FIRSTRAND BANK

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ANALYSIS OF FINANCIAL RESULTS

for the year ended 30 June 2017

about this report

This report covers the audited summary financial results of FirstRand Bank Limited based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2017. **The primary results and accompanying commentary are presented on a normalised basis as the bank believes this most accurately reflects its economic performance.** The normalised results have been derived from the IFRS financial results.

Normalised results include a summary income statement, statement of comprehensive income and statement of financial position.
A detailed description of the difference between normalised and IFRS results is provided on pages 78 and 79. Detailed reconciliations of normalised to IFRS results are provided on pages 88 to 89. Commentary is based on normalised results, unless indicated otherwise.

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

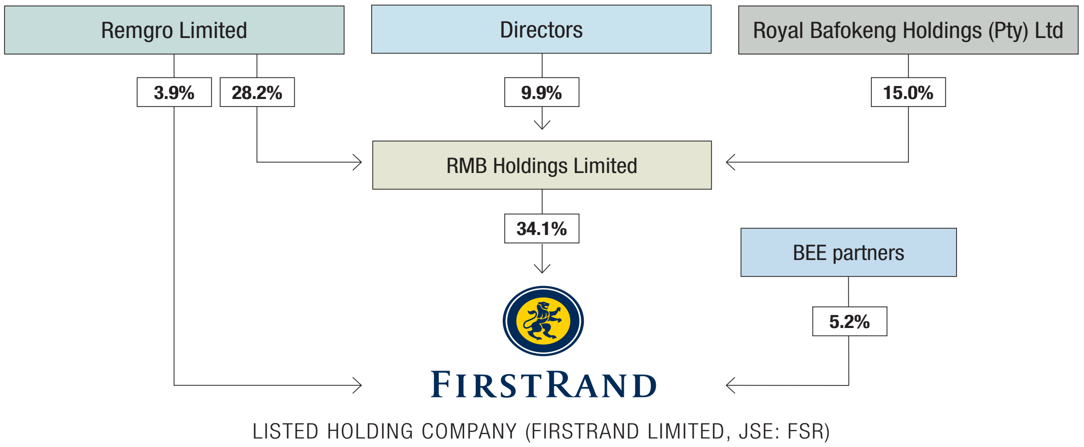
FirstRand Bank's annual financial statements will be published on the group's website, www.firstrand.co.za, on or about 3 October 2017.

FIRSTRAND BANK

1929/001225/06
Certain entities within the FirstRand group are Authorised Financial Services and Credit Providers. This analysis is available on the group's website:
www.firstrand.co.za

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

SIMPLIFIED GROUP AND SHAREHOLDING STRUCTURE



LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100% – FirstRand Bank Limited Bond Code: FRII – 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.

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

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

Normalised earnings
↑4%
2016: 14%

ROE
↓22.2%
2016: 23.0%

ROA
↓1.71%
2016: 1.75%

Credit loss ratio
↑0.88%
2016: 0.84%

NPLs as % of advances
↓2.27%
2016: 2.43%

CET1
↑14.1%
2016: 13.9%

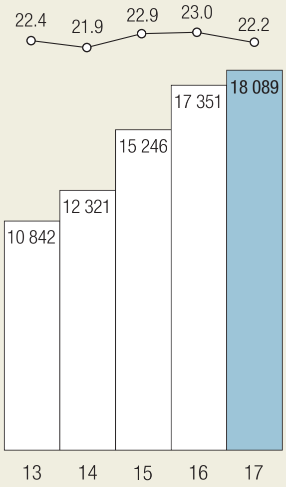
FNB
First National Bank
Normalised earnings
↑7%
2016: 13%

RMB
Normalised earnings
↑12%
2016: (2%)

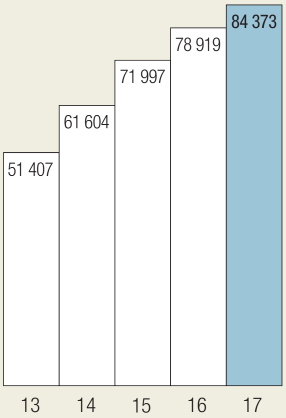
WesBank
Normalised earnings
↓10%
2016: 30%

TRACK RECORD

Normalised earnings (R million)
and ROE (%)
CAGR 14%



Normalised
net asset value (R million)
CAGR 13%



KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 88 to 89.

R million	2017	2016	% change
Earnings performance			
Attributable earnings – IFRS (refer page 81)	**18 300**	16 931	8
Headline earnings	**18 269**	16 959	8
Normalised earnings	**18 089**	17 351	4
Normalised net asset value	**84 373**	78 919	7
Tangible normalised net asset value	**84 140**	78 813	7
Average normalised net asset value	**81 646**	75 458	8
Capital adequacy* – IFRS			
Capital adequacy ratio (%)	**17.3**	17.1	
Tier 1 ratio (%)	**14.3**	14.2	
Common Equity Tier 1 ratio (%)	**14.1**	13.9	
Balance sheet			
Normalised total assets	**1 082 151**	1 031 579	5
Advances (net of credit impairments)	**799 419**	764 088	5
Ratios and key statistics			
ROE (%)	**22.2**	23.0	
ROA (%)	**1.71**	1.75	
Average loan-to-deposit ratio (%)	**93.5**	93.2	
Diversity ratio (%)	**42.5**	41.6	
Credit impairment charge	**6 984**	6 255	12
NPLs as % of advances	**2.27**	2.43	
Credit loss ratio (%)	**0.88**	0.84	
Specific coverage ratio (%)	**38.6**	38.6	
Total impairment coverage ratio (%)	**80.3**	78.2	
Performing book coverage ratio (%)	**0.97**	0.99	
Cost-to-income ratio (%)	**54.4**	54.0	
Effective tax rate (%)	**22.9**	24.2	
Number of employees	**35 979**	36 310	(1)

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

SUMMARY INCOME STATEMENT – NORMALISED

for the year ended 30 June

R million	2017	2016	% change
Net interest income before impairment of advances	**39 849**	38 333	4
Impairment charge	**(6 984)**	(6 255)	12
Net interest income after impairment of advances	**32 865**	32 078	2
Non-interest revenue	**29 506**	27 261	8
– Fee and commission income	**22 199**	21 119	5
– Markets, client and other fair value income	**3 692**	2 807	32
– Investment income	**137**	91	51
– Other non-interest revenue	**3 478**	3 244	7
Income from operations	**62 371**	59 339	5
Operating expenses	**(37 721)**	(35 392)	7
Income before tax	**24 650**	23 947	3
Indirect tax	**(876)**	(763)	15
Profit before tax	**23 774**	23 184	3
Income tax expense	**(5 448)**	(5 614)	(3)
Profit for the year	**18 326**	17 570	4
NCNR preference shareholders	**(237)**	(219)	8
Normalised earnings attributable to ordinary equityholders of the bank	**18 089**	17 351	4

SUMMARY STATEMENT OF OTHER COMPREHENSIVE INCOME – NORMALISED

for the year ended 30 June

R million	2017	2016	% change
Profit for the year	**18 326**	17 570	4
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(150)**	118	(>100)
Fair value (losses)/gains arising during the year	**(141)**	144	(>100)
Reclassification adjustments for amounts included in profit or loss	**(67)**	20	(>100)
Deferred income tax	**58**	(46)	(>100)
Available-for-sale financial assets	**(393)**	(495)	(21)
Losses arising during the year	**(483)**	(679)	(29)
Reclassification adjustments for amounts included in profit or loss	**(67)**	7	(>100)
Deferred income tax	**157**	177	(11)
Exchange differences on translating foreign operations	**(512)**	482	(>100)
(Losses)/gains arising during the year	**(512)**	482	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**288**	(31)	(>100)
Gains/(losses) arising during the year	**400**	(43)	(>100)
Deferred income tax	**(112)**	12	(>100)
Other comprehensive (loss)/income for the year	**(767)**	74	(>100)
Total comprehensive income for the year	**17 559**	17 644	–
Attributable to			
Ordinary equityholders	**17 322**	17 425	(1)
NCNR preference shareholders	**237**	219	8
Total comprehensive income for the year	**17 559**	17 644	–

SUMMARY STATEMENT OF FINANCIAL POSITION – NORMALISED

as at 30 June

R million	2017	2016*	2015*
ASSETS			
Cash and cash equivalents	**53 924**	50 997	53 725
Derivative financial instruments	**35 098**	39 923	34 112
Commodities	**14 380**	12 514	7 354
Investment securities	**127 972**	111 430	103 673
Advances	**799 419**	764 088	705 257
– Advances to customers	**752 479**	719 693	675 387
– Marketable advances	**46 940**	44 395	29 870
Accounts receivable	**5 651**	4 561	4 301
Non-current assets and disposal groups held for sale	**–**	–	125
Current tax asset	**1**	166	–
Amounts due by holding company and fellow subsidiaries	**28 869**	32 793	27 318
Property and equipment	**14 928**	13 632	12 821
Intangible assets	**233**	106	71
Deferred income tax asset	**1 676**	1 369	1 202
Total assets	**1 082 151**	1 031 579	949 959
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 211**	14 221	5 270
Derivative financial instruments	**43 660**	50 624	40 811
Creditors, accruals and provisions	**13 079**	12 500	12 370
Current tax liability	**123**	75	69
Deposits	**876 690**	826 617	779 798
– Deposits from customers	**653 260**	612 507	567 033
– Debt securities	**170 594**	146 280	152 505
– Other	**52 836**	67 830	60 260
Employee liabilities	**8 840**	8 772	8 848
Other liabilities	**4 225**	5 386	3 977
Amounts due to holding company and fellow subsidiaries	**14 580**	13 997	11 836
Tier 2 liabilities	**18 370**	17 468	11 983
Total liabilities	**994 778**	949 660	874 962
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**67 565**	62 111	55 189
Capital and reserves attributable to ordinary equityholders	**84 373**	78 919	71 997
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**87 373**	81 919	74 997
Total equities and liabilities	**1 082 151**	1 031 579	949 959

* *Certain prior year numbers have been restated. Refer to pages 90 to 92 for detailed information.*

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

FLOW OF FUNDS ANALYSIS – NORMALISED

R million	**June 2017 vs June 2016** **12-month movement**	June 2016 vs June 2015 12-month movement
Sources of funds		
Capital account movement (including profit and reserves)	**5 454**	6 922
Working capital movement	**2 809**	(2 313)
Short trading positions and derivative financial instruments	**(1 149)**	12 953
Investments	**(3 289)**	(6 006)
Deposits and long-term liabilities	**50 975**	52 304
Total	**54 800**	63 860
Application of funds		
Advances	**(35 331)**	(58 831)
Cash and cash equivalents	**(2 927)**	2 728
Investment securities (e.g. liquid asset portfolio)	**(16 542)**	(7 757)
Total	**(54 800)**	(63 860)

OVERVIEW OF RESULTS

INTRODUCTION

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

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

GROUP STRATEGY

FirstRand's strategy accommodates a broad set of growth opportunities across the entire financial services universe from a product, market, segment and geographic perspective. The group believes this will create long-term franchise value, ensure sustainable and superior returns for shareholders, within acceptable levels of volatility and maintain balance sheet strength.

Currently group earnings are tilted to its domestic market where the lending and transactional franchises have delivered sustained growth since 2010 resulting from the acquisition of a deep and loyal customer base. The group recognises the imperative to continue to protect and grow these very valuable banking franchises, but it also believes that through the utilisation of the origination capabilities and distribution networks of those franchises, it can diversify and capture a larger share of profits from savings, insurance and investment products within its existing customer base.

The growth opportunity is significant given the annual flows to other providers from FNB's customer base alone. Through the manufacture and sale of its own insurance, savings and investment products, the group will, over time, offer differentiated value propositions for customers and generate new and potentially meaningful revenue streams for the group. To date, progress looks promising and FirstRand is incrementally increasing its share of the insurance, savings and investment profit pools that exist within its own customer base. The group also continues to protect and grow its large transactional and lending franchises.

The group's strategy outside of its domestic market centres on growing its presence and offerings in nine markets in the rest of Africa where it believes it can organically build competitive advantage and scale over time. In addition, it is focusing on leveraging its current operations in the UK to create new revenue streams.

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

In South Africa, the bank continues to focus on:

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

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

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

OPERATING ENVIRONMENT

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. These uncertainties were further exacerbated by allegations of state capture, the sudden replacement of the finance minister in early 2017, and concerns about corporate governance and financial stress at some large state owned enterprises (SOEs).

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.

OVERVIEW OF RESULTS

Despite these significant macro pressures, FirstRand Bank's performance was characterised by quality topline growth, ongoing focus on cost management and continued conservatism in both origination and provisioning strategies. The bank continued to strengthen its balance sheet and protect its return profile.

Normalised earnings for the year to June 2017 increased 4% with a normalised ROE of 22.2%. The following table shows a breakdown of sources of normalised earnings from the portfolio per operating franchise.

OVERVIEW OF RESULTS continued

Sources of normalised earnings

	Year ended 30 June				
R million	**2017**	**% composition**	2016	% composition	% change
FNB	**11 415**	**62**	10 658	61	7
RMB	**4 140**	**23**	3 692	21	12
WesBank	**2 313**	**13**	2 560	15	(10)
FCC (including Group Treasury) and other*	**458**	**3**	660	4	(31)
NCNR preference dividend	**(237)**	**(1)**	(219)	(1)	8
Normalised earnings	**18 089**	**100**	17 351	100	4

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

FNB's performance was underpinned by solid non-interest revenue (NIR) growth on the back of ongoing customer gains and growth in transactional volumes, and high quality net interest income (NII) growth, particularly from deposit generation.

RMB produced a strong performance, driven by fee income, and structuring and flow trading income. Good cost management was maintained, origination strategies continued to be anchored to protecting the return profile and credit provisions remained conservative.

WesBank's performance was significantly impacted by both local and international securitisation transactions, the impact of which reverses at a FirstRand group level. Overall results in rand terms were affected by the currency appreciation impacting the results of the UK business (MotoNovo).

At a bank level, total NII increased 4%, underpinned by good growth in deposits (+6%) and positive endowment on the back of higher average interest rates. Advances growth was subdued (+5%) given the bank's appropriate risk appetite. Margins in many of the asset-generating businesses continued to come under pressure from higher term funding and liquidity costs. Term lending in RMB and WesBank's corporate business remained muted due to ongoing discipline in origination to preserve returns given the prevailing competitive pressures.

Bank NIR growth of 8% reflects resilient fee and commission income growth of 5% at FNB, which continued to benefit from volumes in digital and electronic channels, and solid growth in customer numbers. Fee and commission income represents 75% (2016: 77%) of NIR.

Total cost growth of 7% was down on the 9% increase in the prior year, but continues to trend above inflation due to ongoing investment in new growth initiatives and platforms to extract further efficiencies.

Operating jaws were negative for the year reflecting slowing topline growth. The cost-to-income ratio deteriorated marginally to 54.4%.

The bank's impairment ratio of 88 bps remains below its through-the-cycle threshold and well within expectations. The 12% increase in the impairment charge resulted from the following:

- some normalisation of WesBank's charge, which was anticipated given the cycle and the fact that the charge had been below the long run average since 2010;
- 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; and
- the increasing number of FNB and WesBank customers entering debt-review. The bank does not reclassify these customers and discloses them in NPLs until they fully rehabilitate.

Retail portfolio provisions were increased at a franchise level. The bank 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 these and the bank's overall portfolio provisions.

Overall portfolio provisions at 97 bps remain conservative and above the overall annual charge.

OPERATING FRANCHISE REVIEWS

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. It is growing its franchise on the back of a compelling customer offering that provides a broad range of innovative financial services products.

FNB produced a good performance given the tough operating environment, growing pre-tax profits 7%.

FNB financial highlights

	Year ended 30 June		
R million	2017	2016	% change
Normalised earnings	**11 415**	10 658	7
Normalised profit before tax	**15 855**	14 804	7
Total assets	**347 611**	334 004	4
Total liabilities	**331 885**	319 305	4
NPLs (%)	**2.97**	2.93	
Credit loss ratio (%)	**1.12**	1.03	
Cost to-income ratio (%)	**54.5**	55.1	

Segment results

	Year ended 30 June		
R million	2017	2016	% change
Normalised profit before tax			
Retail	**9 382**	9 171	2
Commercial	**6 914**	5 990	15
FNB Africa*	**(441)**	(357)	(24)
Total FNB	**15 855**	14 804	7

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

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

- grow and retain core transactional accounts;
- provide 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:

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

FNB NII increased 8% driven by moderate growth in advances (+4%) and excellent growth in deposits (+13%) with some positive endowment effect from higher average interest rates during the year.

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**	**24.5**	**4**	**8.9**
– Consumer	**10**	**7.7**	**3**	**1.3**
– Premium	**16**	**16.8**	**4**	**7.6**
Commercial	**12**	**20.9**	**7**	**5.6**
Africa*	**(96)**	**(0.7)**	**(64)**	**(0.5)**
Total FNB	**13**	**44.7**	**4**	**14.0**

* *Includes India. FNB is in the process of exiting its activities in India.*

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 following tables 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 book, but unsecured lending contracted on the back of a 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.

OVERVIEW OF RESULTS continued

	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	**83 566**	77 941	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 3% 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 was well contained at 6%. The cost-to-income ratio decreased to 54.5%.

As expected, FNB's overall bad debts and NPLs increased year-on-year (NPLs +6%), 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.

NPLs in FNB's 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.

RMB

RMB represents the bank's activities in the corporate and investment banking segments in South Africa, the broader African continent and India. The business strategy leverages a market-leading origination franchise to deliver an integrated corporate and investment banking value proposition to corporate and institutional clients. This, combined with an expanding market-making and distribution product offering, contributes to a well-diversified and sustainable earnings base. The strategy is underpinned by sound risk management, designed to effectively balance the relationship between profit growth, returns and earnings volatility.

RMB financial highlights

	Year ended 30 June		
R million	**2017**	2016	% change
Normalised earnings	**4 140**	3 692	12
Normalised profit before tax	**5 757**	5 128	12
Total assets	**391 094**	375 527	4
Total liabilities	**386 200**	371 143	4
Credit loss ratio (%)	**0.24**	0.27	
Cost to-income ratio (%)	**51.9**	52.9	

RMB delivered a strong operational performance, with pre-tax profits increasing 12% to R5.8 billion. RMB's balance sheet remains robust, with high quality earnings and solid operational leverage. Cost growth, notwithstanding continued spend on regulatory and compliance initiatives, is in line with inflation given the benefits of platform investment and ongoing automation.

*Breakdown of profit contribution by activity**

	Year ended 30 June		
R million	**2017**	2016	% change
Investment banking and advisory	**3 286**	3 212	2
Corporate and transactional banking	**1 215**	1 046	16
Markets and structuring	**1 255**	1 111	13
Investing**	**37**	(62)	>100
Investment management	**36**	40	(10)
Other	**(72)**	(219)	67
Total RMB	**5 757**	5 128	12

* *Refer to additional business unit disclosure on page 26.*

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

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 contributed to strong profit growth. The business benefited from increased demand for structured and traditional trade products as well as increased transactional banking volumes in a tough operating environment.

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.

Other activities reported a reduced loss in the current year, impacted by the curtailment of losses in the RMB Resouces portfolio and higher endowment earned on capital invested. This was offset by costs associated with Global Markets' platform investment, which is aimed at driving efficiencies, ensuring regulatory and legislative compliance and improving risk mitigation.

OVERVIEW OF RESULTS continued

WESBANK

WesBank represents the bank's activities in instalment credit and related services in the retail, commercial and corporate segments of South Africa and through MotoNovo Finance in the UK. Through the Direct Axis brand, WesBank also operates in the unsecured lending market in South Africa. WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups, strong point-of-sale presence and innovative channel origination strategies.

WesBank financial highlights

	Year ended 30 June		
R million	2017	2016	% change
Normalised earnings	**2 313**	2 560	(10)
Normalised profit before tax	**3 214**	3 545	(9)
Total assets	**170 523**	168 366	1
Total liabilities	**167 327**	164 912	1
NPLs (%)	**4.37**	3.81	
Credit loss ratio (%)	**1.80**	1.66	
Cost-to-income ratio (%)	**45.8**	43.9	
Net interest margin (%)	**4.99**	4.87	

WesBank's pre-tax profits declined 9% year-on-year primarily driven by the impacts of securitisations in the retail SA VAF portfolio, declining margins as a result of regulatory caps in the personal loans portfolio and suppressed demand in the corporate portfolio. The negative impact of the appreciation of the rand against the GBP on MotoNovo's performance was offset by positive day one impacts of the Turbo Finance 7 securitisation.

Overall advances were flat year-on-year, negatively impacted by securitisations of more than R17 billion in both the retail SA VAF and MotoNovo books during the year. New business production in the local retail portfolios showed positive trends for the year, however, corporate production was negatively impacted by the lengthening of replenishment cycles and reduced market demand. MotoNovo new business volumes continued to track up in local currency (GBP+11.7%), but slowed from prior years, reflecting lower risk appetite. All new business volumes continue to reflect good quality and the overall risk profile remains in line with current credit appetite.

