000121070
Structured notes	
FKR01	ZAE000193454

BOND CODE	ISIN CODE
Credit-linked notes	
FRC248	ZAG000135450
FRC249	ZAG000135542
FRC250	ZAG000135559
FRC251	ZAG000141813
FRC252	ZAG000142225
FRC254	ZAG000144825
FRD013	ZAG000128695

Issuer: First National Bank of Namibia Limited
JSE
Domestic medium term note programme

BOND CODE	ISIN CODE
Senior unsecured	
FRJ20Z	ZAG000142803
FRJ22Z	ZAG000142902

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)
European medium term note programme

ISIN CODE
Senior unsecured
CH0238315680

Issuer: First National Bank of Namibia Limited
NSX
Domestic medium term note programme

ISIN CODE
Senior unsecured
NA000A188PX0
NA000A188PV4
NA000A188PY8
NA000A188PW2
NA000A19FKU3
NA000A19FKV1

Issuer: First National Bank of Botswana Limited
BSE
BWP medium term note programme

STOCK CODE	ISIN CODE
Subordinated debt	
FNBB007	BW0000001668
FNBB008	BW0000001700

STOCK CODE	ISIN CODE
Senior unsecured	
FNBB005	BW0000001510
FNBB006	BW0000001528

notice of annual general meeting

notice of annual general meeting

NOTICE OF ANNUAL GENERAL MEETING

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the twenty first annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Thursday, 30 November 2017, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Listings Requirements.

Salient dates

Record date to be eligible to receive the notice of annual general meeting	Friday, 20 October 2017
Posting date	Wednesday, 25 October 2017
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 21 November 2017
Record date to be eligible to attend and vote at the annual general meeting	Friday, 24 November 2017
Proxies due (for administrative purposes)*	Tuesday, 28 November 2017
Annual general meeting	Thursday, 30 November 2017

Notes:

The above dates and times are subject to amendment, provided, that in the event of an amendment, an announcement will be released on SENS.

All dates and times indicated above are references to South African dates and times.

* *Alternatively, to be handed to the chairman of the annual general meeting prior to its commencement.*

Agenda

1 ANNUAL FINANCIAL STATEMENTS

Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors for the year ended 30 June 2017 (available on the company's website, www.firstrand.co.za), and the summary financial statements, which are included in the 2017 annual integrated report, of which this notice forms part, distributed as required by the Act to shareholders.

2 SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee report is set out on pages 107 to 113 in the annual integrated report, as required in terms of regulation 43 (5) (c) of the Act's Regulations, 2011.

3 ORDINARY RESOLUTIONS NUMBER 1.1 TO 1.4

Re-election of directors by way of separate resolutions

To re-elect the following directors by way of separate resolutions in accordance with the provisions of the company's memorandum of incorporation (MOI). The directors, being eligible, offer themselves for re-election. Details of the directors offering themselves for re-election are as follows.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.1	**Patrick Maguire (Pat) Goss**	BEcon (Hons), BAccSc (Hons), CA(SA)	27 May 1998	Independent non-executive director
1.2	**Paul Kenneth Harris**	MCom	1 July 1992	Non-executive director
1.3	**Russell Mark Loubser**	BCom (Hons), MCom, CA(SA)	5 September 2014	Independent non-executive director
1.4	**Amanda Tandiwe (Tandi) Nzimande**	CTA, CA(SA), HDip Co Law	28 February 2008	Independent non-executive director

Additional information in respect of ordinary resolutions number 1.1 to 1.4

Skills and experience of these directors are set out on pages 230 to 231 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for each ordinary resolution numbered 1.1 to 1.4 to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

4 ORDINARY RESOLUTIONS NUMBER 1.5 TO 1.6

Vacancies filled by the directors during the year

Upon the recommendation of the nomination committee and the board, the following directors who were appointed by the board to fill vacancies in accordance with the Act and the company's MOI, and are now recommended by the board for election by shareholders by way of separate resolutions.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.5	**Thandie Sylvia Mashego**	BCom (Hons), CA(SA), MBL	1 January 2017	Non-executive director
1.6	**Hermanus Lambertus (Herman) Bosman**	BCom, LLB, LLM, CFA	3 April 2017	Non-executive director

Additional information in respect of ordinary resolutions number 1.5 to 1.6

Skills and experience of these directors are set out on page 232 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for each ordinary resolution numbered 1.5 to1.6 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolutions.