NPLs as a percentage of advances increased to 4.37% (2016: 3.81%). NPLs continue to be inflated by the high proportion of restructured debt-review accounts, most of which are still paying according to arrangement, have never defaulted or have balances lower than when these entered debt review. WesBank continues to monitor vintage performance closely. MotoNovo's impairments are now trending above its through-the-cycle threshold. This is due to increased conservatism in impairment models and a deterioration in underlying arrears levels. This in turn has resulted in increased portfolio provisions.

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

*Breakdown of profit contribution by activity**

	Year ended 30 June		
R million	2017	2016	% change
Normalised profit before tax			
VAF	**2 758**	3 047	(9)
– Retail SA	**1 414**	1 731	(18)
– MotoNovo**	**1 010**	950	6
– Corporate and commercial	**334**	366	(9)
Personal Loans	**456**	498	(8)
Total WesBank	**3 214**	3 545	(9)

* *Refer to additional segment disclosure on page 27.*

** *MotoNovo increased by 33% in GBP terms to GBP59 million.*

Retail SA VAF pre-tax profits declined 18% year-on year, mainly as a result of the derecognition of revenues related to advances securitised during the year (which eliminates at a FirstRand group level), as well as an increase in credit impairments. Normalising for the impact of securitisations, pre-tax profits would have increased 2%. As anticipated, impairment levels are trending upwards, with WesBank remaining conservatively provided.

MotoNovo's performance was positively impacted by the Turbo Finance 7 securitisation during the year and the resultant day-one recognition of future margin on the sale of the securitised assets (which eliminates at a FirstRand group level). This was partly offset by higher than expected levels of additional investment, particularly in its collections area and the building out of the personal loans offering. In addition, new business growth slowed on the back of relationship terminations in certain distribution channels showing elevated risk and some adjustment to credit appetite. Normalising for the securitisation impact, profits would be up 9% in GBP terms, but down 13% in rand terms due to significant rand appreciation.

Personal loans pre-tax profits declined 8% despite healthy book growth, 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 9% year-on-year, mainly because of competitive pricing pressures, lengthening of replenishment cycles and reduced market demand as corporates delay investment cycles.

WesBank produced strong growth in NIR of 11%. This was mainly driven by increases in full maintenance lease (FML) rental income on the back of good new business growth. Advances-related NIR growth was muted in line with book growth.

Growth in operating expenses was 8%, mainly driven by investments in new business initiatives and origination channels and volume-related expenditure in MotoNovo, Direct Axis and FML. Core operational costs were well contained.

Segment analysis of normalised earnings

	Year ended 30 June				
R million	2017	% composition	2016	% composition	% change
Retail	**8 510**	**46**	8 635	50	(1)
– FNB*	**6 437**		6 345		
– WesBank	**2 073**		2 290		
Commercial	**5 218**	**29**	4 583	26	14
– FNB	**4 978**		4 313		
– WesBank	**240**		270		
Corporate and investment banking	**4 140**	**23**	3 692	21	12
– RMB	**4 140**		3 692		
Other	**221**	**2**	441	3	(50)
– FCC (including Group Treasury) and elimination adjustments	**458**		660		
– Dividends paid on NCNR preference shares	**(237)**		(219)		
Normalised earnings	**18 089**	**100**	17 351	100	4

* *Includes FNB Africa, which relate to head office costs, and FNB's activities in India.*

MANAGEMENT OF FINANCIAL RESOURCES

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

Forecast growth in earnings and balance sheet risk weighted assets is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers 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 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 bank and its clients and provides the group with enhanced international access to financial market infrastructure as well as to greater liquidity pools.

Balance sheet strength

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**	**14.1**	**14.3**	**17.3**	**7.4**

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

** *FRB including foreign branches and unappropriated profits.*

\# *Based on Basel III regulations.*

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

The bank 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 bank's internal targets. It remains the bank's intention to continue optimising its capital stack by frequently issuing Tier 2 instruments in domestic and/or international markets. This ensures sustainable support for ongoing growth initiatives and compensates for the haircut applied to Tier 2 instruments which are not compliant with Basel III.

OVERVIEW OF RESULTS continued

Liquidity position

Given the liquidity risk introduced by its business activities across various currencies, the bank'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 bank exceeds the 80% (2016: 70%) minimum liquidity coverage ratio (LCR) requirement as set out by the Basel Committee for Banking Supervision (BCBS) with the LCR at 105% (2016: 102%). At 30 June 2017, the bank's available HQLA sources of liquidity per the LCR was R155 billion, with an additional R10 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.

Regulatory changes

During May 2017, the SARB's Financial Stability Department released a discussion document on designing a deposit insurance scheme (DIS) for South Africa. As a member of the G20, South Africa has agreed to adopt the FSB's *Key Attributes of Effective Resolution Regimes for Financial Institutions*, one of which requires jurisdictions to have a privately-funded depositor protection and/or a resolution fund in place.

The paper motivates the need for an explicit, privately-funded DIS for South Africa, the main objective being the protection of less financially sophisticated depositors in the event of a bank failure. It presents proposals on the key design features of such a DIS and aims to solicit views on these proposals. The paper also refers to the discussion paper titled *Strengthening South Africa's Resolution Framework for Financial Institutions*, published by National Treasury on 13 August 2015. Together, the proposed resolution framework and the DIS are expected to form the comprehensive regulatory architecture for reducing the social and economic cost of failing financial institutions and will be captured by the Resolution Bill.

No timelines around the Resolution Bill have been formally communicated. It will contain high level principles of the DIS, with the actual mechanics captured in supplemental regulations or directives once designed and agreed. Only once finalised will banks be in a better position to fully assess the potential impact of a DIS in South Africa.

PROSPECTS

South Africa's growth prospects remain weak and uncertain. Persistent political and policy uncertainty, ongoing governance issues at SOEs and further erosion of confidence in institutional strength and independence all continue to weigh on confidence, which in turn constrains private sector investment, places pressure on employment and ultimately undermines GDP growth. Such a macroeconomic environment will be characterised by low domestic demand growth (consumption, investment and government spending), downward pressure on personal incomes and further rating agency downgrades. Many of these pressures will create headwinds for topline growth in the bank's domestic franchises. Sub-Saharan growth rates are, however, expected to show a recovery over the next twelve months, which should be supportive of the rest of Africa portfolio.

FirstRand remains committed to its current investment cycle despite pressures on growth, as it believes its strategies to diversify its financial services offering and build the rest of Africa and UK franchises will deliver outperformance over the medium to long term. In addition, the group remains focused on driving efficiencies and managing core costs.

The group aims to deliver real growth in earnings and an ROE near the upper end of its stated target range of 18% to 22%.

EVENTS AFTER THE REPORTING PERIOD (AUDITED)

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.

BOARD CHANGES

The following changes to the board have taken place.

		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 in designation		
AT Nzimande	Non-executive director	31 December 2016
AT Nzimande	Independent non-executive director	1 January 2017

SEGMENT REPORT

for the year ended 30 June 2017

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 825	2 486	2 699	6 421	**15 431**	8 605	3	**24 039**
Impairment charge	(285)	(699)	(1 071)	(1 063)	**(3 118)**	(530)	(15)	**(3 663)**
Net interest income after impairment of advances	3 540	1 787	1 628	5 358	**12 313**	8 075	(12)	**20 376**
Non-interest revenue	413	1 835	826	8 980	**12 054**	7 035	816	**19 905**
Income from operations	3 953	3 622	2 454	14 338	**24 367**	15 110	804	**40 281**
Operating expenses	(1 725)	(2 027)	(977)	(9 800)	**(14 529)**	(8 161)	(1 242)	**(23 932)**
Income before tax	2 228	1 595	1 477	4 538	**9 838**	6 949	(438)	**16 349**
Indirect tax	(12)	(60)	(16)	(368)	**(456)**	(35)	(3)	**(494)**
Profit before tax	2 216	1 535	1 461	4 170	**9 382**	6 914	(441)	**15 855**
Income tax expense	(620)	(430)	(409)	(1 168)	**(2 627)**	(1 936)	123	**(4 440)**
Profit for the year	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**
Attributable to								
Ordinary equityholders	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**
Attributable earnings to ordinary equityholders	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 596	1 105	1 052	3 002	**6 755**	4 978	(318)	**11 415**

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

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

** *Refer to additional activity disclosure on page 26.*

[#] *Refer to additional segmental information on page 27.*

RMB							
Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
3 985	1 484	**5 469**	**9 205**	1 136	**39 849**	(1 200)	**38 649**
(544)	(75)	**(619)**	**(3 052)**	350	**(6 984)**	–	**(6 984)**
3 441	1 409	**4 850**	**6 153**	1 486	**32 865**	(1 200)	**31 665**
6 339	1 671	**8 010**	**2 781**	(1 190)	**29 506**	1 443	**30 949**
9 780	3 080	**12 860**	**8 934**	296	**62 371**	243	**62 614**
(5 129)	(1 860)	**(6 989)**	**(5 488)**	(1 312)	**(37 721)**	52	**(37 669)**
4 651	1 220	**5 871**	**3 446**	(1 016)	**24 650**	295	**24 945**
(109)	(5)	**(114)**	**(232)**	(36)	**(876)**	–	**(876)**
4 542	1 215	**5 757**	**3 214**	(1 052)	**23 774**	295	**24 069**
(1 277)	(340)	**(1 617)**	**(901)**	1 510	**(5 448)**	(84)	**(5 532)**
3 265	875	**4 140**	**2 313**	458	**18 326**	211	**18 537**
3 265	875	**4 140**	**2 313**	221	**18 089**	211	**18 300**
–	–	**–**	**–**	237	**237**	–	**237**
3 265	875	**4 140**	**2 313**	458	**18 326**	211	**18 537**
3 265	875	**4 140**	**2 313**	221	**18 089**	211	**18 300**
–	–	**–**	**–**	–	**–**	(31)	**(31)**
3 265	875	**4 140**	**2 313**	221	**18 089**	180	**18 269**
–	–	**–**	**–**	–	**–**	(63)	**(63)**
–	–	**–**	**–**	–	**–**	(117)	**(117)**
3 265	875	**4 140**	**2 313**	221	**18 089**	–	**18 089**

SEGMENT REPORT continued

for the year ended 30 June 2017

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	40.7	46.9	27.7	63.6	**52.9**	52.2	>100	**54.5**
Diversity ratio (%)	9.7	42.5	23.4	58.3	**43.9**	45.0	99.6	**45.3**
Credit loss ratio (%)	0.15	3.05	7.43	7.14	**1.27**	0.66	2.90	**1.12**
NPLs as a percentage of advances (%)	2.33	3.89	8.54	5.56	**3.04**	2.73	17.95	**2.97**
Income statement includes								
Depreciation	(4)	(3)	(2)	(1 549)	**(1 558)**	(43)	(11)	**(1 612)**
Amortisation	–	(5)	–	(32)	**(37)**	–	(7)	**(44)**
Impairment charges	–	–	–	(9)	**(9)**	2	–	**(7)**
Statement of financial position includes								
Advances (after ISP – before impairments)	195 498	23 800	14 372	15 429	**249 099**	83 566	273	**332 938**
NPLs net of ISP	4 560	926	1 227	858	**7 571**	2 280	49	**9 900**
Total deposits (including non-recourse deposits)	926	1 554	1	202 212	**204 693**	188 301	27	**393 021**
Total assets	194 050	22 866	12 997	30 935	**260 848**	86 044	719	**347 611**
Total liabilities*	193 617	22 099	12 261	20 654	**248 631**	82 096	1 158	**331 885**
Capital expenditure	4	19	1	2 076	**2 100**	189	–	**2 289**

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

* *Total liabilities are net of interdivisional balances.*

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

[#] *Refer to additional activity disclosure on page 26.*

[†] *Refer to additional segmental information on page 27.*

RMB							
Investment banking	Corporate banking	**Total RMB[#]**	**WesBank[†]**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS**
49.7	59.0	**51.9**	**45.8**	(>100)	**54.4**	–	**54.1**
61.4	53.0	**59.4**	**23.2**	>100	**42.5**	–	**44.5**
0.24	0.20	**0.24**	**1.80**	(0.04)	**0.88**	–	**0.88**
0.50	0.09	**0.44**	**4.37**	–	**2.27**	–	**2.27**
(129)	(3)	**(132)**	**(552)**	(15)	**(2 311)**	–	**(2 311)**
(42)	–	**(42)**	**(5)**	(3)	**(94)**	–	**(94)**
–	(1)	**(1)**	**3**	–	**(5)**	4	**(1)**
228 045	39 545	**267 590**	**170 195**	43 555	**814 278**	(281)	**813 997**
1 137	35	**1 172**	**7 437**	–	**18 509**	–	**18 509**
79 295	102 444	**181 739**	**41**	301 889	**876 690**	–	**876 690**
348 935	42 159	**391 094**	**170 523**	172 923	**1 082 151**	–	**1 082 151**
345 614	40 586	**386 200**	**167 327**	109 366	**994 778**	–	**994 778**
839	9	**848**	**1 361**	3	**4 501**	–	**4 501**

SEGMENT REPORT

for the year ended 30 June 2016

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 755	2 308	2 567	5 926	**14 556**	7 645	8	**22 209**
Impairment charge	(414)	(565)	(1 051)	(755)	**(2 785)**	(390)	2	**(3 173)**
Net interest income after impairment of advances	3 341	1 743	1 516	5 171	**11 771**	7 255	10	**19 036**
Non-interest revenue	377	1 651	796	8 862	**11 686**	6 443	621	**18 750**
Income from operations	3 718	3 394	2 312	14 033	**23 457**	13 698	631	**37 786**
Operating expenses	(1 766)	(1 969)	(998)	(9 186)	**(13 919)**	(7 674)	(986)	**(22 579)**
Income before tax	1 952	1 425	1 314	4 847	**9 538**	6 024	(355)	**15 207**
Indirect tax	(13)	(51)	(16)	(287)	**(367)**	(34)	(2)	**(403)**
Profit before tax	1 939	1 374	1 298	4 560	**9 171**	5 990	(357)	**14 804**
Income tax expense	(544)	(385)	(363)	(1 277)	**(2 569)**	(1 677)	100	**(4 146)**
Profit for the year	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**
Attributable to								
Ordinary equityholders	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**
Attributable earnings to ordinary equityholders	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**
TRS and IFRS 2 liability remeasurement	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 395	989	935	3 283	**6 602**	4 313	(257)	**10 658**

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

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

** *Refer to additional activity disclosure on page 26.*

[#] *Refer to additional segmental information on page 27.*

[†] *Restated. Refer to pages 90 to 92 for more detailed information.*

RMB							
Investment banking	Corporate banking	**Total RMB****	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS†**
4 110	1 466	**5 576**	**9 047**	1 501	**38 333**	(1 556)	**36 777**
(514)	(162)	**(676)**	**(2 701)**	295	**(6 255)**	–	**(6 255)**
3 596	1 304	**4 900**	**6 346**	1 796	**32 078**	(1 556)	**30 522**
5 337	1 593	**6 930**	**2 497**	(916)	**27 261**	625	**27 886**
8 933	2 897	**11 830**	**8 843**	880	**59 339**	(931)	**58 408**
(4 768)	(1 844)	**(6 612)**	**(5 068)**	(1 133)	**(35 392)**	357	**(35 035)**
4 165	1 053	**5 218**	**3 775**	(253)	**23 947**	(574)	**23 373**
(83)	(7)	**(90)**	**(230)**	(40)	**(763)**	–	**(763)**
4 082	1 046	**5 128**	**3 545**	(293)	**23 184**	(574)	**22 610**
(1 143)	(293)	**(1 436)**	**(985)**	953	**(5 614)**	154	**(5 460)**
2 939	753	**3 692**	**2 560**	660	**17 570**	(420)	**17 150**
2 939	753	**3 692**	**2 560**	441	**17 351**	(420)	**16 931**
–	–	**–**	**–**	219	**219**	–	**219**
2 939	753	**3 692**	**2 560**	660	**17 570**	(420)	**17 150**
2 939	753	**3 692**	**2 560**	441	**17 351**	(420)	**16 931**
–	–	**–**	**–**	–	**–**	28	**28**
2 939	753	**3 692**	**2 560**	441	**17 351**	(392)	**16 959**
–	–	**–**	**–**	–	**–**	494	**494**
–	–	**–**	**–**	–	**–**	(102)	**(102)**
2 939	753	**3 692**	**2 560**	441	**17 351**	–	**17 351**

SEGMENT REPORT continued

for the year ended 30 June 2016

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.7	49.7	29.7	62.1	**53.0**	54.5	>100	**55.1**
Diversity ratio (%)	9.1	41.7	23.7	59.9	**44.5**	45.7	98.7	**45.8**
Credit loss ratio (%)	0.22	2.73	7.84	5.66	**1.20**	0.53	(0.33)	**1.03**
NPLs as a percentage of advances (%)	2.46	3.46	7.33	5.49	**3.03**	2.49	18.53	**2.93**
Income statement includes								
Depreciation	(6)	(3)	(5)	(1 336)	**(1 350)**	(41)	(4)	**(1 395)**
Amortisation	–	–	–	(12)	**(12)**	–	(1)	**(13)**
Impairment charges	–	–	–	5	**5**	–	–	**5**
Statement of financial position includes								
Advances (after ISP – before impairments)	189 453	21 968	14 443	14 344	**240 208**	77 941	761	**318 910**
NPLs net of ISP	4 664	759	1 059	787	**7 269**	1 941	141	**9 351**
Total deposits (including non-recourse deposits)	882	1 557	1	177 710	**180 150**	167 401	757	**348 308**
Total assets	188 018	21 229	13 157	31 561	**253 965**	78 891	1 148	**334 004**
Total liabilities*	187 680	20 526	12 605	21 588	**242 399**	75 399	1 507	**319 305**
Capital expenditure	3	5	2	1 962	**1 972**	191	25	**2 188**

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

* *Total liabilities are net of interdivisional balances.*

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

Refer to additional activity disclosure on page 26.

† *Refer to additional segmental information on page 27.*

‡ *Restated. Refer to pages 90 to 92 for more detailed information.*

RMB							
Investment banking	Corporate banking	**Total RMB[#]**	**WesBank[†]**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised adjustments	**FRB – IFRS[‡]**
50.5	60.3	**52.9**	**43.9**	>100	**54.0**	–	**54.2**
56.5	52.1	**55.4**	**21.6**	(>100)	**41.6**	–	**43.1**
0.24	0.48	**0.27**	**1.66**	(0.04)	**0.84**	–	**0.84**
1.42	0.34	**1.27**	**3.81**	–	**2.43**	–	**2.43**
(103)	(3)	**(106)**	**(461)**	(27)	**(1 989)**	–	**(1 989)**
(6)	–	**(6)**	**(22)**	(5)	**(46)**	–	**(46)**
(44)	2	**(42)**	**(77)**	–	**(114)**	–	**(114)**
216 383	34 442	**250 825**	**168 274**	40 897	**778 906**	(281)	**778 625**
3 073	116	**3 189**	**6 413**	–	**18 953**	–	**18 953**
98 312	105 222	**203 534**	**60**	274 715	**826 617**	–	**826 617**
339 258	36 269	**375 527**	**168 366**	153 682	**1 031 579**	–	**1 031 579**
336 224	34 919	**371 143**	**164 912**	94 300	**949 660**	–	**949 660**
73	2	**75**	**1 306**	10	**3 579**	–	**3 579**

ADDITIONAL ACTIVITY DISCLOSURE – RMB

	Year ended 30 June 2017						
R million	**IB&A**	**C&TB**	**M&S**	**INV**	**IM**	**Other**	**Total**
Normalised profit before tax							
Global Markets	**–**	**–**	**1 280**	**–**	**36**	**(197)***	**1 119**
IBD	**3 336**	**–**	**17**	**16**	**–**	**–**	**3 369**
Private Equity	**–**	**–**	**–**	**21**	**–**	**–**	**21**
Other RMB	**(50)**	**–**	**(42)**	**–**	**–**	**125**	**33**
Investment banking	**3 286**	**–**	**1 255**	**37**	**36**	**(72)**	**4 542**
Corporate banking	**–**	**1 215**	**–**	**–**	**–**	**–**	**1 215**
Total RMB – 2017	**3 286**	**1 215**	**1 255**	**37**	**36**	**(72)**	**5 757**

	Year ended 30 June 2016						
R million	IB&A	C&TB	M&S	INV	IM	Other	Total
Normalised profit before tax							
Global Markets	–	–	1 100	(34)	31	(43)	1 054
IBD	3 512	–	11	91	9	–	3 623
Private Equity	–	–	–	(119)	–	–	(119)
Other RMB	(300)	–	–	–	–	(176)	(476)
Investment banking	3 212	–	1 111	(62)	40	(219)	4 082
Corporate banking	–	1 046	–	–	–	–	1 046
Total RMB – 2016	3 212	1 046	1 111	(62)	40	(219)	5 128

Note:

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

* *Includes investments in Global Markets' platform investment.*

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

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

	Year ended 30 June 2016				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	MotoNovo			
NII before impairment of advances	4 344	1 808	636	2 259	9 047
Impairment charge	(1 366)	(338)	(22)	(975)	(2 701)
Normalised profit before tax	1 731	950	366	498	3 545
Normalised earnings	1 247	684	270	359	2 560
Advances	98 377	28 866	29 161	11 870	168 274
NPLs	4 857	126	302	1 128	6 413
Advances margin (%)	3.75	5.65	2.45	19.52	4.87
NPLs (%)	4.94	0.44	1.04	9.50	3.81
Credit loss ratio (%)	1.41	1.36	0.07	8.73	1.66

income statement analysis

30 – 42

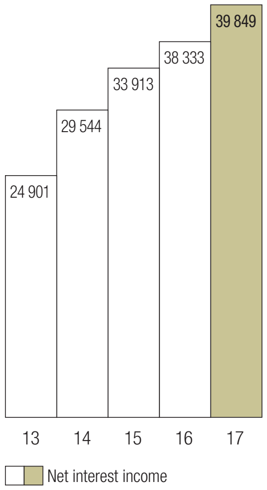
NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES)

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

Net interest income

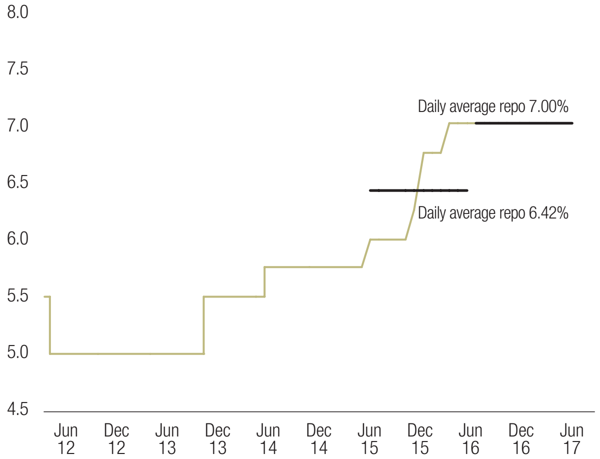
R million

CAGR 12%



Repo rate

%



Note: R183 billion = average endowment book for the year. Rates were higher by 58 bps on average in the current year, which translates into a positive endowment impact of approximately R1 060 million for the year.

Margin cascade table

Percentage of average interest-earning banking assets	%
2016 normalised margin	**5.17**
Capital and deposit endowment	**0.16**
Interest earning assets*	**–**
– Change in balance sheet mix	**0.07**
– Asset pricing	**(0.07)**
Liabilities	**(0.01)**
– Change in funding mix	**0.07**
– Deposit pricing	**(0.08)**
Group Treasury and other movements	**(0.21)**
– Accounting mismatches (MTM vs accrual on term issuance)	**(0.09)**
– Liquidity management	**(0.10)**
– Increase in HQLA and liquidity mismatches	**(0.07)**
– Term funding cost	**(0.03)**
– Interest rate and FX management	**–**
– Other NII in operating franchises	**(0.02)**
2017 normalised margin	**5.11**

* *Includes the effects of the Turbo Finance 7 securitisation of the MotoNovo book and the consequential accounting treatment thereof.*

Activity analysis of net interest income before impairment of advances

	Year ended 30 June		
R million	2017	2016**	% change
Net interest income			
Lending	**18 702**	18 541	1
Transactional*	**14 190**	12 602	13
Deposits	**2 720**	2 634	3
Capital endowment	**4 963**	4 282	16
Group Treasury	**30**	596	(95)
Other (negative endowment e.g. fixed assets)	**(756)**	(322)	>100
Total net interest income	**39 849**	38 333	4

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

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

KEY DRIVERS

- Positive capital and deposit endowment from the cumulative 125 bps increase in the repo rate during the year ended June 2016, which resulted in an average increase of 58 bps in the repo rate for the year.
- NII growth supported by:
  - higher capital levels; and
  - advances and deposit growth of 5% and 6%, respectively.
- FNB's deposit margins decreased by 1 bps. The positive endowment given the higher average rate environment was offset by a change in mix with strong growth in lower yielding deposit products as well as increased competitive pressures. Advances margins remained under pressure, impacted by the negative impact from the implementation of the NCAA rate caps in 2016 as well as higher levels of suspended interest on NPLs.
- WesBank's VAF margins increased 10 bps, positively impacted by the mix change in new business in the retail SA VAF book and the securitisation transactions in the MotoNovo book, offset by continued elevated funding and liquidity costs and increased competitive pressure.
- Investment banking advances margins remained under pressure, impacted by continued high levels of funding and liquidity costs as well as competitive pricing pressure, especially in the investment-grade space.
- The dollar funding carry costs relating to pre-funding dollar liquidity in previous financial years was flat year-on-year after a decrease of R74 million in 2016.
- Negative mark-to-market movement of c.R300 million (2016: R65 million positive movement) on fair value term funding instruments due to movements in the domestic yield curve. This will reverse over the duration of the underlying instruments, which are long dated.
- The ongoing build-up of HQLA in compliance with LCR prudential regulatory requirements negatively impacted the bank's interest margin.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) continued

Average balance sheet and margins

		June 2017			June 2016†		
R million	Notes	Average balance#	Interest income/ (expense)	Average rate %	Average balance	Interest income/ (expense)	Average rate %
INTEREST-EARNING ASSETS							
Average prime rate (RSA)				**10.50**			9.92
Balances with central banks		**20 274**	**–**	**–**	18 506	–	–
Cash and cash equivalents		**15 112**	**601**	**3.98**	11 586	437	3.77
Liquid assets portfolio		**87 030**	**6 841**	**7.86**	89 339	6 513	7.29
Loans and advances to customers	1	**657 574**	**72 881**	**11.08**	622 284	66 257	10.65
Interest-earning assets		**779 990**	**80 323**	**10.30**	741 715	73 207	9.87
INTEREST-BEARING LIABILITIES							
Average JIBAR				**7.34**			6.59
Deposits due to customers	2	**(483 623)**	**(24 287)**	**5.02**	(446 675)	(19 745)	4.42
Group Treasury funding		**(282 948)**	**(19 156)**	**6.77**	(266 855)	(16 785)	6.29
Interest-bearing liabilities		**(766 571)**	**(43 443)**	**5.67**	(713 530)	(36 530)	5.12
ENDOWMENT AND TRADING BOOK							
Other assets*		**190 527**	**–**	**–**	178 868	–	–
Other liabilities**		**(117 069)**	**–**	**–**	(123 784)	–	–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(83 877)**	**–**	**–**	(80 269)	–	–
Endowment and trading book		**(13 419)**	**2 969**	**(22.13)**	(28 185)	1 656	(5.88)
Total interest-bearing liabilities, endowment and trading book		**(779 990)**	**(40 474)**	**5.19**	(741 715)	(34 874)	4.70
Net interest margin on average interest-earning assets		**779 990**	**39 849**	**5.11**	741 715	38 333	5.17

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

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

** *Includes trading liabilities.*

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

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

Note 1 – Margin analysis on loans and advances to customers

	June 2017		June 2016	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**10.50**		9.92
ADVANCES				
Retail – secured	**311 853**	**2.66**	308 452	2.69
Residential mortgages	**191 454**	**1.67**	185 354	1.73
VAF	**120 399**	**4.24**	123 098	4.14
Retail – unsecured	**67 426**	**12.31**	61 315	12.60
Card	**23 089**	**9.35**	21 193	9.63
Personal loans	**29 336**	**16.29**	26 324	17.02
– FNB	**16 528**	**14.46**	15 291	15.21
– WesBank	**12 808**	**18.65**	11 033	19.52
Retail other	**15 001**	**9.09**	13 798	8.76
Corporate and commercial	**278 295**	**2.24**	252 517	2.38
FNB commercial	**79 569**	**3.43**	71 564	3.53
– Mortgages	**18 711**	**2.40**	16 776	2.49
– Overdrafts	**30 044**	**4.37**	26 568	4.51
– Term loans	**30 814**	**3.14**	28 220	3.23
WesBank corporate	**29 044**	**2.10**	29 452	2.45
RMB investment banking*	**137 477**	**1.70**	119 932	1.82
RMB corporate banking	**32 205**	**1.71**	31 569	1.78
Total advances	**657 574**	**3.47**	622 284	3.54

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

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

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

The bank operates a transfer pricing framework that incorporates liquidity costs and benefits into product pricing, including any regulatory costs for all significant business activities (on- and off-balance sheet), thereby aligning liquidity risk-taking incentives of individual business units with the liquidity risk exposure this activity creates for the bank as a whole.

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

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) continued

Note 2 – Margin analysis on deposits due to customers

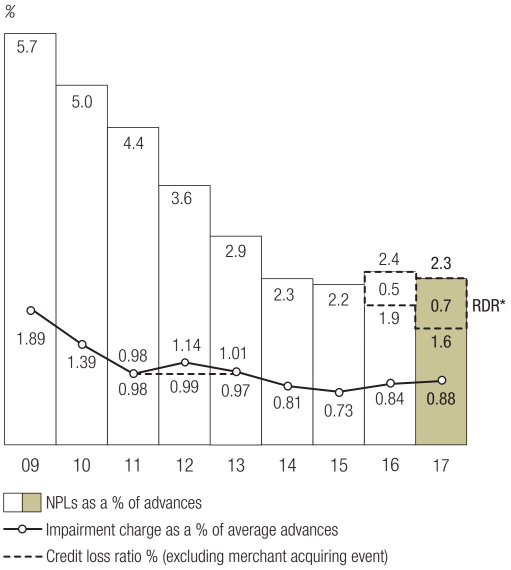
	June 2017		June 2016*	
R million	**Average balance**	**Average margin %**	Average balance	Average margin %
Average JIBAR (RSA)		**7.34**		6.59
DEPOSITS				
Retail	**174 797**	**2.86**	154 001	3.00
Current and savings	**54 504**	**6.75**	52 149	6.37
Call	**47 421**	**1.31**	38 090	1.62
Term	**72 872**	**0.96**	63 762	1.07
Commercial	**174 485**	**2.91**	159 717	2.80
Current and savings	**64 599**	**6.05**	59 996	5.53
Call	**66 569**	**1.47**	60 105	1.62
Term	**43 317**	**0.46**	39 616	0.44
Corporate and investment banking	**134 341**	**0.84**	132 957	0.77
Current and savings	**58 613**	**1.38**	56 832	1.38
Call	**53 014**	**0.46**	53 932	0.34
Term	**22 714**	**0.37**	22 193	0.28
Total deposits	**483 623**	**2.32**	446 675	2.26

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

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

CREDIT HIGHLIGHTS

NPLs and impairment history



* *Restructured debt-review*

Credit portfolio management

	Year ended 30 June		
R million	**2017**	2016	% change
Total gross advances	**814 278**	778 906	5
NPLs	**18 509**	18 953	(2)
NPLs as a % of advances	**2.27**	2.43	
Impairment charge	**6 984**	6 255	12
Credit loss ratio (%)	**0.88**	0.84	
Total impairments	**14 859**	14 818	–
– Portfolio impairments	**7 711**	7 510	3
– Specific impairments	**7 148**	7 308	(2)
Specific coverage ratio (%)*	**38.6**	38.6	
Total impairment coverage ratio (%)**	**80.3**	78.2	
Performing book coverage ratio (%)#	**0.97**	0.99	

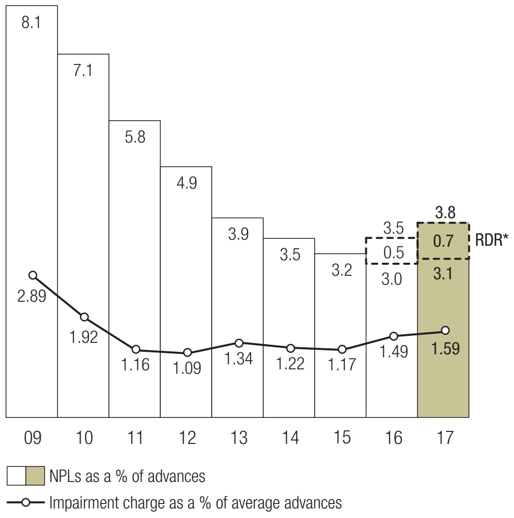
* *Specific impairments as a percentage of NPLs.*

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

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

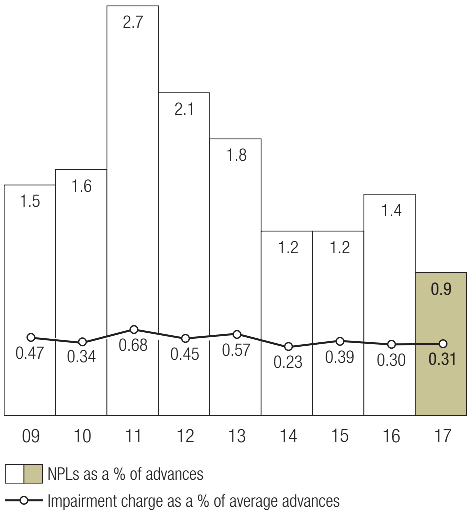
CREDIT HIGHLIGHTS continued

Retail NPLs and impairments



* *Restructured debt-review*

Corporate and commercial NPLs and impairments



Credit impairments increased 12%, with the credit loss ratio increasing from 84 bps in June 2016 to 88 bps, reflecting the deteriorating macroeconomic environment in South Africa.

The 3% increase in portfolio impairments reflects the more muted book growth as well as the deteriorating macroeconomic environment in South Africa. The improvement in commodity prices over the last 12 months did, however, result in a significant reduction of impairments raised in the current year in RMB against its mining, and oil and gas portfolios.

The total impairment coverage ratio increased from 78.2% at June 2016 to 80.3%, reflecting the impact of a significant reduction in corporate NPLs as a result of the work-out and write-off of certain large corporate exposures, in spite of a partial central overlay release and the lower NPL coverage on paying debt-review customers.

KEY DRIVERS

- Retail NPLs as a % of advances increased to 3.80% (2016: 3.53%):
  - Residential mortgage NPLs reduced 2% year-on-year. NPLs have trended up marginally for the six months to June 2017, reflecting the turn of the cycle, resulting in lower cure rates and an increase in new NPL formation across the portfolio, which is expected to continue.
  - An increase of 16% in FNB loans and a 22% increase in card NPLs, reflecting the worsening macroeconomic environment, new business strain and the increasing number of debt-review NPLs. Debt-review NPLs comprise 35% and 26%, respectively, of the FNB loans and card NPL portfolios.
- Retail SA VAF and WesBank personal loans NPLs increased 17% and 19% respectively. An increase in the proportion of restructured debt-review accounts as well as the worsening credit cycle adversely impacted NPL formation. The total retail SA VAF charge of 1.55% has been impacted by the growth in NPLs together with adjustments in LGD models.
- NPLs in MotoNovo increased 37% (GBP +58%), moderating from the first half performance, reflecting the positive impact of certain risk mitigation strategies implemented towards the end of 2016. The growth in NPLs was expected given the strong book growth experienced over the last three financial years and the maturing of the advances book.
- Corporate NPLs decreased 59% since June 2016. The decrease was specifically due to the work-out and write-off of certain large resource-related NPLs in the RMB investment banking advances book as well as certain WesBank corporate exposures, which originated in previous reporting periods.
- FNB commercial NPLs increased 17% reflecting strong book growth, an increase in agric NPLs as a result of book growth and the impact of the recent drought conditions, and an increase in specialised finance NPLs.
- Post write-off recoveries remained robust at R2 093 million (June 2016: R1 856 million) driven by card, the unsecured retail lending portfolios and retail SA VAF.

The table below provides an overview of the coverage ratios between debt-review and non-debt review/operational NPLs.

	June 2017					
R million	Operational NPLs	Debt-review NPLs	Total NPLs	Total NPLs % change	Operational NPLs % change	Debt-review NPLs as a % of total NPLs
Residential mortgages	4 090	470	4 560	(2)	(5)	10
Card	689	237	926	22	23	26
Personal loans	798	429	1 227	16	(1)	35
Retail other	677	181	858	9	2	21
FNB retail NPLs	6 254	1 317	7 571	4	(1)	17
WesBank loans	220	1 125	1 345	19	(18)	84
SA VAF	2 757	2 905	5 662	17	16	51
WesBank retail NPLs	2 977	4 030	7 007	17	12	58
Total NPLs	13 162	5 347	18 509	(2)	(10)	29

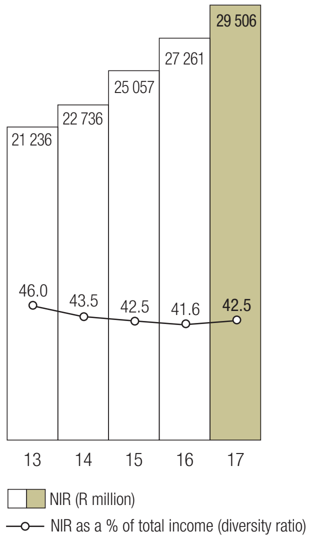
	Debt-review coverage		Non-debt review coverage		Total NPL coverage			
Coverage ratio (%)	June 2017	June 2016	June 2017	June 2016	June 2017	June 2016	Change	
FNB credit card	**45.1**	43.0	**74.2**	76.0	**67.0**	67.3	(0.3)	↓
FNB retail other	**37.9**	43.0	**75.5**	75.6	**67.1**	70.4	(3.3)	↓
FNB loans	**48.2**	66.7	**69.2**	70.1	**61.9**	71.3	(9.4)	↓
WesBank loans	**31.6**	32.6	**71.3**	70.2	**38.1**	41.2	(3.1)	↓
SA VAF	**15.5**	18.3	**44.1**	40.5	**29.3**	29.5	(0.2)	↓

NON-INTEREST REVENUE

NON-INTEREST REVENUE – UP 8%

Non-interest revenue and diversity ratio

NIR CAGR 9%



Analysis of non-interest revenue

		Year ended 30 June		
R million	Notes	2017	2016	% change
Fee and commission income	1	**22 199**	21 119	5
Markets, client and other fair value income	2	**3 692**	2 807	32
Investment income		**137**	91	51
Other non-interest revenue	3	**3 478**	3 244	7
Non-interest revenue		**29 506**	27 261	8

NIR growth was resilient given the difficult macroeconomic environment, with fee and commission income growth benefiting from robust volume growth, specifically in electronic channels, combined with solid growth in customer numbers. Fee and commission income represents 75% (June 2016: 77%) of NIR.

The overall downward long-term trend in the diversity ratio, despite NIR growth over the past five years, results from strong deposit growth, positive endowment impact, specific credit strategies, including change in mix in retail advances and repricing strategies. NIR growth has been negatively impacted by the ongoing success of the e-migration strategy (resulting in lower fees) and regulatory pressures.

Note 1 – Fee and commission income – up 5%

	Year ended 30 June		
R million	**2017**	2016	% change
Bank commissions and fee income	**22 546**	21 342	6
– Card commissions	**3 437**	3 062	12
– Cash deposit fees	**1 623**	1 752	(7)
– Commissions on bills, drafts and cheques*	**2 206**	2 124	4
– Bank charges*,**	**15 280**	14 404	6
Knowledge-based fees	**1 448**	1 337	8
Management and fiduciary fees	**765**	683	12
Insurance income	**996**	1 032	(3)
Other non-bank commissions	**710**	638	11
Gross fee and commission income	**26 465**	25 032	6
Fee and commission expenditure	**(4 266)**	(3 913)	9
Total fee and commission income	**22 199**	21 119	5

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

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

KEY DRIVERS

- FNB grew NIR 6% driven by increased cross-sell into the client base, as well as growth in the main-banked client base, specifically in premium (+7%) and commercial (+11%).
- The e-migration and cross-sell strategy remains successful, but impacted absolute NIR growth negatively through lower fee levels, specifically lower cash deposit fees, and higher reward costs. In addition, through the simplification of the product offering and pricing strategies in the consumer segment, fee income growth was curtailed by c.R540 million.
- Transaction volume growth remained robust at 10%. Electronic volumes increased 11%, whilst manual volumes grew 1%.

	Increase in transaction volumes %
Mobile (excluding prepaid)	**20**
Internet banking	**7**
Cheque card	**10**
Banking app	**68**
ADT/ATM deposits	**13**

- Insurance revenue decreased marginally, negatively impacted by slower new business volumes in MotoNovo and the rand appreciation.
- Knowledge-based fees remained robust, underpinned by key lending transactions, underwriting mandates and structuring fees.
- The bank's management and fiduciary fee income growth of 12% reflects increased management fees from the group's associates and joint ventures.

NON-INTEREST REVENUE continued

Note 2 – Markets, client and other fair value income – up 32%

R million	Year ended 30 June 2017	 2016	 % change
Client	**1 832**	1 134	62
Markets	**1 185**	1 446	(18)
Other	**675**	227	>100
Total markets, client and other fair value income	**3 692**	2 807	32

KEY DRIVERS

- Client revenues remained resilient, with the structuring business posting a strong performance, emanating from notable client-driven solutions, as well as the non-repeat of a prior year specific credit event.
- Flow trading and residual risk activities delivered a balanced performance across all asset classes relative to the prior year, which benefited from heightened levels of volatility in the foreign exchange and fixed income markets. This was coupled with a solid commodities and equities performance, benefiting from increased prices and sustained volumes.
- The increase in other fair value income relates to gains on economic hedges relating to the securitisation transactions, the majority of which eliminate at a FirstRand group level. The remaining external portion of the economically hedged fair value income pulls to par over the life of the instrument. This was partially offset by lower net TRS fair value income (impacted by the move in FirstRand's share price year-on-year, the number of shares hedged through the TRS, and the grant values and vesting of the various schemes).