5 RETIRING DIRECTORS

The following director will be retiring at the conclusion of the 2017 annual general meeting and does not offer himself for re-election.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Benedict James (Ben) van der Ross	At the conclusion of the annual general meeting, 30 November 2017	Independent non-executive director

The following director will be retiring at the conclusion of the 2017 annual general meeting.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Jan Hendrik (Hennie) van Greuning	At the conclusion of the annual general meeting, 30 November 2017	Independent non-executive director

6 ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.2

Re-appointment of auditors

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. and recommend their re-appointment as joint auditors of the company.

2.1 Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

Additional information in respect of ordinary resolutions number 2.1 and 2.2

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

The percentage of voting rights required for ordinary resolutions number 2.1 to 2.2 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7 ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

7.1 Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on pages 91 to 97 in the remuneration report of the annual integrated report.

7.2 Endorsement of remuneration implementation report

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out on pages 98 to 106 in the remuneration report of the annual integrated report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote, however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. In the event that, either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised, the board will initiate engagement with the relevant shareholders and the outcome thereof will be disclosed in the 2018 annual integrated report.

8 ORDINARY RESOLUTION NUMBER 3

General authority to issue authorised but unissued ordinary shares for regulatory capital reasons

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company to support the conversion and/or exchange (as the case may be) of Basel III compliant additional Tier 1 and Tier 2 instruments issued by either FirstRand or FirstRand Bank Limited (FirstRand Bank) as contemplated in the Regulations promulgated pursuant to the Banks Act, 1990 (as amended from time to time) (the Regulations) into FirstRand ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks or such other regulatory body in South Africa that has the authority to make such decisions, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 5% (five percent) representing 280 458 804 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of *conversion for regulatory capital reasons* (**ie. being the extinction of a liability**) under this authority must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;

- in respect of shares which are the subject of the conversion and/or exchange (as the case may be):
  - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
  - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares;
  - an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five per cent) of the number of shares in issue prior to the issue, in accordance with Section 11.22 of the JSE Listings Requirements;
  - the ordinary shares which are the subject of the conversion and/or exchange under this authority must be issued to public shareholders and not to related parties;
  - any such issue under this authority are subject to exchange control regulations and approval at that point in time, if applicable;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
  - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio.

Reasons and effects of ordinary resolution number 3

- Basel III requires that the terms and conditions of additional Tier 1 and Tier 2 capital instruments contain a provision that such instruments, at the option of the Registrar of Banks, either be written off or converted into ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks (i.e. the Registrar of Banks determines that FirstRand Bank has reached the “point of non-viability”, as such term is contemplated in the Regulations).
- This means that if a trigger event were to occur, additional Tier 1 and Tier 2 capital instruments issued by either FirstRand or FirstRand Bank would, at the option of the Registrar of Banks, either be written off or converted into ordinary shares in the issued share capital of the company.
- The Regulations further require that FirstRand Limited must at all times maintain all prior authorisations necessary to immediately issue the relevant number of ordinary shares specified in the terms and conditions of the additional Tier 1 and/or Tier 2 capital instruments and/or in terms of the provisions of the Banks Act, 1990 and the Regulations dealing with additional Tier 1 and/or Tier 2 capital should the relevant trigger event occur.
- The effect of such a conversion of the additional Tier 1 and/or Tier 2 capital instruments issued by either FirstRand or FirstRand Bank into ordinary shares in FirstRand Limited would be to subordinate the claims of the holders of such instruments, such that those claims would in effect rank *pari passu* with the claims of the ordinary shareholders of the company.
- FirstRand Bank has and/or intends to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to the requirements of the Regulations in relation to the possible conversion of additional Tier 1 and/or Tier 2 instruments issued by FirstRand Bank for ordinary shares in FirstRand.