Note 3 – Other non-interest revenue – up 7%

KEY DRIVERS

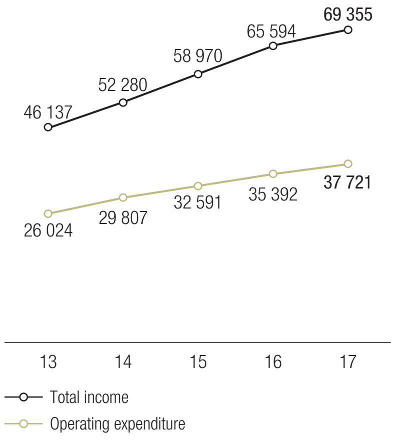
- The most significant other non-interest income item relates to various intercompany charges from other FirstRand group companies, such as service charges and management fees. These eliminate on consolidation on a group level.
- The remaining significant other non-interest income items relate to various rental income streams. Rental income in WesBank and FNB showed strong growth, with WesBank in particular showing strong growth in its FML book.

OPERATING EXPENSES

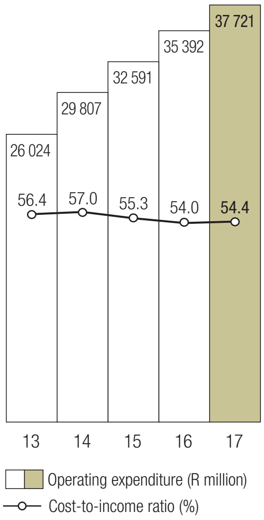
OPERATING EXPENSES – UP 7%

Operating jaws

R million



Operating efficiency



Operating expenses

R million	Year ended 30 June 2017	Year ended 30 June 2016	% change
Staff expenditure	**21 847**	20 724	5
– Direct staff expenditure*	**14 508**	13 737	6
– Other staff-related expenditure*	**7 339**	6 987	5
Depreciation of property and equipment	**2 311**	1 989	16
Amortisation of intangible assets	**94**	46	>100
Advertising and marketing	**1 114**	1 025	9
Insurance	**231**	225	3
Lease charges	**1 267**	1 189	7
Professional fees	**1 636**	1 521	8
Audit fees	**246**	288	(15)
Computer expenses	**1 912**	1 577	21
Repairs and maintenance	**1 145**	1 070	7
Telecommunications	**275**	251	10
Cooperation agreements and joint ventures	**646**	579	12
Property	**834**	767	9
Business travel	**313**	350	(11)
Other expenditure	**3 850**	3 791	2
Total operating expenses	**37 721**	35 392	7

* *Prior year numbers are restated by R480 million to reflect the change in the treatment of retirement benefit contributions due to amended legislation, moving it from other staff-related expenditure to direct staff expenditure.*

OPERATING EXPENSES continued

KEY DRIVERS

- Cost growth slowed to 7% from the 9% recorded in 2016, a pleasing result given the bank's ongoing investment spend on new initiatives and platforms, highlighting the focus on operational efficiencies given the pressure on topline growth due to the constrained macroeconomic environment.
- This outcome was primarily driven by a modest increase of 5% in staff costs.

	% change	REASONS
Direct staff costs	6	Impacted by unionised increases at an average of 7.8% in August 2016 and a slight decrease in staff complement across the bank.
Other staff-related expenditure	5	The increase was driven by a modest increase of 3% in variable staff costs related to lower levels of normalised earnings and NIACC growth in the current year. Normalised share-based payment expenses increased marginally given the increase in FirstRand's share price.

- The 16% increase in depreciation was driven by strong growth in WesBank's FML book, continuing investment in infrastructure (e.g. ATMs/ADTs), ongoing investment in electronic platforms and commissioning of new premises over the previous three financial years.
- The increase in amortisation of intangibles is due to software capitalised in FNB and RMB.
- The 8% growth in professional fees and 21% growth in computer expenses reflect continued spend on licensing fees, projects related to various electronic platforms and infrastructure upgrades as well as additional compliance-related projects.
- Advertising and marketing costs increased substantially due to market segment-focused advertising campaigns on TV, radio and the internet across the operating franchises.
- Growth in lease charges was driven by increased property and equipment rental.

balance sheet analysis and financial resource management

44 – 76

ECONOMIC VIEW OF THE BALANCE SHEET

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

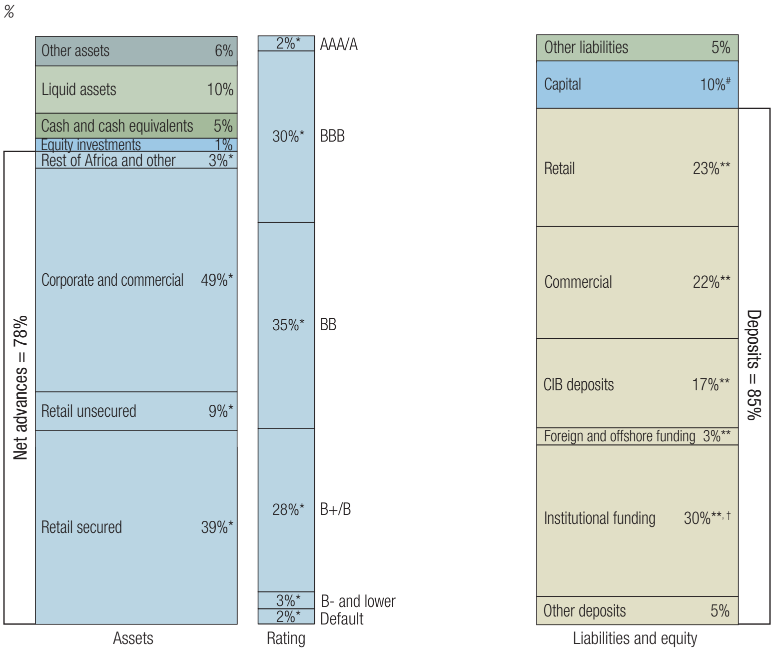
When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 78% of total assets. The composition of the net advances portfolio consists of retail secured (39%), retail unsecured (9%), corporate and commercial (49%) and rest of Africa and other (3%). Total NPLs were R18.5 billion (2.27% as a percentage of advances) with a credit loss ratio of 0.88%.

Cash and cash equivalents, and liquid assets represent 5% 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.

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

The bank's capital ratios remained strong with the CET1 ratio 14.1%, Tier 1 ratio 14.3% and total capital adequacy ratio 17.3%. Gearing decreased to 12.9 times (2016: 13.1 times).

Economic view of the balance sheet



* *As a proportion of loans and advances.*

** *As a proportion of deposits.*

[#] *Ordinary equity (8%) and NCNR preference shares and Tier 2 liabilities (2%).*

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

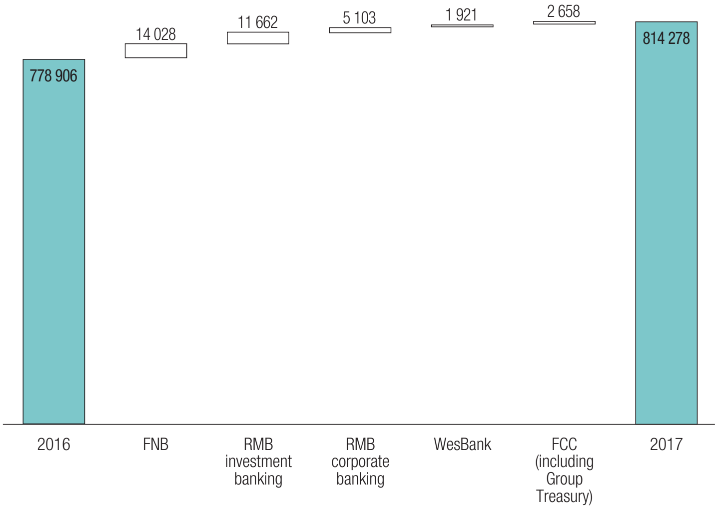
Note: Derivative-, securities lending- and short trading position assets and liabilities have been netted off.

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. "Other deposits" comprises collateral received and repurchase agreements.

ADVANCES – UP 5%

Gross advances growth by franchise

R million



Advances

R million	As at 30 June **2017**	 2016	% change
Gross advances	**814 278**	778 906	5
Impairment of advances	**(14 859)**	(14 818)	–
Net advances	**799 419**	764 088	5

Advances growth slowed to 5% from 8% in the prior year. This was driven by the difficult macroeconomic environment resulting in disciplined resource allocation and by the strengthening of the rand against the US dollar and British pound year-on-year. On a constant-currency basis, the bank achieved 6% advances growth.

Growth rates moderated across all retail portfolios compared to the prior year, reflecting the impact of the continued deterioration in the South African macroeconomic environment, higher average interest rates and the bank's resultant conservative risk appetite.

The constrained macroeconomic environment, higher funding costs and disciplined pricing of financial resources continues to place pressure on the corporate portfolio, specifically in South Africa. Despite this, the portfolio produced solid balance sheet growth during the reporting period.

ADVANCES continued

PORTFOLIO/PRODUCT	% CHANGE	KEY DRIVERS
FNB retail	**4**	
Residential mortgages	3	- 2% growth in FNB HomeLoans, reflecting a slowdown in nominal house price inflation and lower demand. - Satisfactory growth of 11% in secured affordable housing on the back of client demand.
Card	8	- Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation in the premium segment. Growth in card in the consumer segment has been marginally negative given reduced risk appetite.
Personal loans	–	- Growth was flat compared to the 16% growth recorded in the 2016 financial year reflecting a more conservative origination appetite, with further cuts made in November 2016. The growth has been differentiated between the consumer and premium segments.
Retail other	8	- Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating from the prior year, reflecting lower risk appetite.
FNB commercial	**7**	- Reflecting targeted new client acquisition in the business segment, resulting in growth of 13% in agric and 6% in commercial property finance.
RMB*	**14**	- Growth from the SA core advances book was solid in spite of the constrained macroeconomic environment and competitive pressures. Cross-border growth was up 13% in constant currency terms, reflecting drawdowns of pre-existing facilities and targeted new credit extension. In rand terms, the cross-border book increased 1% year-on-year.
WesBank	**1**	- WesBank's advances grew 1% impacted by the devaluation of the pound against the rand, as well as the timing of securitisation transactions during the current year. In constant-currency terms advances grew 4%. - Overall growth in advances was negatively impacted by a decrease of 9% in new passenger vehicle sales and customers opting to "buy down" or move into secondhand vehicles given historic high new vehicle price inflation. In addition, the R10 billion securitisation in the MotoNovo book and R7 billion in retail SA VAF in the current year, constrained absolute advances growth. - New business volumes in MotoNovo remained resilient with the book growing 20% in GBP (4% in rand), driven by increased volumes, new products and increased footprint. Growth rates have moderated from the 34% in GBP terms recorded in the prior financial year, reflecting tightening of credit criteria in higher risk origination buckets. - Loans reflected good advances growth of 14% benefiting from increased growth in lower risk segments of the market, offset by cuts in higher risk buckets and impacted by the introduction of NCAA rates. - Corporate new business volumes contracted 19%, reflecting the difficult macroeconomic environment.

* *Core advances.*

CREDIT

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		Year ended 30 June		
R million	Notes	2017	2016	% change
Total gross advances	1	**814 278**	778 906	5
NPLs	2	**18 509**	18 953	(2)
NPLs as a % of advances	2	**2.27**	2.43	
Impairment charge	3	**6 984**	6 255	12
Credit loss ratio (%)	3	**0.88**	0.84	
Total impairments	4	**14 859**	14 818	–
– Portfolio impairments	4	**7 711**	7 510	3
– Specific impairments	4	**7 148**	7 308	(2)
Specific coverage ratio (%)*	4	**38.6**	38.6	
Total impairment coverage ratio (%)**	4	**80.3**	78.2	
Performing book coverage ratio (%)#		**0.97**	0.99	

* *Specific impairments as a percentage of NPLs.*

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

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

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

CREDIT continued

NOTE 1: ANALYSIS OF ADVANCES

Segmental analysis of advances

	Advances			
	As at 30 June			% composition
R million	2017	2016	% change	2017
Retail	**387 930**	379 321	2	**48**
Retail – secured	**320 812**	316 696	1	**39**
Residential mortgages	**195 498**	189 453	3	**24**
VAF	**125 314**	127 243	(2)	**15**
– SA	**95 285**	98 377	(3)	**12**
– MotoNovo*	**30 029**	28 866	4	**3**
Retail – unsecured	**67 118**	62 625	7	**9**
Card	**23 800**	21 968	8	**3**
Personal loans	**27 889**	26 313	6	**4**
– FNB	**14 372**	14 443	–	**2**
– WesBank	**13 517**	11 870	14	**2**
Retail other	**15 429**	14 344	8	**2**
Corporate and commercial	**401 064**	378 224	6	**49**
FNB commercial	**83 566**	77 941	7	**10**
WesBank corporate	**31 364**	29 161	8	**4**
RMB investment banking	**228 045**	216 383	5	**28**
RMB corporate banking	**39 545**	34 442	15	**5**
HQLA corporate advances**	**18 544**	20 297	(9)	**2**
FNB Africa[#]	**273**	761	(64)	**–**
FCC (including Group Treasury)	**25 011**	20 600	21	**3**
Securitisation notes	**19 223**	14 641	31	**2**
Other	**5 788**	5 959	(3)	**1**
Total advances	**814 278**	778 906	5	**100**
Of which:				
Accrual book	**583 234**	532 248	10	**72**
Fair value book[†]	**231 044**	246 658	(6)	**28**

* *MotoNovo book GBP1.77 billion (+20%) (2016: GBP1.47 billion).*

** *Managed by the Group Treasurer.*

[#] *Includes FNB's activities in India.*

[†] *Including advances classified as available-for-sale.*

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

	Advances			
	As at 30 June			% composition
R million	2017	2016	% change	2017
Corporate and investment banking advances	**267 590**	250 825	7	**100**
Less: assets under agreements to resell	**(29 047)**	(40 818)	(29)	**(11)**
RMB advances net of assets under agreements to resell	**238 543**	210 007	14	**89**

Sector and geographic analysis of advances

	As at 30 June			% composition
R million	2017	2016	% change	2017
Gross advances	**815 960**	780 374	5	**100**
Less: interest in suspense	**(1 682)**	(1 468)	15	**–**
Advances net of interest in suspense	**814 278**	778 906	5	**100**
Sector analysis				
Agriculture	**30 220**	28 032	8	**4**
Banks	**4 951**	10 674	(54)	**1**
Financial institutions*	**132 200**	115 944	14	**16**
Building and property development*	**42 637**	43 984	(3)	**5**
Government, Land Bank and public authorities	**22 740**	19 524	16	**3**
Individuals	**372 740**	366 556	2	**46**
Manufacturing and commerce	**92 148**	86 185	7	**11**
Mining	**16 461**	16 426	–	**2**
Transport and communication	**18 635**	19 320	(4)	**2**
Other services*	**81 546**	72 261	13	**10**
Total advances	**814 278**	778 906	5	**100**
Geographic analysis				
South Africa	**739 728**	708 002	4	**91**
Other Africa	**26 982**	25 740	5	**3**
UK	**35 810**	32 255	11	**4**
Other Europe	**5 475**	6 155	(11)	**1**
North America	**1 727**	798	>100	**–**
South America	**434**	952	(54)	**–**
Australasia	**1**	409	(100)	**–**
Asia	**4 121**	4 595	(10)	**1**
Total advances	**814 278**	778 906	5	**100**

* *An analysis of other services was undertaken and resulted in R19 310 million being restated to financial institutions (R14 641 million) and to building and property development (R4 669 million) in the prior year.*

CREDIT continued

NOTE 2: ANALYSIS OF NPLs

Segmental analysis of NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	2017	2016	% change	2017	2017	2016
Retail	**14 750**	13 380	10	**80**	**3.80**	3.53
Retail – secured	**10 394**	9 647	8	**56**	**3.24**	3.05
Residential mortgages	**4 560**	4 664	(2)	**25**	**2.33**	2.46
VAF	**5 834**	4 983	17	**31**	**4.66**	3.92
– SA	**5 662**	4 857	17	**31**	**5.94**	4.94
– MotoNovo*	**172**	126	37	**–**	**0.57**	0.44
Retail – unsecured	**4 356**	3 733	17	**24**	**6.49**	5.96
Card	**926**	759	22	**5**	**3.89**	3.46
Personal loans	**2 572**	2 187	18	**14**	**9.22**	8.31
– FNB	**1 227**	1 059	16	**7**	**8.54**	7.33
– WesBank	**1 345**	1 128	19	**7**	**9.95**	9.50
Retail other	**858**	787	9	**5**	**5.56**	5.49
Corporate and commercial	**3 710**	5 432	(32)	**20**	**0.93**	1.44
FNB commercial	**2 280**	1 941	17	**12**	**2.73**	2.49
WesBank corporate	**258**	302	(15)	**2**	**0.82**	1.04
RMB investment banking	**1 137**	3 073	(63)	**6**	**0.50**	1.42
RMB corporate banking	**35**	116	(70)	**–**	**0.09**	0.34
HQLA corporate advances**	**–**	–	–	**–**	**–**	–
FNB Africa#	**49**	141	(65)	**–**	**17.95**	18.53
FCC (including Group Treasury)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total NPLs	**18 509**	18 953	(2)	**100**	**2.27**	2.43
Of which:						
Accrual book	**17 706**	16 321	8	**96**	**3.04**	3.07
Fair value book	**803**	2 632	(69)	**4**	**0.35**	1.07

* *MotoNovo NPLs of GBP10 million (+58%) (2016: GBP6 million).*

** *Managed by the Group Treasurer.*

Includes FNB's activities in India.

Sector and geographic analysis of NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			% composition	As at 30 June	
R million	2017	2016	% change	2017	2017	2016
Sector analysis						
Agriculture	**620**	393	58	**3**	**2.05**	1.40
Banks	**–**	41	–	**–**	**–**	0.38
Financial institutions	**94**	91	3	**1**	**0.07**	0.08
Building and property development	**1 060**	1 237	(14)	**6**	**2.49**	2.81
Government, Land Bank and public authorities	**27**	12	>100	**–**	**0.12**	0.06
Individuals	**14 084**	13 027	8	**75**	**3.78**	3.55
Manufacturing and commerce	**950**	766	24	**5**	**1.03**	0.89
Mining	**485**	2 013	(76)	**3**	**2.95**	12.25
Transport and communication	**152**	196	(22)	**1**	**0.82**	1.01
Other services	**1 037**	1 177	(12)	**6**	**1.27**	1.63
Total NPLs	**18 509**	18 953	(2)	**100**	**2.27**	2.43
Geographic analysis						
South Africa	**17 761**	16 675	7	**96**	**2.40**	2.36
Other Africa	**111**	1 569	(93)	**1**	**0.41**	6.10
UK	**172**	126	37	**1**	**0.48**	0.39
Other Europe	**58**	62	(6)	**–**	**1.06**	1.01
North America	**358**	379	(6)	**2**	**20.73**	47.49
South America	**–**	–	–	**–**	**–**	–
Australasia	**–**	–	–	**–**	**–**	–
Asia	**49**	142	(65)	**–**	**1.19**	3.09
Total NPLs	**18 509**	18 953	(2)	**100**	**2.27**	2.43

CREDIT continued

Security and recoverable amounts by portfolio

	As at 30 June 2017			As at 30 June 2016		
R million	NPLs	Security held and expected recoveries	Specific impairment	NPLs	Security held and expected recoveries	Specific impairment
Retail	**14 750**	**9 522**	**5 228**	13 380	8 566	4 814
Retail – secured	**10 394**	**7 633**	**2 761**	9 647	7 118	2 529
Residential mortgages	**4 560**	**3 567**	**993**	4 664	3 647	1 017
VAF	**5 834**	**4 066**	**1 768**	4 983	3 471	1 512
– SA	**5 662**	**3 995**	**1 667**	4 857	3 422	1 435
– MotoNovo	**172**	**71**	**101**	126	49	77
Retail – unsecured	**4 356**	**1 889**	**2 467**	3 733	1 448	2 285
Card	**926**	**306**	**620**	759	248	511
Personal loans	**2 572**	**1 301**	**1 271**	2 187	967	1 220
– FNB	**1 227**	**468**	**759**	1 059	304	755
– WesBank	**1 345**	**833**	**512**	1 128	663	465
Retail other	**858**	**282**	**576**	787	233	554
Corporate and commercial	**3 710**	**1 810**	**1 900**	5 432	3 034	2 398
FNB commercial	**2 280**	**1 225**	**1 055**	1 941	993	948
WesBank corporate	**258**	**111**	**147**	302	128	174
RMB investment banking	**1 137**	**453**	**684**	3 073	1 842	1 231
RMB corporate banking	**35**	**21**	**14**	116	71	45
HQLA corporate advances*	**–**	**–**	**–**	–	–	–
FNB Africa**	**49**	**29**	**20**	141	45	96
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total	**18 509**	**11 361**	**7 148**	18 953	11 645	7 308

* *Managed by the Group Treasurer.*

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

NOTE 3: ANALYSIS OF INCOME STATEMENT CREDIT IMPAIRMENTS

Income statement impairments

The bad debt charge increased marginally from 84 bps at 30 June 2016 to 88 bps at 30 June 2017.