Additional information in respect of ordinary resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

9 ORDINARY RESOLUTION NUMBER 4

General authority to issue authorised but unissued ordinary shares for cash

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half percent) representing 84 137 641 (excluding treasury shares) of the number of the company’s shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:

– this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
– the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue;
– the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;
– any such general issues are subject to exchange control regulations and approval at that point in time;
– in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares;
– in respect of shares which are the subject of the general issue of shares for cash:
  - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
  - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
  - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 4

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

Additional information in respect of ordinary resolution number 4

The percentage of voting rights required for ordinary resolution number 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

10 ORDINARY RESOLUTION NUMBER 5

Signing authority

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 5

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

The percentage of voting rights required for ordinary resolution number 5 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

11 SPECIAL RESOLUTION NUMBER 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiary/ies (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% of the company's issued ordinary share capital as at the beginning of the

financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in aggregate of the number of issued shares in the company at any time;

- neither the company nor its subsidiary/ies will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the company;
- any such general repurchases are subject to exchange control regulations and approval at that time;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS and in the financial press; and
- at any time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reasons and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;
- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the JSE Listings Requirements is set out in Annexure 1.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

12 SPECIAL RESOLUTION NUMBER 2.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified employees of the company, and related and interrelated companies participate.

The percentage of voting rights required for this special resolution number 2.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

13 SPECIAL RESOLUTION NUMBER 2.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

The percentage of voting rights required for this special resolution number 2.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

14 SPECIAL RESOLUTION NUMBER 3

Remuneration of non-executive directors

Resolved to approve as a special resolution as recommended by the remuneration committee and the board, set out in the table below, in respect of remuneration of non-executive directors, in their capacity as non-executive directors, as contemplated in Section 66(9) of the Companies Act, with effect from 1 December 2017:

	Note	Proposed remuneration for the 12-month period from 1 December 2017 to 30 November 2018 (excluding VAT)	Remuneration for the 12-month period from 1 December 2016 to 30 November 2017 (excluding VAT)
Board			
Chairman	1	**5 649 525**	5 355 000
Director	2	**523 412**	496 125
Audit committee			
Chairman	3	**747 731**	708 750
Member		**373 866**	354 375
Risk, capital management and compliance committee			
Chairman	3	**747 731**	708 750
Member		**373 866**	354 375
Remuneration committee			
Chairman	3	**448 639**	425 250
Member		**224 319**	212 625
Directors' affairs and governance committee			
Chairman	3	**143 564**	136 080
Member		**71 782**	68 040
Large exposures committee			
Chairman	3	**527 500**	500 000
Member		**263 750**	250 000
Social, ethics and transformation committee			
Chairman	3/4	**425 250**	425 250
Member	4	**212 625**	212 625
Information, technology and risk governance committee			
Chairman	3	**300 000**	272 160
Member		**150 000**	136 080
Ad hoc work			
Special technical	5	**4 581**	4 342
Standard	6	**2 991**	2 835

1. The group chairman's fees cover chairmanship and membership of all board committees and subcommittees.

2. Executive directors of the company do not receive fees as members of the board.

3. Fees for board committee chairpersons are twice that of committee members fees.

4. No increase applied to the social, ethics and transformation committee as they were considered to be in line with comparative peers in the industry.

5. Special technical rate for highly specialised ad hoc work on an hourly basis at the request of the board.

6. Standard ad hoc rate for additional work on an hourly basis at the request of the responsible executive.

Additional information in respect of special resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least than 75% (seventy-five percent) of the voting rights exercised on the resolution.