	Total impairment charge			As a % of average advances	
	Year ended 30 June			Year ended 30 June	
R million	2017	2016	% change	2017	2016
Retail	**6 104**	5 464	12	**1.59**	1.49
Retail – secured	**2 264**	2 118	7	**0.71**	0.69
Residential mortgages	**285**	414	(31)	**0.15**	0.22
VAF	**1 979**	1 704	16	**1.57**	1.40
– SA	**1 503**	1 366	10	**1.55**	1.41
– MotoNovo*	**476**	338	41	**1.62**	1.36
Retail – unsecured	**3 840**	3 346	15	**5.92**	5.71
Card	**699**	565	24	**3.05**	2.73
Personal loans	**2 078**	2 026	3	**7.67**	8.24
– FNB	**1 071**	1 051	2	**7.43**	7.84
– WesBank	**1 007**	975	3	**7.93**	8.73
Retail other	**1 063**	755	41	**7.14**	5.66
Corporate and commercial	**1 215**	1 088	12	**0.31**	0.30
FNB commercial	**530**	390	36	**0.66**	0.53
WesBank corporate	**66**	22	>100	**0.22**	0.07
RMB investment banking	**544**	514	6	**0.24**	0.24
RMB corporate banking	**75**	162	(54)	**0.20**	0.48
HQLA corporate advances**	**–**	–	–	**–**	–
FNB Africa[#]	**15**	(2)	(>100)	**2.90**	(0.33)
FCC (including Group Treasury)[†]	**(350)**	(295)	19	**(0.04)**	(0.04)
Securitisation notes	**–**	–	–	**–**	–
Other	**(350)**	(295)	19	**(0.04)**	(0.04)
Total impairment charge	**6 984**	6 255	12	**0.88**	0.84
Of which:					
Portfolio impairment charge	**454**	565	(20)	**0.06**	0.08
Specific impairment charge	**6 530**	5 690	15	**0.82**	0.76

* *MotoNovo impairment charge of GBP28 million (+76%) (2016: GBP16 million).*

** *Managed by the Group Treasurer.*

[#] *Includes FNB's activities in India.*

[†] *Percentages calculated on total average advances.*

CREDIT continued

NOTE 4: ANALYSIS OF BALANCE SHEET IMPAIRMENTS AND COVERAGE RATIOS

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

Implied loss given default and total impairment coverage ratios

	Balance sheet impairments			Coverage ratios (% of NPLs)	
	As at 30 June			As at 30 June	
R million	2017	2016	% change	2017	2016
Specific impairments					
Retail	**5 228**	4 814	9	**35.4**	36.0
Retail – secured	**2 761**	2 529	9	**26.6**	26.2
Residential mortgages	**993**	1 017	(2)	**21.8**	21.8
VAF	**1 768**	1 512	17	**30.3**	30.3
– SA*	**1 667**	1 435	16	**29.3**	29.5
– MotoNovo (UK)	**101**	77	31	**58.7**	61.1
Retail – unsecured	**2 467**	2 285	8	**56.6**	61.2
Card	**620**	511	21	**67.0**	67.3
Personal loans*	**1 271**	1 220	4	**49.4**	55.8
– FNB	**759**	755	1	**61.9**	71.3
– WesBank	**512**	465	10	**38.1**	41.2
Retail other*	**576**	554	4	**67.1**	70.4
Corporate and commercial	**1 900**	2 398	(21)	**51.2**	44.1
FNB commercial	**1 055**	948	11	**46.3**	48.8
WesBank corporate	**147**	174	(16)	**57.0**	57.6
RMB investment banking	**684**	1 231	(44)	**60.2**	40.1
RMB corporate banking	**14**	45	(69)	**40.0**	38.8
HQLA corporate advances**	**–**	–	–	**–**	–
FNB Africa#	**20**	96	(79)	**40.8**	68.1
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total specific impairments/implied loss given default†	**7 148**	7 308	(2)	**38.6**	38.6
Portfolio impairments‡	**7 711**	7 510	3	**41.7**	39.6
Total impairments/total impairment coverage ratio^	**14 859**	14 818	–	**80.3**	78.2

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

** *Managed by the Group Treasurer.*

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

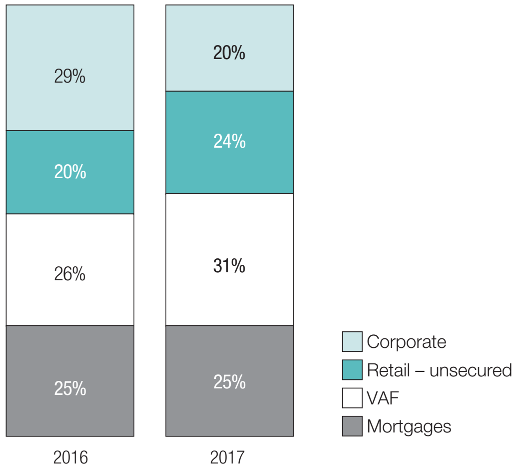
† *Specific impairments as a percentage of NPLs.*

‡ *Portfolio impairments as a percentage of NPLs.*

^ *Total impairments as a percentage of NPLs.*

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

NPL distribution



RECONCILIATION OF IMPAIRMENTS

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

Balance sheet impairments and credit fair value adjustments

	Amortised cost book		Fair value book		Total book	
	As at 30 June		As at 30 June		As at 30 June	
R million	2017	2016	2017	2016	2017	2016
Non-performing book	**6 734**	6 243	**414**	1 065	**7 148**	7 308
Performing book	**5 589**	5 156	**2 122**	2 354	**7 711**	7 510
Total impairments	**12 323**	11 399	**2 536**	3 419	**14 859**	14 818

CREDIT continued

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

Balance sheet impairments

	As at 30 June		
R million	2017	2016	% change
Opening balance	**14 818**	13 514	10
Acquisitions	**26**	6	>100
Exchange rate difference	**(111)**	120	(>100)
Unwinding and discounted present value on NPLs	**(79)**	(77)	3
Bad debts written off	**(8 872)**	(6 856)	29
Net new impairments created	**9 077**	8 111	12
Closing balance	**14 859**	14 818	–

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

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

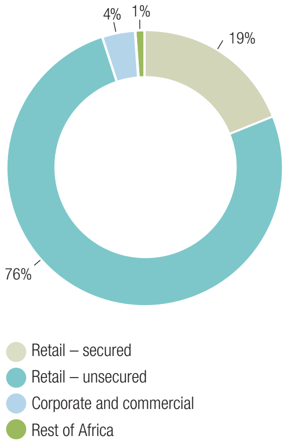
Income statement impairments

	As at 30 June		
R million	2017	2016	% change
Specific impairment charge	**8 623**	7 546	14
Specific impairment charge – amortised cost	**8 493**	7 461	14
Credit fair value adjustments – non-performing book	**130**	85	53
Portfolio impairment charge	**454**	565	(20)
Portfolio impairment charge – amortised cost	**440**	393	12
Credit fair value adjustments – performing book	**14**	172	(92)
Total impairments before recoveries	**9 077**	8 111	12
Recoveries of bad debts written off	**(2 093)**	(1 856)	13
Total impairments	**6 984**	6 255	12

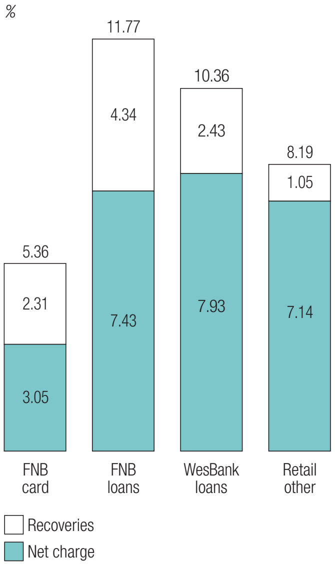
IMPACT OF POST WRITE-OFF RECOVERIES

Post write-off recoveries amounted to R2 093 million (2016: R1 856 million), primarily emanating from the unsecured retail lending portfolio, specifically FNB loans and FNB card.

Post write-off recoveries split



Retail unsecured credit loss ratios and recoveries



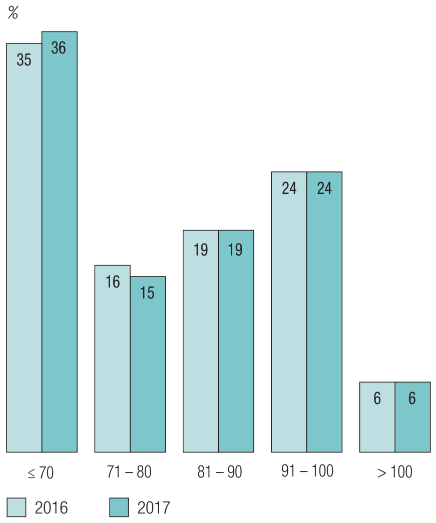
CREDIT continued

RISK ANALYSES

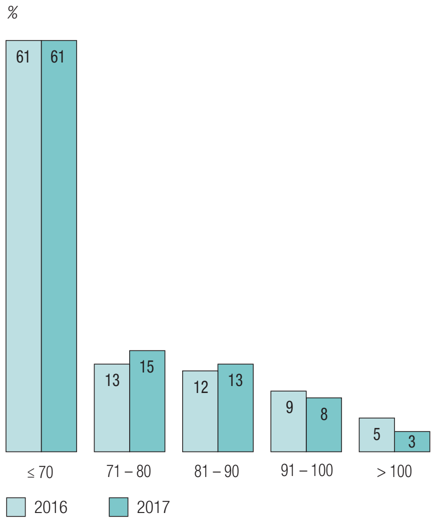
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

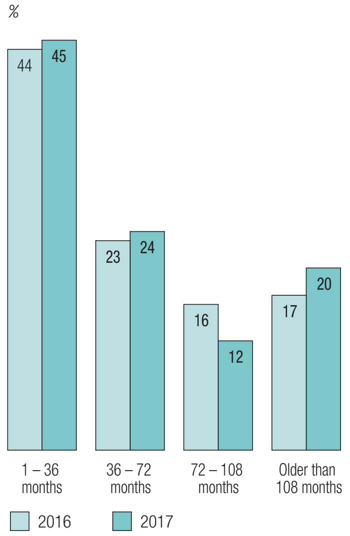
Residential mortgages balance-to-original value



Residential mortgages balance-to-market value



Residential mortgages age distribution



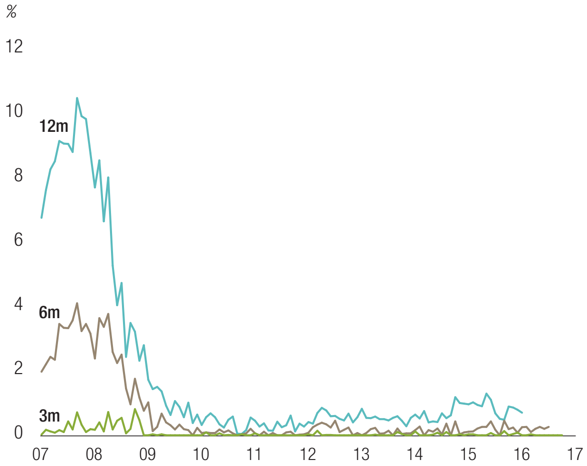
The following graph shows arrears in the FNB HomeLoans portfolio. It includes accounts where more than one full payment is in arrears expressed as a percentage of total advances. The increase over the previous 12 month period reflects the reclassification of restructured debt-review accounts to arrears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

FNB HomeLoans arrears

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

Vintages in FNB HomeLoans have trended lower due to strong collections, despite a tough macroeconomic environment. Lower volumes of new HomeLoans business kept book growth muted as credit appetite remained conservative.

FNB HomeLoans vintage analysis

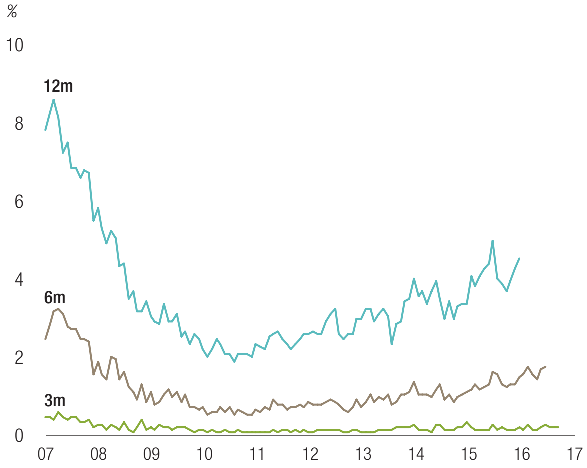


CREDIT continued

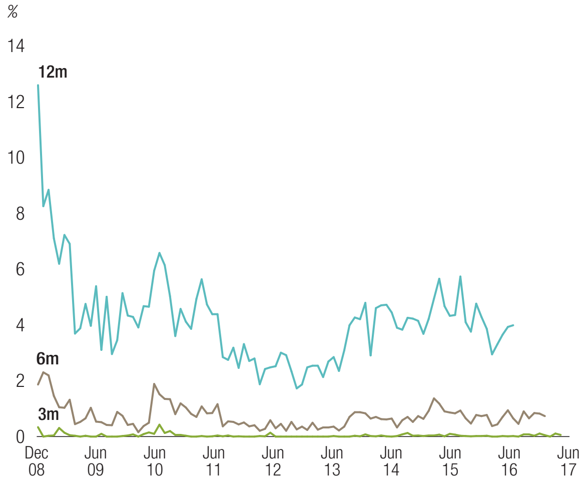
The retail SA VAF cumulative vintage analysis remained well below 2007 levels. More recently, vintages are reflecting continued increases, as expected given the challenging macroeconomic environment as well as the increasing proportion of debt-review NPLs. Risk appetite has been adjusted, with a continued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

FNB card has seen modest advances growth, however, this was concentrated towards higher income segment customers. The book contracted in the lower income bands given the conservative credit appetite in this segment. This, together with good collections, kept default rates within expectations.

WesBank retail SA VAF vintage analysis

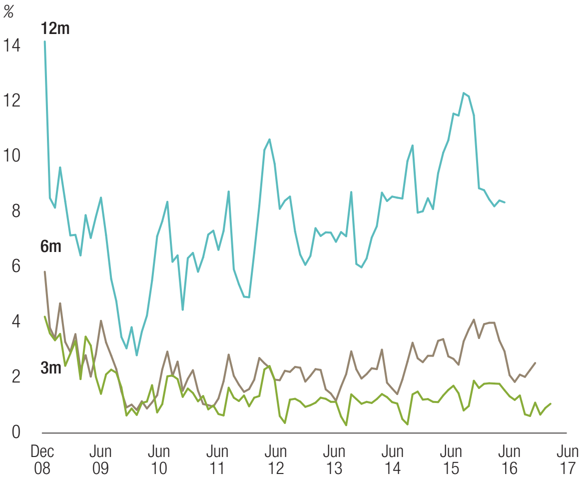


FNB card vintage analysis



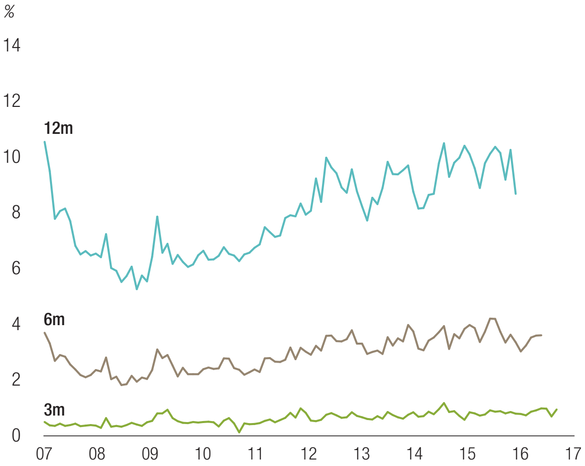
The FNB personal loans portfolio default experience has remained within risk appetite. Risk cuts, conservative origination, especially in the lower income segments, and focused collections ensured that book performance remained within expectations.

FNB personal loans vintage analysis



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

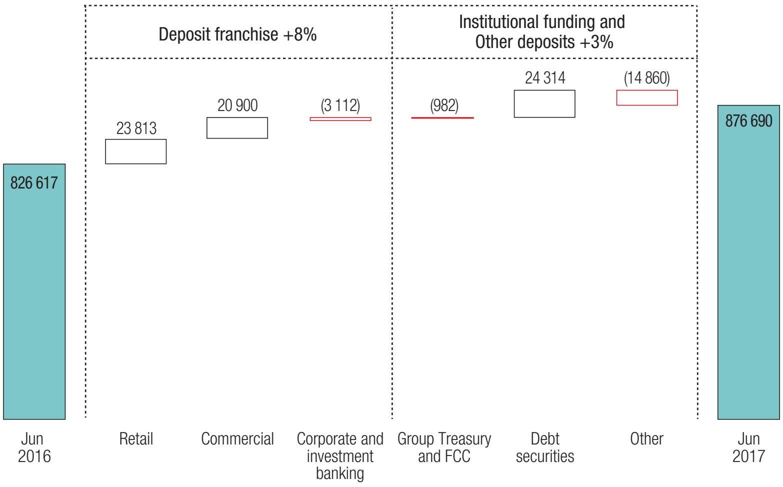
WesBank personal loans vintage analysis



DEPOSITS – UP 6%

Funding portfolio year-on-year growth

R million



KEY DRIVERS

- FNB's deposits increased 13%:
  - retail deposit growth of 14% was supported by ongoing product innovation, with excellent growth of 16% from the premium segment; and
  - commercial deposit growth of 12% was driven by new client acquisition and cross-sell.
- RMB corporate banking grew average daily operational deposits 3%, against a backdrop of a tough client operating environment. Total deposits were down year-on-year due to larger cyclical withdrawals.
- FirstRand, like the rest of the SA banking sector, is dependent on institutional funding in the form of Group Treasury deposits (which grew 10%) and debt securities, which reflected significant growth of 17%. This was impacted by:
  - foreign currency funding and structured issuances in the domestic market – absolute growth was affected by rand appreciation during the year; and
  - an increase in debt securities, which was driven by an increase in funding from the institutional funding market in the form of NCDs and floating rate notes.
- Other deposits include repurchase agreements and cash collateral, both of which decreased during the year.

FUNDING AND LIQUIDITY

INTRODUCTION AND OBJECTIVES

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

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

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

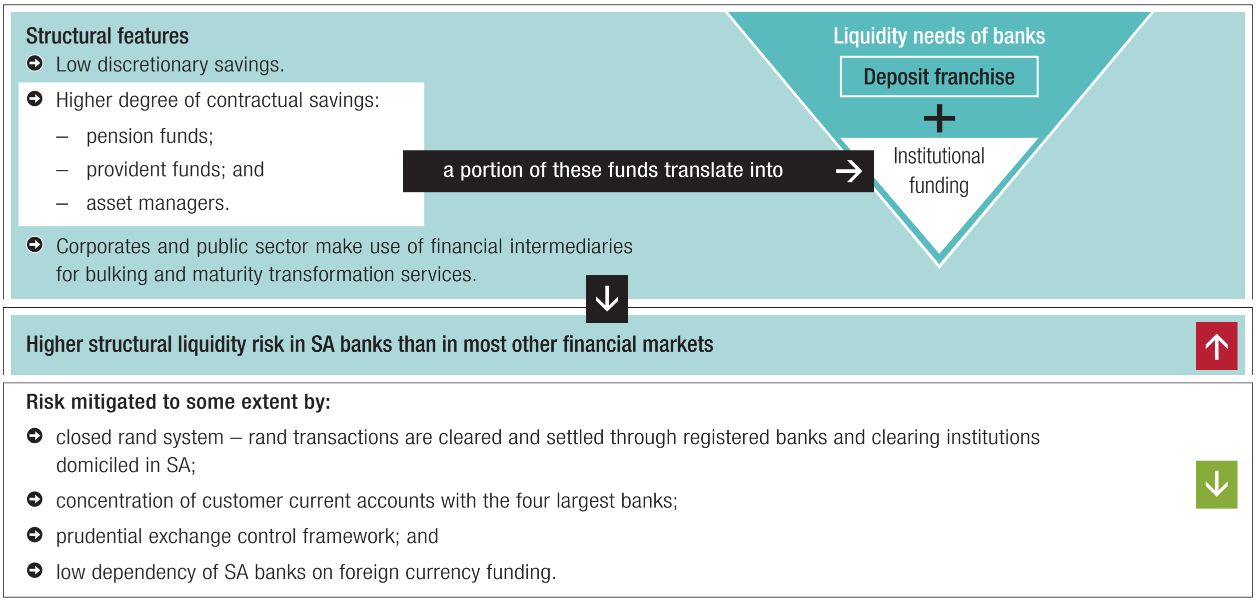
Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity over the year in line with risk appetite. The bank utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase available liquidity holdings.