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

General

Shareholders wishing to attend the meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in its stead. A proxy need not be a shareholder. Shareholders are referred to the attached proxy form in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached proxy form in accordance with the instructions contained therein to be received for the orderly arrangement of matters on the day of the annual general meeting (for administration purposes) by the Transfer Secretaries, 15 Biermann Avenue, Rosebank Towers, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

If you are a dematerialised shareholder, other than with own name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Dematerialised shareholders without own name registration

Voting at the annual general meeting

- Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.
- If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.
- If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
- You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

- In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own name registration

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received (for administration purposes) by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Certificated shareholders

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received (for administration purposes) by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Voting requirements

Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shares held by FirstRand employee share trusts and unlisted shares will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements and the Act.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of the financial statements

The complete financial statements are available for inspection at the registered office and downloading on the company's website www.firstrand.co.za or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C Low
Company secretary

6 September 2017

Transfer secretaries
Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

ANNEXURE 1 – ADDITIONAL INFORMATION REGARDING SPECIAL RESOLUTION NUMBER 1

For the purposes of considering special resolution number 1 and in compliance with the JSE Listings Requirements, the information listed below has been included.

1 DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given on pages 76 to 78 of the annual integrated report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the JSE Listings Requirements.

2 MAJOR SHAREHOLDERS

Details of major shareholders of the company are set out on page 211 of the annual integrated report.

3 SHARE CAPITAL OF THE COMPANY

Details of the share capital of the company are set out on page 176 of the annual integrated report.

4 MATERIAL CHANGES

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the annual integrated report to which this Annexure 1 forms part.

ANNEXURE 2 – SKILLS AND EXPERIENCE OF THE DIRECTORS TO BE RE-ELECTED AND VACANCIES FILLED BY THE DIRECTORS DURING THE YEAR IN ORDINARY RESOLUTIONS NUMBER 1.4 TO 1.6

For the purposes of considering ordinary resolutions number 1.4 to 1.6 and in compliance with the JSE Listings Requirements, the information listed below has been included.

Patrick Maguire (Pat) Goss (69)

Independent non-executive director
BEcon (Hons), BAccSc (Hons), CA(SA)
Appointed May 1998

Pat, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students, representing South Africa at The Hague and Basel. He qualified as a chartered accountant with Ernst and Young and subsequently joined the Industrial Development Corporation. Most of his active career was spent in food retailing and the hospitality industry.

He has served as a director of various group companies for the past 36 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation-related activities.

FirstRand – committee memberships
- Directors' affairs and governance
- Remuneration – chairman
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited (lead independent) and RMB Holdings Limited (lead independent)

Paul Kenneth Harris (67)

Non-executive director
MCom
Appointed July 1992

Paul graduated from the University of Stellenbosch and joined the Industrial Development Corporation in 1974. He was a co-founder of Rand Consolidated Investments in 1977, which merged with Rand Merchant Bank (RMB) in 1985, at which time he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as CEO. Subsequent to the formation of FirstRand, he was appointed CEO of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed CEO of FirstRand. He retired at the end of 2009 and has remained on the boards as a non-executive director.

FirstRand – committee memberships
- Directors' affairs and governance

Other listed directorships
Rand Merchant Investment Holdings Limited, Remgro Limited and RMB Holdings Limited

Russell Mark Loubser (67)

Independent non-executive director
BCom (Hons), MCom, CA(SA)
Appointed September 2014

Russell was the CEO of the Johannesburg Stock Exchange (JSE) from January 1997 until December 2011. During his tenure, he conceptualised the demutualisation of the JSE, and it was converted into a public company in 2005 and listed in 2006.

Prior to being appointed to the JSE, Russell was executive director of financial markets at Rand Merchant Bank Limited (RMB), which he joined in May 1985. He was part of the small team at RMB that started the stock index derivatives industry in SA in 1987. He was also a member of the King Committee on Corporate Governance for 15 years, a member of the Securities Regulation Panel of SA for 15 years and served on the board of directors of the World Federation of Exchanges (WFE) for approximately 13 years. Russell has also served as a council member of the University of Pretoria since 2007.