At 30 June 2017, the bank exceeded the 80% minimum LCR requirement with an LCR of 105% (2016: 102%) at a FirstRand Bank SA (i.e. excluding foreign branches) level.

At 30 June 2017, the bank's available HQLA sources of liquidity per the LCR amounted to R155 billion, with an additional R10 billion of management liquidity available.

FUNDING MANAGEMENT

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



Structural features

- Low discretionary savings.
- Higher degree of contractual savings:
  - pension funds;
  - provident funds; and
  - asset managers.
- Corporates and public sector make use of financial intermediaries for bulking and maturity transformation services.

a portion of these funds translate into →

Liquidity needs of banks

Deposit franchise

+

Institutional funding

↓

Higher structural liquidity risk in SA banks than in most other financial markets ↑

Risk mitigated to some extent by:

- closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in SA;
- concentration of customer current accounts with the four largest banks;
- prudential exchange control framework; and
- low dependency of SA banks on foreign currency funding.

↓

FUNDING AND LIQUIDITY continued

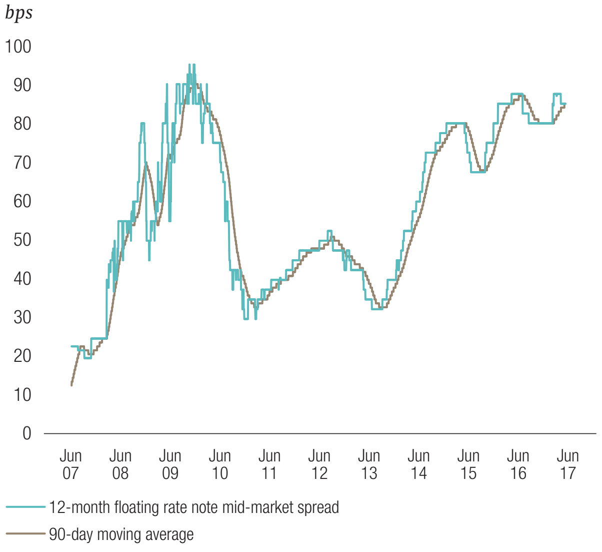
Liquidity demanded by banks as a consequence of money supply constraints introduced by the LCR as well as the central bank's open market operations without a commensurate increase in savings flows, resulted in higher liquidity costs. In light of the structural features discussed above, focus remains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

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

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

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

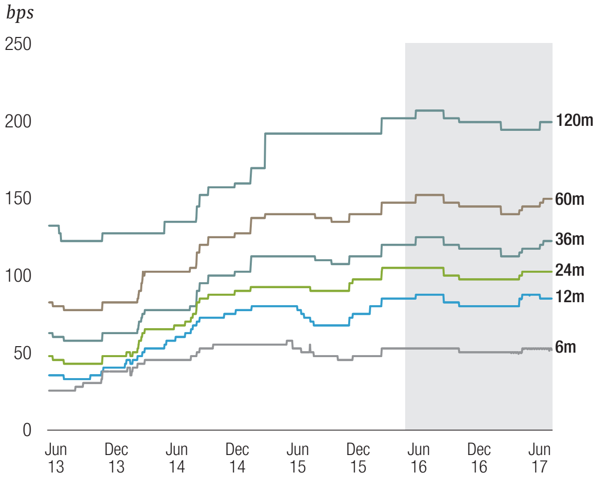
12-month floating rate note mid-market spread



Source: Bloomberg (RMBP screen) and Reuters.

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

Long-term funding spreads



Source: Bloomberg (RMBP screen) and Reuters.

Funding measurement and activity

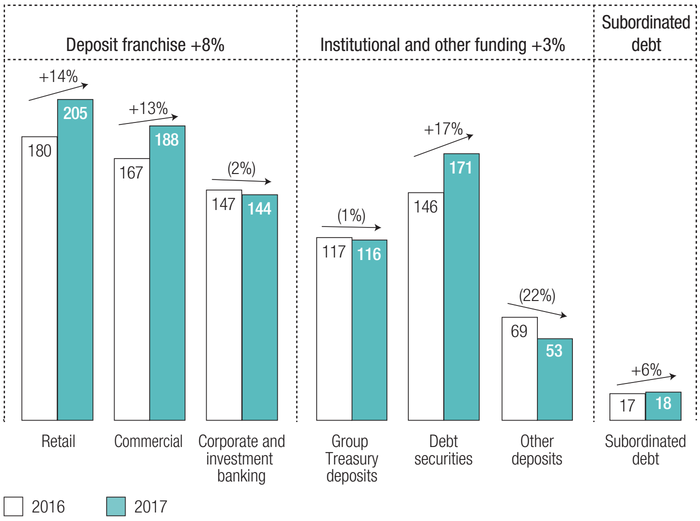
FirstRand Bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously.

The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise is the most efficient source of funding and represented 60% of total bank funding liabilities as at 30 June 2017 (2016: 59%). The bank continued to focus on growing its deposit franchise across all segments, with increasing emphasis on savings and investment products. Progress continues to be made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the bank accesses the domestic money markets daily and, from time to time, capital markets. The bank issues various capital and funding instruments in the capital markets on an auction and reverse-enquiry basis with strong support from investors, both domestically and internationally.

The following graph provides a segmental analysis of the bank's funding base and illustrates the success of its deposit franchise focus, as well as the diversification of the bank's funding from a counterparty perspective.

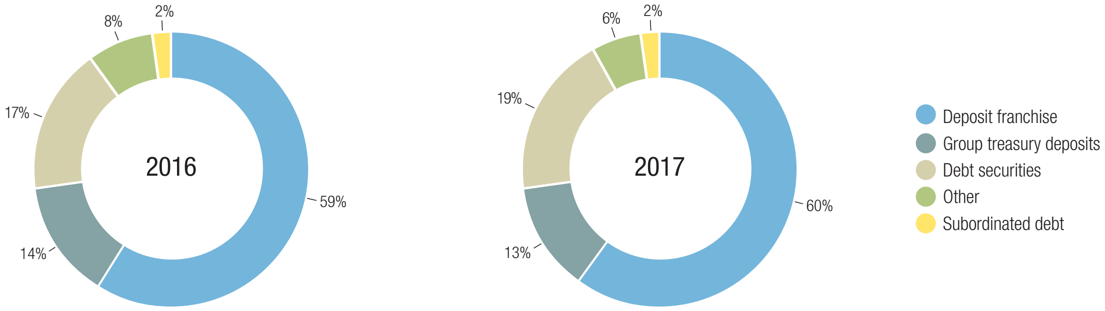
Funding portfolio growth

R billion



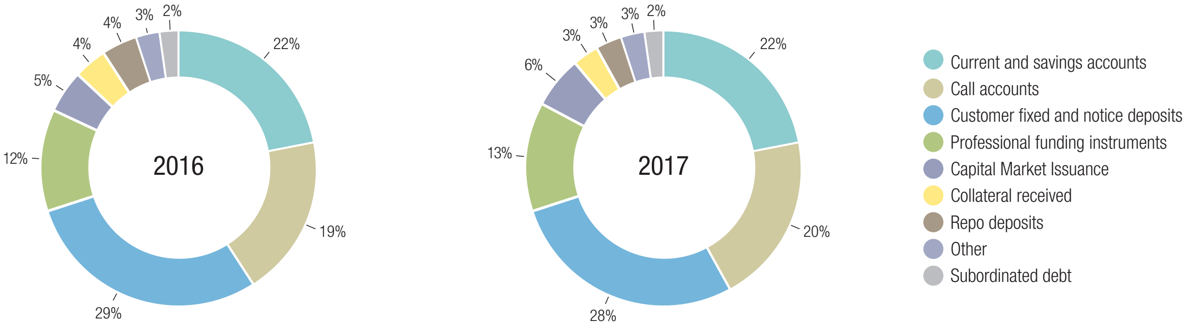
The graphs below show that the bank's funding mix has remained stable over the last 12 months.

Bank's funding mix



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

Bank's funding analysis by instrument type



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

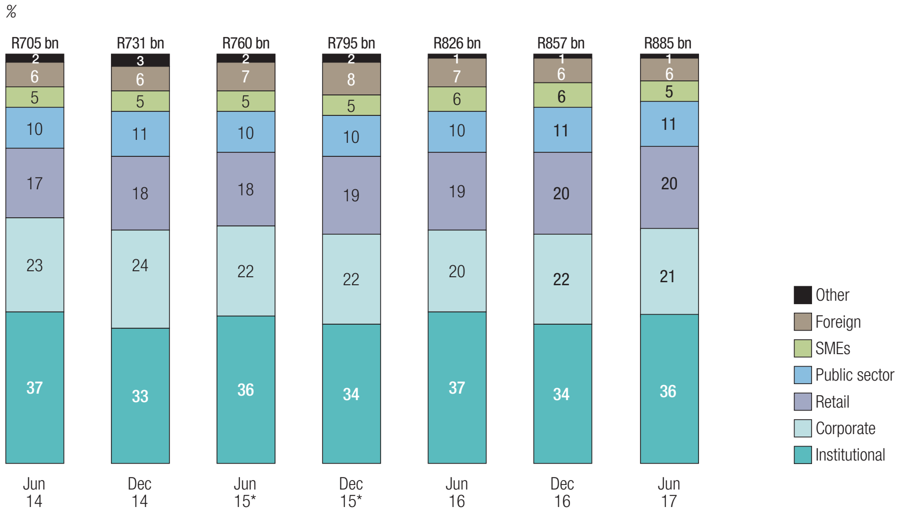
FUNDING AND LIQUIDITY continued

The table below provides an analysis of the bank's funding sources (excluding foreign branches) per counterparty type as opposed to the FRB segment view.

	June 2017				June 2016
% of funding liabilities	Total	Short term	Medium term	Long term	Total
Institutional funding	**35.9**	**11.5**	**4.1**	**20.3**	37.0
Deposit franchise	**64.1**	**49.2**	**8.7**	**6.2**	63.0
Corporate	**20.5**	**17.5**	**2.3**	**0.7**	20.1
Retail	**20.0**	**15.2**	**3.4**	**1.4**	19.2
SMEs	**5.4**	**4.5**	**0.6**	**0.3**	5.5
Governments and parastatals	**10.7**	**8.7**	**0.9**	**1.1**	10.2
Foreign	**6.2**	**3.2**	**1.5**	**1.5**	6.9
Other	**1.3**	**0.1**	**–**	**1.2**	1.1
Total	**100.0**	**60.7**	**12.8**	**26.5**	100.0

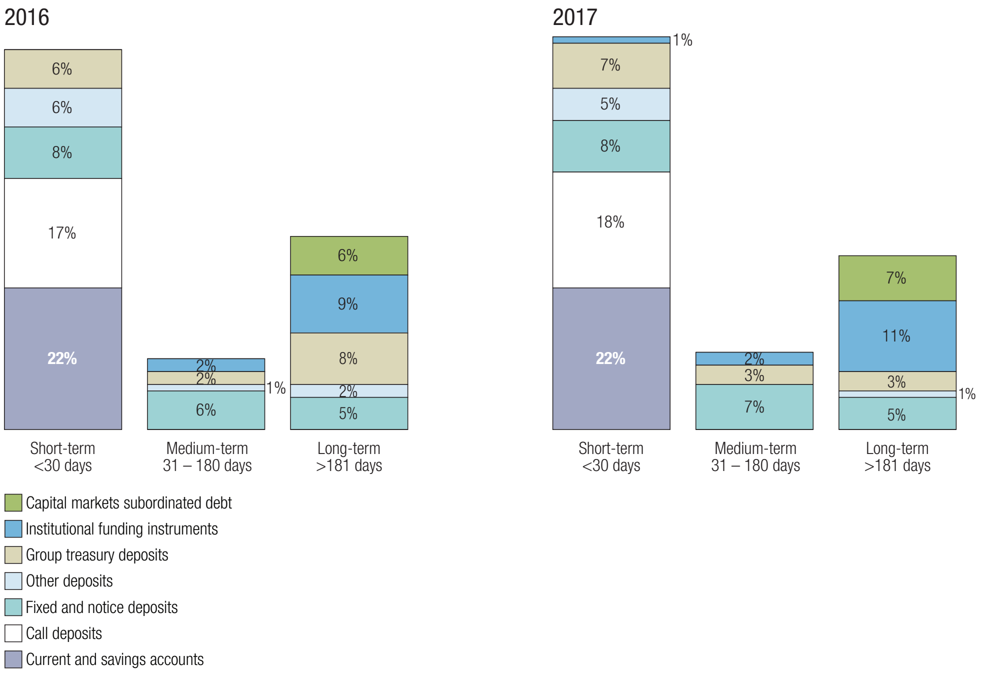
The following graph provides an analysis of the bank's funding analysis by source.

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



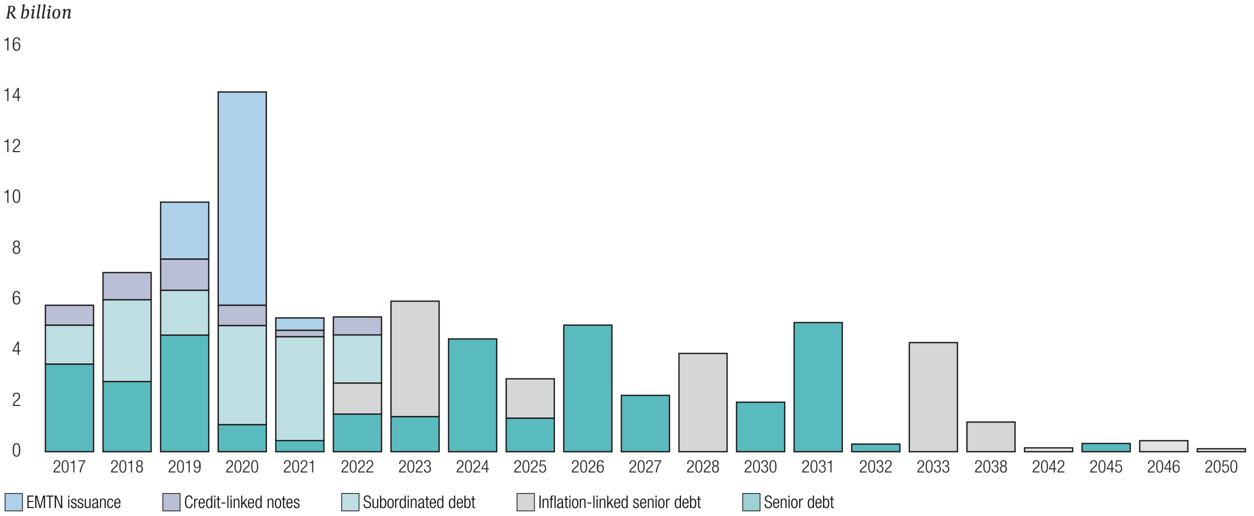
The following chart illustrates a breakdown of the bank's funding liabilities by instrument and term.

Bank's funding liabilities by instrument type and term



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

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



Funds transfer pricing

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

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

FUNDING AND LIQUIDITY continued

FOREIGN CURRENCY BALANCE SHEET

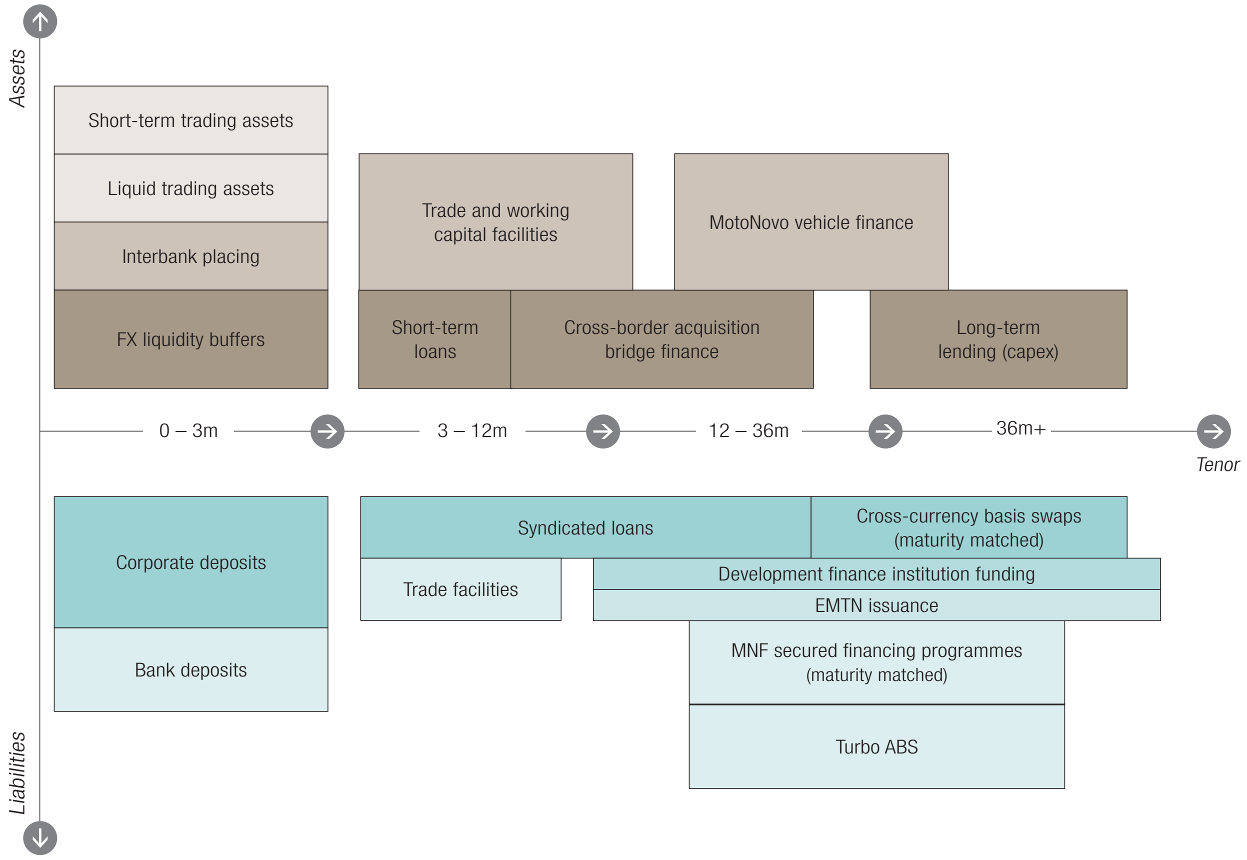
Given that the group continues to grow its businesses in the rest of Africa, and given the size of MotoNovo, the active management of foreign currency liquidity risk continues to be a strategic focus. The group seeks to avoid exposing itself to undue liquidity risk and to maintain liquidity risk within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

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

Philosophy on foreign currency external debt

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

Graphical representation of the foreign currency balance sheet



REGULATORY UPDATE

BASEL III LIQUIDITY RATIOS

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

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

LIQUIDITY COVERAGE RATIO

The LCR has been fully adopted by the SARB with the inclusion of a committed liquidity facility (CLF). Phasing in of the LCR commenced in 2015 and banks are required to be fully compliant by 2019. The minimum LCR requirement is currently 80%, with 10% incremental step-ups each calendar year to 100% on 1 January 2019.

The group remains focused on building a diversified pool of available HQLA, which is constrained by the limited availability of these assets in the South African market.

DISCLOSURE REQUIREMENTS

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

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

NET STABLE FUNDING RATIO

The NSFR is a structural balance sheet ratio focusing on promoting a more resilient banking sector. The ratio calculates the amount of available stable funding relative to the amount of required stable funding. The industry continues to await communication from the SARB in terms of prudential requirements in relation to NSFR prudential requirements at a consolidated group level.

In line with *Directive 4/2016*, banks have been submitting a monthly NSFR monitoring template since August 2016 to enable the SARB to assess the readiness of banks to comply with the 100% NSFR requirement from 1 January 2018 per the Bank of International Settlements (BIS) timelines. Banks have been engaging on a bilateral basis on interpretive matters relating to this form.

The SARB has applied its discretion on the treatment of deposits with maturities of up to six months placed by financial institutions. The NSFR framework assigns a 0% available stable funding (ASF) factor to these funds, whereas the SARB has elected to apply a 35% factor. Additionally, industry is awaiting clarity on treatment of assets eligible for the committed liquidity facility. It is expected that the SARB will follow the route of the Australian regulator by differentiating these assets for required stable funding (RSF) purposes. Both changes are anticipated to significantly assist the South African banking sector in meeting NSFR requirements.

RESOLUTION FRAMEWORK

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

The Resolution Authority (proposed new unit in SARB), will be responsible for bank resolution. The exact details of the legislative framework that will support the resolution regime and the Resolution Authority's respective powers are still being finalised and should be disclosed when the SRB is released. Resolution plans will allow the Resolution Authority to plan for an event from which a bank's recovery action has failed or is deemed likely to fail. Bank resolution plans will be owned and maintained by the Resolution Authority, but will require a significant amount of bilateral engagement and input from individual banks to enable it to develop a customised plan that is most appropriate to each bank. As part of the Resolution Framework and powers of the Resolution Authority, DIS is proposed to protect depositors and enhance financial stability. A discussion paper on designing a DIS was issued in May 2017. Given the significant impact on the banks of funding the DIS, banks continue to actively engage with the SARB on the size of the fund and the funding mechanics.

FUNDING AND LIQUIDITY continued

LIQUIDITY RISK POSITION

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

Bank's composition of liquid assets

	As at 30 June 2017						
	Marketable assets	HQLA Basel III view after haircut*				Management view after haircuts	
R billion	Total June 2017*	Level 1	Level 2	Total June 2017	Total June 2016	Total June 2017	Total June 2016
Cash and deposits with central banks	**31**	**29**	**–**	**29**	26	**29**	26
Government bonds and bills	**93**	**93**	**–**	**93**	78	**93**	74
Other liquid assets	**59**	**–**	**33**	**33**	37	**43**	52
Total	**183**	**122**	**33**	**155**	141	**165**	152

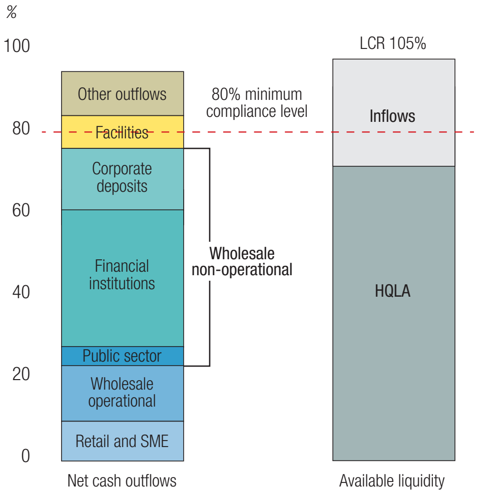
* *The surplus HQLA holdings by foreign branches in excess of the minimum required LCR of 80% (2016: 70%), have been excluded in the calculation of the consolidated group LCR.*

The bank's LCR increased from 102% to 105% due to an increase in HQLA of R10 billion offsetting the R5 billion increase in net cash flows as a result of an increase in wholesale non-operational deposits in the current year.

The following graph illustrates FRB South Africa's LCR position and demonstrates the bank's compliance with the 80% (2016: 70%) minimum requirement.

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

Bank SA LCR



CAPITAL

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

- Prudential requirements
- Rating agencies' considerations
- Investor expectations
- The board's risk appetite
- Peer comparison

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

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the bank remains appropriately capitalised under a range of normal and severe stress scenarios, which includes expansion initiatives, corporate transactions, as well as ongoing regulatory, accounting and tax developments. The bank aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment. FRB's internal targets have been aligned to the SARB end-state minimum capital requirements and are subject to ongoing review and consideration of various stakeholder expectations.

The bank is currently subject to the SARB transitional capital requirements, which include a 50% phased-in requirement for both the capital conservation and domestic systemically important banks (D-SIB) buffer add-ons. The SARB has not implemented any countercyclical buffer requirement for South African exposures. The BCBS issued various consultative documents that are at different stages of testing, finalisation and implementation, and the actual impact on banks remains unclear. The bank continues to participate in the BCBS quantitative impact studies to assess and incorporate, where relevant, the effect of these consultative documents.

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

YEAR UNDER REVIEW

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

Capital adequacy and leverage position

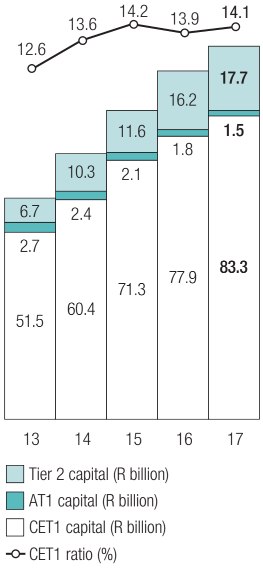
	Capital			Leverage
%	CET1	Tier 1	Total	Total
Regulatory minimum*	7.3	8.5	10.8	4.0
Internal target	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB including foreign branches				
– Including unappropriated profits	**14.1**	**14.3**	**17.3**	**7.4**
– Excluding unappropriated profits	12.3	12.5	15.5	6.4
FRB excluding foreign branches				
– Including unappropriated profits	**14.2**	**14.5**	**17.2**	**7.1**
– Excluding unappropriated profits	12.5	12.7	15.5	6.3

* *Excluding the bank-specific individual capital requirement and D-SIB add-on.*

CAPITAL continued

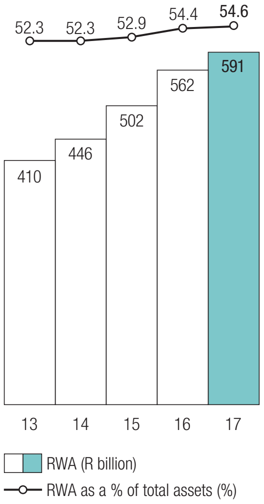
The graphs below show the historical overview of capital adequacy, RWA and leverage for FirstRand Bank (including foreign branches).

*Capital adequacy**

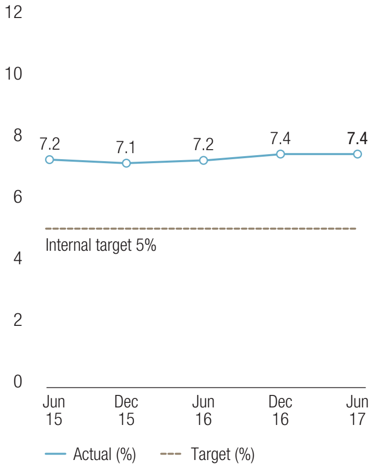


* *Includes unappropriated profits.*

RWA history



*Leverage**



* *Includes unappropriated profits.*

Supply of capital

The tables below summarise FirstRand Bank’s (including foreign branches) qualifying capital components and related movements.

Composition of capital analysis

	Year ended 30 June	
R million	2017	2016
Including unappropriated profits		
CET1	**83 274**	77 906
Tier 1	**84 774**	79 706
Total qualifying capital	**102 527**	95 933
Excluding unappropriated profits		
CET1	**72 565**	68 536
Tier 1	**74 065**	70 336
Total qualifying capital	**91 818**	86 563

KEY DRIVERS		
CET1 capital	↑	- Ongoing internal capital generation through earnings.
AT1 capital	↓	- Additional 10% haircut on NCNR preference shares not compliant with Basel III.
Tier 2 capital	↑	- Issuance of Basel III compliant instruments totalling R2.3 billion during the current financial year. - Redemption of the FRB 10 (R1 billion) and FRB 09 (R100 million) in January 2017 and June 2017, respectively. - Tier 2 mix comprises instruments compliant with Basel III of R13.5 billion and Basel II old-style instruments of R4.7 billion.

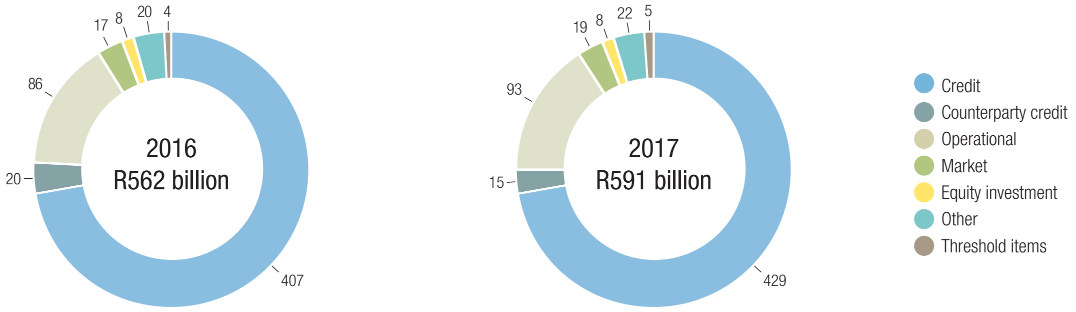
CAPITAL continued

Demand for capital

The graphs below unpack the RWA composition per risk type.

RWA analysis

(R billion)



KEY DRIVERS		
Credit	↑	Organic growth, model recalibrations and regulatory refinement.
Counterparty credit	↓	Volumes, mark-to-market and exchange rate movements.
Operational	↑	Recalibration of portfolios subject to the advanced measurement approach. Increase in gross income for entities on the standardised approach.
Market	↑	Volume and mark-to-market movements. Incorporates impact of sovereign downgrade.
Other assets	↑	Increase in property and equipment and other assets.
Threshold items*	↑	Movement in deferred tax assets and investments in financial and banking entities.

* *Risk weighted at 250%.*

Capital adequacy position for the bank and its foreign branches

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

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

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

	As at 30 June			
	2017			2016
	RWA R million	Tier 1 %	Total capital adequacy %	Total capital adequacy %
Basel III (SARB regulations)				
FirstRand Bank*,**	**591 174**	**14.3**	**17.3**	17.1
FirstRand Bank South Africa*	**550 648**	**14.5**	**17.2**	16.9
FirstRand Bank London	**38 385**	**10.9**	**17.8**	17.4
FirstRand Bank India	**1 965**	**31.1**	**31.7**	24.3
FirstRand Bank Guernsey#	**114**	**37.9**	**37.9**	43.9

* *Includes unappropriated profits.*

** *Includes foreign branches.*

\# *Trading as FNB Channel Islands.*

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

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

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

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

CREDIT RATINGS

The ratings on the South Africa sovereign were lowered by S&P Global Ratings (S&P) and Moody's Investors Service (Moody's) on 3 April 2017 and 9 June 2017, respectively. This was primarily driven by reduced economic growth prospects, lower fiscal strength and the perceived weakening of South Africa's institutional framework. The table below summarises the South Africa sovereign ratings following these actions.

Sovereign ratings as at 6 September 2017

	South Africa sovereign – long-term ratings		
	Outlook	**Foreign currency**	**Local currency**
S&P	Negative	BB+	BBB-
Moody's	Negative	Baa3	Baa3

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

Following the downgrade of the South Africa sovereign rating, South African banks were downgraded by S&P and Moody's on 5 April 2017 and 12 June 2017, respectively. These downgrades were not a reflection of the banks' financial position, but rather an alignment to the sovereign rating.

FirstRand Bank's standalone credit ratings remain unchanged and are reflective of its resilient market position as one of South Africa's leading banks, focused on strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

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

FirstRand Bank counterparty credit ratings as at 6 September 2017

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

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

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

IFRS information

PRESENTATION

BASIS OF PRESENTATION

The summary financial statements contained in this *Analysis of financial results* booklet are prepared in accordance with the JSE Listings Requirements and are derived from a complete set of the bank's audited financial statements.

FRB prepares its summary financial results in accordance with:

- the framework concepts and the recognition and measurement requirements of International Financial Reporting Standards (IFRS);
- Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- as a minimum, the information required by *IAS 34 Interim Financial Reporting*; and
- requirements of the Companies Act, no 71 of 2008, applicable to summary financial statements.

The directors take full responsibility and confirm that this information has been correctly extracted from the audited financial statements from which the summary financial statements were derived.

ACCOUNTING POLICIES

The accounting policies applied in the preparation of the financial statements, from which the summary financial statements were derived, are in terms of IFRS and are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The bank has voluntarily changed the way it presents certain items of NII and NIR, the classification of certain credit investments and the presentation of accrued interest on certain deposits. The change in presentation has had no impact on the profit or loss or net asset value of the bank 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 90 to 92.

The accounting policies are consistent with those applied for the year ended 30 June 2016. No other new or amended IFRS standards became effective for the year ended 30 June 2017 that impacted on the bank's reported earnings, financial position or reserves, or the accounting policies.

NORMALISED RESULTS

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

This *pro forma* financial information, which is the responsibility of the bank's directors, has been prepared for illustrative purposes to more accurately reflect operational performance and because of its nature may not fairly present in terms of IFRS, the bank's financial position, changes in equity and results of operations or cash flows. Details of the nature of these adjustments and reasons thereof can be found on pages 78 to 79. The *pro forma* financial information should be read in conjunction with the unmodified Deloitte and PricewaterhouseCoopers Inc. independent reporting accountants' report, which is available for inspection at FirstRand's registered office.

AUDITORS' REPORT

The summary financial statements for the year ended 30 June 2017 contained in this *Analysis of financial results* booklet have been audited by Deloitte and PricewaterhouseCoopers Inc., who expressed an unmodified opinion thereon, in terms of ISA 810 (Revised). Refer to page 80.

The auditors also expressed an unmodified opinion on the financial statements from which the summary financial statements were derived. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited.

A copy of the auditors' report on the financial statements is available for inspection at FirstRand's registered office, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, together with the financial statements identified in the auditors' report.

The auditors' report does not necessarily report on all of the information contained in the summary financial statements. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditors' engagement they should review the auditors' report together with the accompanying financial information from the issuer's registered office.

The forward-looking information has not been commented or reported on by the bank's external auditors. FirstRand Bank's board of directors take full responsibility for the preparation of this booklet.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

Margin-related items included in fair value income

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

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

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

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

Classification of impairment on restructured advance

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

IAS 19 remeasurement of plan assets

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

Cash-settled share-based payments and the economic hedge

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

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

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

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

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

Headline earnings adjustments

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

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 86.

INDEPENDENT AUDITORS' REPORT ON THE SUMMARY FINANCIAL STATEMENTS

TO THE SHAREHOLDER OF FIRSTRAND BANK LIMITED

Opinion

The summary financial statements of FirstRand Bank Limited, set out on pages 81 to 85, indicated as such and contained in the accompanying analysis of financial results, which comprise the summary statement of financial position as at 30 June 2017, the summary statements of other comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited financial statements of FirstRand Bank Limited for the year ended 30 June 2017.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements of FirstRand Bank Limited, in accordance with the requirements of the JSE Listings Requirements for the summary financial statements, set out in the basis of presentation to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Summary financial statements

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements of FirstRand Bank Limited and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 6 September 2017. That report also includes the communication of other key audit matters as reported in the auditor's report of the audited financial statements. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

Directors' responsibility for the summary financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the requirements of the JSE Listings Requirements for the summary financial statements, set out in the basis of presentation to the summary financial statements, and the requirements of the Companies Act of South Africa as applicable to summary financial statements.

Auditors' responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited 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
Registered auditor
Per partner: Darren Shipp

Woodlands Office Park
Johannesburg

6 September 2017

PricewaterhouseCoopers Inc.

PRICEWATERHOUSECOOPERS INC.
Director: Francois Prinsloo
Registered auditor

2 Eglin Road
Johannesburg

6 September 2017

SUMMARY INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June

R million	2017	2016*	% change
Net interest income before impairment of advances	**38 649**	36 777	5
Impairment and fair value of credit of advances	**(6 984)**	(6 255)	12
Net interest income after impairment of advances	**31 665**	30 522	4
Non-interest revenue	**30 949**	27 886	11
Income from operations	**62 614**	58 408	7
Operating expenses	**(37 669)**	(35 035)	8
Income before tax	**24 945**	23 373	7
Indirect tax	**(876)**	(763)	15
Profit before tax	**24 069**	22 610	6
Income tax expense	**(5 532)**	(5 460)	1
Profit for the year	**18 537**	17 150	8
Attributable to			
Ordinary equityholders	**18 300**	16 931	8
NCNR preference shareholders	**237**	219	8
Profit for the year	**18 537**	17 150	8

* *Restated, refer to pages 90 and 92 for more detailed information.*

SUMMARY STATEMENT OF OTHER COMPREHENSIVE INCOME – IFRS (AUDITED)

for the year ended 30 June

R million	2017	2016	% change
Profit for the year	**18 537**	17 150	8
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(150)**	118	(>100)
Fair value (losses)/gains arising during the year	**(141)**	144	(>100)
Reclassification adjustments for amounts included in profit or loss	**(67)**	20	(>100)
Deferred income tax	**58**	(46)	(>100)
Available-for-sale financial assets	**(393)**	(495)	(21)
Losses arising during the year	**(483)**	(679)	(29)
Reclassification adjustments for amounts included in profit or loss	**(67)**	7	(>100)
Deferred income tax	**157**	177	(11)
Exchange differences on translating foreign operations	**(512)**	482	(>100)
(Losses)/gains arising during the year	**(512)**	482	(>100)
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**171**	(133)	(>100)
Gains/(losses) arising during the year	**237**	(185)	(>100)
Deferred income tax	**(66)**	52	(>100)
Other comprehensive loss for the year	**(884)**	(28)	>100
Total comprehensive income for the year	**17 653**	17 122	3
Attributable to			
Ordinary equityholders	**17 416**	16 903	3
NCNR preference shareholders	**237**	219	8
Total comprehensive income for the year	**17 653**	17 122	3

SUMMARY STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June

R million	2017	2016*	2015*
ASSETS			
Cash and cash equivalents	**53 924**	50 997	53 725
Derivative financial instruments	**35 098**	39 923	34 112
Commodities	**14 380**	12 514	7 354
Investment securities	**127 972**	111 430	103 673
Advances	**799 419**	764 088	705 257
– Advances to customers	**752 479**	719 693	675 387
– Marketable advances	**46 940**	44 395	29 870
Accounts receivable	**5 651**	4 561	4 301
Non-current assets and disposal groups held for sale	**–**	–	125
Current tax asset	**1**	166	–
Amounts due by holding company and fellow subsidiaries	**28 869**	32 793	27 318
Property and equipment	**14 928**	13 632	12 821
Intangible assets	**233**	106	71
Deferred income tax asset	**1 676**	1 369	1 202
Total assets	**1 082 151**	1 031 579	949 959
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**15 211**	14 221	5 270
Derivative financial instruments	**43 660**	50 624	40 811
Creditors, accruals and provisions	**13 079**	12 500	12 370
Current tax liability	**123**	75	69
Deposits	**876 690**	826 617	779 798
– Deposits from customers	**653 260**	612 507	567 033
– Debt securities	**170 594**	146 280	152 505
– Other	**52 836**	67 830	60 260
Employee liabilities	**8 840**	8 772	8 848
Other liabilities	**4 225**	5 386	3 977
Amounts due to holding company and fellow subsidiaries	**14 580**	13 997	11 836
Tier 2 liabilities	**18 370**	17 468	11 983
Total liabilities	**994 778**	949 660	874 962
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	16 804	16 804
Reserves	**67 565**	62 111	55 189
Capital and reserves attributable to ordinary equityholders	**84 373**	78 919	71 997
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**87 373**	81 919	74 997
Total equities and liabilities	**1 082 151**	1 031 579	949 959

* *Restated, refer to pages 90 to 92 for more detailed information.*

SUMMARY STATEMENT OF CASH FLOWS – IFRS (AUDITED)

for the year ended 30 June

R million	2017	2016**
Cash flows from operating activities		
Interest, fee and commission receipts	**93 130**	83 715
Trading and other income	**3 028**	3 320
Interest payments	**(32 659)**	(26 515)
Other operating expenses	**(29 945)**	(28 614)
Dividends received	**3 366**	3 034
Dividends paid	**(12 200)**	(10 200)
Cash generated from operating activities	**24 720**	24 740
Movement in operating assets and liabilities	**(17 601)**	(31 560)
Liquid assets and trading securities	**29 071**	(7 206)
Advances	**(89 577)**	(58 809)
Deposits	**53 432**	40 996
Creditors (net of debtors)	**(634)**	117
Employee liabilities	**(4 746)**	(4 809)
Other liabilities	**1 213**	4 364
Taxation paid	**(6 360)**	(6 213)
Net cash generated from/(utilised by) operating activities	**7 119**	(6 820)
Cash flows from investing activities		
Acquisition of property and equipment	**(4 094)**	(3 243)
Proceeds on disposal of property and equipment	**448**	448
Acquisition of intangible assets	**(221)**	(104)
Proceeds on disposal of non-current assets held for sale	**–**	125
Net cash outflow from investing activities	**(3 867)**	(2 774)
Cash flows from financing activities		
(Repayment of)/proceeds from other liabilities	**(1 148)**	1 290
Proceeds from the issue of Tier 2 liabilities	**902**	5 485
Net cash (outflow)/inflow from financing activities	**(246)**	6 775
Net increase/(decrease) in cash and cash equivalents	**3 006**	(2 819)
Cash and cash equivalents at the beginning of the year	**50 997**	53 725
Effect of exchange rate changes on cash and cash equivalents	**(79)**	91
Cash and cash equivalents at the end of the year	**53 924**	50 997
Mandatory reserve balances included above*	**21 403**	19 267

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

** *Restated. Certain prior year numbers had been restated due to the reclassifications as explained on page 90. Cash in subsidiaries acquired has also been reclassified by set-off against the acquisition amount.*

SUMMARY STATEMENT OF CHANGES IN EQUITY – IFRS (AUDITED)

for the year ended 30 June

	Ordinary share capital and ordinary equityholders' funds				
R million	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2015	4	16 804	**16 808**	(765)	190
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(133)	118
Balance as at 30 June 2016	4	16 804	**16 808**	(898)	308
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Movement in other reserves	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	171	(150)
Balance as at 30 June 2017	4	16 804	**16 808**	(727)	158

	Ordinary share capital and ordinary equityholders' funds						
	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
	395	476	1 345	53 548	**55 189**	**3 000**	**74 997**
	–	–	–	(9 981)	**(9 981)**	**–**	**(9 981)**
	–	–	–	–	**–**	**(219)**	**(219)**
	–	–	–	–	**–**	**–**	**–**
	(495)	482	–	16 931	**16 903**	**219**	**17 122**
	(100)	958	1 345	60 498	**62 111**	**3 000**	**81 919**
	–	–	–	(11 963)	**(11 963)**	**–**	**(11 963)**
	–	–	–	–	**–**	**(237)**	**(237)**
	–	–	–	1	**1**	**–**	**1**
	(393)	(512)	–	18 300	**17 416**	**237**	**17 653**
	(493)	446	1 345	66 836	**67 565**	**3 000**	**87 373**

STATEMENT OF HEADLINE EARNINGS – IFRS

for the year ended 30 June

R million	2017	2016	% change
Profit for the year (refer page 81)	**18 537**	17 150	8
NCNR preference shareholders	**(237)**	(219)	8
Earnings attributable to ordinary equityholders	**18 300**	16 931	8
Adjusted for	**(31)**	28	(>100)
(Gain)/loss on disposal of available-for-sale assets	**(66)**	8	
Loss/(gain) on disposal of property and equipment	**26**	(1)	
(Reversal of impairment)/impairment of assets in terms of IAS 36	**(4)**	23	
Tax effects of adjustments	**13**	(2)	
Headline earnings	**18 269**	16 959	8

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

for the year ended 30 June

R million	2017	2016	% change
Headline earnings	**18 269**	16 959	8
Adjusted for	**(180)**	392	(>100)
TRS and IFRS 2 liability remeasurement*	**(63)**	494	(>100)
IAS 19 adjustment	**(117)**	(102)	15
Normalised earnings	**18 089**	17 351	4

* *The bank uses a TRS with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the bank's long-term incentive schemes.*

The TRS is accounted for as a derivative in terms of IFRS, with the full fair value change recognised in NIR.