FirstRand – committee memberships
- Audit
- Directors' affairs and governance
- Large exposures – chairman
- Remuneration
- Risk, capital management and compliance – chairman
- First National Bank*
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
None

Amanda Tandiwe (Tandi) Nzimande (47)

Independent non-executive director
CTA, CA(SA), HDip Co Law
Appointed February 2008

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that period, she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching.

Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professional.

FirstRand – committee memberships
- Directors' affairs and governance
- Remuneration
- Social, ethics and transformation

Other listed directorships
Hulamin Limited and Verimark Holdings Limited

Thandie Sylvia Mashego (39)

Non-executive director
BCom (Hons), CA(SA), MBL
Appointed January 2017

Thandie is the CFO of WDB Investment Holdings, responsible for the overall financial and risk management of the group. She is also involved in transaction execution and investment monitoring. Prior to joining WDB Investment Holdings, Thandie spent two years as group CFO of Vantage Capital Group, a private equity fund manager. She also spent 11 years at the Industrial Development Corporation (IDC) in various roles, where she led a number of project and corporate finance transactions. In her last five years at the IDC, Thandie was responsible for the management of IDC's private equity and loan investment portfolio in several sectors.

She qualified as a chartered accountant in 2003 after completing articles at KPMG and Transnet Group Limited.

FirstRand – committee memberships

- Directors' affairs and governance
- First National Bank*

**Divisional board*

Other listed directorships
None

Hermanus Lambertus Bosman (48)

Non-executive officer
BCom, LLB, LLM, CFA
Appointed April 2017

Herman was with RMB for 12 years and headed up its corporate finance practice between 2000 and 2006. After serving as chief executive of Deutsche Bank South Africa from 2006 to 2013, Herman joined RMB Holdings Limited and Rand Merchant Investment Holdings Limited as the CEO on 2 April 2014.

FirstRand – committee memberships

- Directors' affairs and governance

Other listed directorships
Discovery Limited, Hastings Group Holdings plc, Rand Merchant Investment Holdings Limited (chief executive) and RMB Holdings Limited (chief executive)

FIRSTRAND

PROXY FORM – ORDINARY SHAREHOLDERS

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (FirstRand or the company)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2017 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Thursday, 30 November 2017 at 09:00 (the annual general meeting).

I/We ______________________________

Of (address) ______________________________ (contact number) ______________________________

Being the holder/s of ______________________________ ordinary shares in the company, hereby appoint (see notes overleaf)

1. ______________________________ Or, failing him/her
2. ______________________________ Or, failing him/her
3. The chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see notes overleaf).

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	IN FAVOUR OF	**AGAINST**	**ABSTAIN**
Ordinary resolution numbers 1.1 to 1.4 Re-election of directors by way of separate resolution: 1.1 PM Goss			
1.2 PK Harris			
1.3 RM Loubser			
1.4 AT Nzimande			
Ordinary resolution number 1.5 to 1.6 Vacancies filled by the directors during the year 1.5 TS Mashego			
1.6 HL Bosman			
Ordinary resolution numbers 2.1 and 2.2 Appointment of auditor: 2.1 Deloitte & Touche			
Appointment of auditor: 2.2 PricewaterhouseCoopers Inc.			
Advisory endorsement of remuneration policy Endorsement of remuneration policy			
Advisory endorsement of remuneration implementation report Endorsement of remuneration implementation report			
Ordinary resolution number 3 General authority to issue authorised but unissued shares for regulatory capital reasons			
Ordinary resolution number 4 General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution number 5 Signing authority			
Special resolution number 1 General authority to repurchase ordinary shares			
Special resolution number 2.1 Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 2.2 Financial assistance to related and interrelated entities			
Special resolution number 3 Remuneration of non-executive directors with effect from 1 December 2017			

Signed at ______________________________ on ______________________________ 2017

Signature/s ______________________________

Assisted by ______________________________
(where applicable)

Proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

NOTES TO PROXY FORM

USE OF PROXIES

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person.

STUDIO ⑤

www.firstrand.co.za

FIRSTRAND