In the current period, FirstRand's share price increased R2.31 and during the prior year decreased R8.48.

This resulted in a mark-to-market fair value gain in the current year (compared to a loss in the prior year) being included in the bank's IFRS attributable earnings). The normalised results reflect the adjustment to normalise this year-on-year IFRS fair value volatility from the TRS, as described in more detail on page 79.

RECONCILIATION OF NORMALISED TO IFRS SUMMARY INCOME STATEMENT

for the year ended 30 June 2017

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

RECONCILIATION OF NORMALISED TO IFRS SUMMARY INCOME STATEMENT

for the year ended 30 June 2016

R million	Normalised	IAS 19 adjustment	Margin-related items included in fair value income	TRS adjustment	Headline earnings	IFRS
Net interest income before impairment of advances	38 333	–	(1 556)	–	–	36 777
Impairment charge	(6 255)	–	–	–	–	(6 255)
Net interest income after impairment of advances	32 078	–	(1 556)	–	–	30 522
Non-interest revenue	27 261	–	1 556	(924)	(7)	27 886
Income from operations	59 339	–	–	(924)	(7)	58 408
Operating expenses	(35 392)	142	–	238	(23)	(35 035)
Income before tax	23 947	142	–	(686)	(30)	23 373
Indirect tax	(763)	–	–	–	–	(763)
Profit before tax	23 184	142	–	(686)	(30)	22 610
Income tax expense	(5 614)	(40)	–	192	2	(5 460)
Profit for the year	17 570	102	–	(494)	(28)	17 150
Attributable to						
NCNR preference shareholders	(219)	–	–	–	–	(219)
Ordinary equityholders	17 351	102	–	(494)	(28)	16 931
Headline and normalised earnings adjustments	–	(102)	–	494	28	420
Normalised earnings attributable to ordinary equityholders of the bank	17 351	–	–	–	–	17 351

RESTATEMENT OF PRIOR YEAR NUMBERS

DESCRIPTION OF RESTATEMENTS

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

Fair value of credit adjustments

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

Credit-based investments included in advances

The bank's presentation and classification of debt investment 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.

Margin on securitised assets

Previously, any net income on the sale of advances to a group securitisation vehicle was reclassified from NIR to NII reflecting the underlying nature of the income received on advances over time. IFRS does not have specific rules about presentation of items in profit or loss. Therefore the bank's presentation of these instruments has changed to present these amounts as part of NII in the bank. This amount is reversed upon consolidation into the FirstRand Limited group financial statements.

Accrued interest on deposits

The bank previously recognised accrued interest on certain deposits as part of creditors, accruals and provisions in the statement of financial position. During the current financial year accrued interest was reclassified to deposits. This is more in line with the bank's current practice 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 bank and only affected the classification of items on the income statement and statement of financial position. The changes in presentation have reduced the number of adjustments between IFRS and normalised results and aligns presentation.

RESTATED SUMMARY INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June 2016

R million	As previously reported	Margin on securitised assets	Fair value credit adjustments	Restated
Net interest income before impairment of advances	35 543	1 234	–	36 777
Impairment and fair value of credit of advances	(5 998)	–	(257)	(6 255)
Net interest income after impairment of advances	29 545	1 234	(257)	30 522
Non-interest revenue	28 863	(1 234)	257	27 886
Income from operations	58 408	–	–	58 408
Operating expenses	(35 035)	–	–	(35 035)
Income before tax	23 373	–	–	23 373
Indirect tax	(763)	–	–	(763)
Profit before tax	22 610	–	–	22 610
Income tax expense	(5 460)	–	–	(5 460)
Profit for the year	17 150	–	–	17 150
Attributable to				
Ordinary equityholders	16 931	–	–	16 931
NCNR preference shareholders	219	–	–	219
Profit for the year	17 150	–	–	17 150

RESTATED SUMMARY STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June 2016

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	50 997	–	–	50 997
Derivative financial instruments	39 923	–	–	39 923
Commodities	12 514	–	–	12 514
Investment securities	155 825	(44 395)	–	111 430
Advances	719 693	44 395	–	764 088
– Advances to customers	719 693	–	–	719 693
– Marketable advances	–	44 395	–	44 395
Accounts receivable	4 561	–	–	4 561
Non-current assets and disposal groups held for sale	–	–	–	–
Current tax asset	166	–	–	166
Amounts due by holding company and fellow subsidiaries	32 793	–	–	32 793
Property and equipment	13 632	–	–	13 632
Intangible assets	106	–	–	106
Deferred income tax asset	1 369	–	–	1 369
Total assets	1 031 579	–	–	1 031 579
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	14 221	–	–	14 221
Derivative financial instruments	50 624	–	–	50 624
Creditors, accruals and provisions	12 644	–	(144)	12 500
Current tax liability	75	–	–	75
Deposits	826 473	–	144	826 617
– Deposits from customers	612 492	–	15	612 507
– Debt securities	146 280	–	–	146 280
– Other	67 701	–	129	67 830
Employee liabilities	8 772	–	–	8 772
Other liabilities	5 386	–	–	5 386
Amounts due to holding company and fellow subsidiaries	13 997	–	–	13 997
Tier 2 liabilities	17 468	–	–	17 468
Total liabilities	949 660	–	–	949 660
Equity				
Ordinary shares	4	–	–	4
Share premium	16 804	–	–	16 804
Reserves	62 111	–	–	62 111
Capital and reserves attributable to ordinary equityholders	78 919	–	–	78 919
NCNR preference shares	3 000	–	–	3 000
Total equity	81 919	–	–	81 919
Total equities and liabilities	1 031 579	–	–	1 031 579

RESTATED SUMMARY STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June 2015

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	53 725	–	–	53 725
Derivative financial instruments	34 112	–	–	34 112
Commodities	7 354	–	–	7 354
Investment securities	133 543	(29 870)	–	103 673
Advances	675 387	29 870	–	705 257
– Advances to customers	675 387	–	–	675 387
– Marketable advances	–	29 870	–	29 870
Accounts receivable	4 301	–	–	4 301
Non-current assets and disposal groups held for sale	125	–	–	125
Current tax asset	–	–	–	–
Amounts due by holding company and fellow subsidiaries	27 318	–	–	27 318
Property and equipment	12 821	–	–	12 821
Intangible assets	71	–	–	71
Deferred income tax asset	1 202	–	–	1 202
Total assets	949 959	–	–	949 959
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	5 270	–	–	5 270
Derivative financial instruments	40 811	–	–	40 811
Creditors, accruals and provisions	12 465	–	(95)	12 370
Current tax liability	69	–	–	69
Deposits	779 703	–	95	779 798
– Deposits from customers	567 033	–	–	567 033
– Debt securities	152 505	–	–	152 505
– Other	60 165	–	95	60 260
Employee liabilities	8 848	–	–	8 848
Other liabilities	3 977	–	–	3 977
Amounts due to holding company and fellow subsidiaries	11 836	–	–	11 836
Tier 2 liabilities	11 983	–	–	11 983
Total liabilities	874 962	–	–	874 962
Equity				
Ordinary shares	4	–	–	4
Share premium	16 804	–	–	16 804
Reserves	55 189	–	–	55 189
Capital and reserves attributable to ordinary equityholders	71 997	–	–	71 997
NCNR preference shares	3 000	–	–	3 000
Total equity	74 997	–	–	74 997
Total equities and liabilities	949 959	–	–	949 959

FAIR VALUE MEASUREMENT (AUDITED)

VALUATION METHODOLOGY

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

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

Non-recurring fair value measurements

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

- 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 they occur within each reporting period.

Financial instruments

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

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

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. Except for the amounts included on page 102, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

FAIR VALUE HIERARCHY AND MEASUREMENTS

The bank classifies assets and liabilities measured at fair value using a fair value hierarchy that reflects whether observable or unobservable inputs are used in determining the fair value of the item. Fair value may be determined using unadjusted quoted prices in active markets for identical assets or liabilities where this is readily available and the price represents actual and regularly occurring market transactions. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs.

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

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

FAIR VALUE MEASUREMENT (AUDITED) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Measurement of assets and liabilities at level 2

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

INSTRUMENT	VALUATION TECHNIQUE	DESCRIPTION OF VALUATION TECHNIQUE AND MAIN ASSUMPTIONS	OBSERVABLE INPUTS
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
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

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

FAIR VALUE MEASUREMENT (AUDITED) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

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

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

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

Non-recurring fair value measurements

For non-recurring fair value measurements the fair value hierarchy classification and valuation technique applied in determining fair value will depend on the underlying asset or liability being measured. Where the underlying assets or liabilities are those for which recurring fair value measurements are required as listed in the table above, the technique applied and the inputs into the models would be in line with those as set out in the table. Where the underlying assets or liabilities are not items for which recurring fair value measurements are required, for example property and equipment or intangible assets, the carrying value is considered to be equal to a reasonable approximation of the fair value.

This will be assessed per transaction and details will be provided in the relevant notes of the annual financial statements when applicable. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior years.

FAIR VALUE MEASUREMENT (AUDITED) continued

FAIR VALUE HIERARCHY AND MEASUREMENTS *continued*

Fair value hierarchy

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

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

	2016			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	241	39 682	–	39 923
Advances	148	43 533	199 275	242 956
Investment securities	75 561	21 927	1 846	99 334
Commodities	12 514	–	–	12 514
Amounts due by holding company and fellow subsidiaries	–	383	–	383
Total assets measured at fair value	88 464	105 525	201 121	395 110
Liabilities				
Recurring fair value measurements				
Short trading positions	14 221	–	–	14 221
Derivative financial instruments	121	50 375	128	50 624
Deposits	2 482	98 310	528	101 320
Other liabilities	–	3 370	1 457	4 827
Amounts due to holding company and fellow subsidiaries	–	319	–	319
Total liabilities measured at fair value	16 824	152 374	2 113	171 311

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Transfers between fair value hierarchy levels

The following represents the significant transfers into level 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	–	(107)	There were no transfers into level 2.
Level 3	2 928	–	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 has resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3.
Total transfers	2 928	(2 928)	

FAIR VALUE MEASUREMENT (AUDITED) continued

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Derivative financial liabilities	Deposits	Other liabilities
Balance as at 30 June 2015	5	180 921	1 533	5	1 182	–
Gains/losses recognised in profit or loss	(6)	13 125	647	13	15	35
Gains/losses recognised in other comprehensive income	–	–	29	–	–	–
Purchases, sales, issues and settlements	–	435	(363)	3	(669)	1 422
Transfers into level 3	–	2 821	–	107	–	–
Exchange rate differences	1	1 973	–	–	–	–
Balance as at 30 June 2016	–	199 275	1 846	128	528	1 457
Gains/losses recognised in profit or loss	**8**	**14 848**	**22**	**71**	**(39)**	**174**
Gains/losses recognised in other comprehensive income	**–**	**(2)**	**50**	**–**	**–**	**–**
Purchases, sales, issues and settlements	**–**	**(17 847)**	**71**	**(4)**	**(103)**	**(112)**
Transfers into level 3	**–**	**–**	**–**	**38**	**–**	**–**
Exchange rate differences	**–**	**(898)**	**–**	**–**	**–**	**–**
Balance as at 30 June 2017	**8**	**195 376**	**1 989**	**233**	**386**	**1 519**

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

Gains/losses on advances classified in level 3 of the hierarchy comprise gross interest income on advances 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.

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**	**–**	–	–
Advances*	**11 697**	**–**	12 358	–
Investment securities	**23**	**50**	533	29
Total	**11 728**	**50**	12 891	29
Liabilities				
Derivative financial instruments	**(72)**	**–**	19	–
Deposits	**(26)**	**–**	(14)	–
Other liabilities	**97**	**–**	–	–
Total	**(1)**	**–**	5	–

* *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 risks on these portfolios. These are classified as level 3 primarily as credit spreads could be a significant input and are not observable for loans and advances in 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.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS *continued*

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

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

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

	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**	–	–	–
Advances	**195 376**	**195 979**	**195 041**	199 275	200 104	198 186
Investment securities	**1 989**	**2 179**	**1 833**	1 846	2 154	1 568
Total financial assets measured at fair value in level 3	**197 373**	**198 169**	**196 878**	201 121	202 258	199 754
Liabilities						
Derivative financial instruments	**233**	**227**	**246**	128	124	129
Deposits	**386**	**386**	**387**	528	478	618
Other liabilities	**1 519**	**1 504**	**1 534**	1 457	1 443	1 602
Total financial liabilities measured at fair value in level 3	**2 138**	**2 117**	**2 167**	2 113	2 045	2 349

FAIR VALUE MEASUREMENT (AUDITED) continued

FINANCIAL INSTRUMENTS NOT MEASURED AT FAIR VALUE

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

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

	2016				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	521 132	525 651	–	86 363	439 288
Investment securities	12 096	12 083	–	12 083	–
Total assets at amortised cost	533 228	537 734	–	98 446	439 288
Liabilities					
Deposits	725 297	724 819	7 897	716 692	230
Other liabilities	532	531	–	531	–
Tier 2 liabilities	17 468	17 682	–	17 682	–
Total liabilities at amortised cost	743 297	743 032	7 897	734 905	230

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	**38**	6
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	**(4)**	(5)
Closing balance	**51**	38

SUMMARY SEGMENT REPORT – IFRS (AUDITED)

for the year ended 30 June

	2017								
	FNB		**RMB**						
R million	**FNB**	**FNB Africa***	**Investment banking**	**Corporate banking**	**WesBank**	**FCC (including Group Treasury) and other**	**FRB – normalised**	**Normalised adjustments**	**Total**
Profit for the year before tax	**16 296**	**(441)**	**4 542**	**1 215**	**3 214**	**(1 052)**	**23 774**	**295**	**24 069**
Total assets	**346 892**	**719**	**348 935**	**42 159**	**170 523**	**172 923**	**1 082 151**	**–**	**1 082 151**
Total liabilities	**330 727**	**1 158**	**345 614**	**40 586**	**167 327**	**109 366**	**994 778**	**–**	**994 778**

	2016								
	FNB		**RMB**						
R million	FNB	FNB Africa*	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FRB – normalised	Normalised adjustments	Total
Profit for the year before tax	15 161	(357)	4 082	1 046	3 545	(293)	23 184	(574)	22 610
Total assets	332 856	1 148	339 258	36 269	168 366	153 682	1 031 579	–	1 031 579
Total liabilities	317 798	1 507	336 224	34 919	164 912	94 300	949 660	–	949 660

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

supplementary information

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CONTINGENCIES AND COMMITMENTS (AUDITED)

as at 30 June

R million	2017	2016
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**31 875**	32 659
Letters of credit	**6 358**	6 485
Total contingencies	**38 233**	39 144
Irrevocable commitments	**112 698**	95 630
Committed capital expenditure	**3 560**	3 702
Operating lease commitments	**2 853**	2 545
Other	**3**	153
Contingencies and commitments	**157 347**	141 174
Legal proceedings		
There are a number of legal or potential claims against the bank, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or total basis. Provision is made for all liabilities that are expected to materialise	**108**	75
Commitments		
Commitments in respect of capital expenditure and long-term investments approved by directors	**3 560**	3 702

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

COMPANY SECRETARY AND REGISTERED OFFICE

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

SPONSOR

(in terms of JSE debt listing requirements)
Rand Merchant Bank (a division of FirstRand Bank Limited)
Debt Capital Markets
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8118
Fax: +27 11 282 4184

AUDITORS

PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill
Sandton 2196

Deloitte & Touche
Building 8, Deloitte Place
The Woodlands, Woodlands Drive
Woodmead, Sandton

LISTED FINANCIAL INSTRUMENTS OF THE BANK

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

Johannesburg Stock Exchange (JSE)

Domestic medium term note programme

BOND CODE	ISIN CODE
Subordinated debt	
FRB05	ZAG000031337
FRB11	ZAG000102054
FRB12	ZAG000116278
FRB13	ZAG000116286
FRB14	ZAG000116294
FRB15	ZAG000124199
FRB16	ZAG000127622
FRB17	ZAG000127630
FRB18	ZAG000135229
FRB19	ZAG000135310
FRB20	ZAG000135385
FRB21	ZAG000140856
FRB22	ZAG000141219
FRBC21	ZAG000052283
FRBC22	ZAG000052390
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
FRS62	ZAG000090614
FRS64	ZAG000092529
FRS81	ZAG000100892
FRS85	ZAG000104985
FRS86	ZAG000105008
FRS87	ZAG000105420
FRS90	ZAG000106410
FRS94	ZAG000107871
FRS96	ZAG000108390
FRS100	ZAG000111634
FRS101	ZAG000111774
FRS103	ZAG000111840
FRS104	ZAG000111857
FRS108	ZAG000113515
FRS109	ZAG000113564
FRS110	ZAG000113663
FRS112	ZAG000115395
FRS113	ZAG000115478
FRS114	ZAG000116070
FRS115	ZAG000116740
FRS119	ZAG000118951
FRS120	ZAG000119298
FRS121	ZAG000120643
FRS122	ZAG000121062
FRS123	ZAG000121328
FRS124	ZAG000122953
FRS126	ZAG000125188
FRS127	ZAG000125394
FRS129	ZAG000125865
FRS130	ZAG000125873
FRS131	ZAG000126186
FRS132	ZAG000126194
FRS133	ZAG000126541
FRS134	ZAG000126574
FRS135	ZAG000126608
FRS136	ZAG000126780
FRS137	ZAG000127549
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
FRS161	ZAG000145046
FRX17	ZAG000094376
FRX18	ZAG000076472
FRX19	ZAG000073685
FRX24	ZAG000073693
FRX26	ZAG000112160
FRX27	ZAG000142506
FRX30	ZAG000124264
FRX31	ZAG000084195
FRX32	ZAG000142514
Inflation-linked bonds	
FRBI22	ZAG000079666
FRBI23	ZAG000076498
FRBI25	ZAG000109588
FRBI28	ZAG000079237
FRBI33	ZAG000079245
FRBI38	ZAG000141862
FRBI46	ZAG000135302
FRBI50	ZAG000141649
FRI33	ZAG000141706

BOND CODE	ISIN CODE
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
FRC153	ZAG000100348
FRC154	ZAG000100694
FRC155	ZAG000101643
FRC161	ZAG000102260
FRC163	ZAG000102898
FRC166	ZAG000103573
FRC167	ZAG000104019
FRC168	ZAG000104753
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
FRC209	ZAG000118613
FRC210	ZAG000120296
FRC211	ZAG000121013
FRC212	ZAG000121054
FRC213	ZAG000121047
FRC214	ZAG000121039
FRC215	ZAG000121021
FRC216	ZAG000121070
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
FRC248	ZAG000135450
FRC249	ZAG000135542
FRC250	ZAG000135559
FRC251	ZAG000141813
FRC252	ZAG000142225
FRC254	ZAG000144825
FRD013	ZAG000128695
Structured notes	
FRPT01	ZAE000205480
FKR01	ZAE000193454

London Stock Exchange (LSE)

European medium term note programme

ISIN CODE
Senior unsecured
XS0610341967
XS1225512026
XS1178685084

Swiss Stock Exchange (SIX)

European medium term note programme

ISIN CODE
Senior unsecured
CH0238315680

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 (CET1) capital	Share capital and premium plus accumulated comprehensive income and reserves less specified regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
EMTN	European medium term note programme.
Impairment charge	Amortised cost impairment charge and credit fair value adjustments.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
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.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus general provisions for entities on the standardised approach less specified regulatory deductions.
TLAC	Total loss absorbing capacity.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.

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FIRSTRAND BANK