for the year ended 30 June 2015

ANALYSIS OF FINANCIAL RESULTS

FIRSTRAND BANK

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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

STUDIO 5

INTRODUCTION

This report covers the audited summarised financial results of FirstRand Bank Limited (FRB or the bank) based on International Financial Reporting Standards (IFRS) for the year ended 30 June 2015. 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 IFRS financial results.

Normalised results include a summarised 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 5 to 7. Detailed reconciliations of normalised to IFRS results are provided on pages 28 to 33. Commentary is based on normalised results, unless indicated otherwise.

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

FirstRand Bank's annual report will be published on the group's website, www.firstrand.co.za, on or about 6 October 2015.

FINANCIAL HIGHLIGHTS

	Year ended 30 June		
	2015	**2014**	**% change**
Normalised earnings (R million)	**15 246**	12 321	24
Normalised ROE (%)	**22.9**	21.9	
Common Equity Tier 1 ratio (%)	**14.2**	13.6	
Credit loss ratio (%)	**0.73**	0.81	
NPLs (% of advances)	**2.17**	2.32	

FirstRand 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), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, the instalment finance business. The FCC franchise represents group-wide functions. FRB has branches in London, India and Guernsey, and representative offices in Kenya, Angola, Dubai and Shanghai.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS

R million	2015	2014	% change
Earnings attributable to ordinary equityholders	**15 394**	12 555	23
Headline earnings	**15 387**	12 623	22
Normalised earnings	**15 246**	12 321	24
Normalised net asset value	**71 997**	61 064	18
Average normalised net asset value	**66 531**	56 236	18
Gross advances	**718 771**	646 207	11
Normalised ROE (%)	**22.9**	21.9	
Cost-to-income ratio (%)	**55.3**	57.0	
Net interest margin (%)	**5.02**	4.87	
Capital adequacy*			
Capital adequacy ratio (%)	**16.9**	16.4	
Tier 1 ratio (%)	**14.6**	14.1	
Common Equity Tier 1 (CET1) ratio (%)	**14.2**	13.6	

* *Comparatives restated to reflect ratios for FRB including foreign branches. Ratios include unappropriated profits.*

STATEMENT OF HEADLINE EARNINGS – IFRS

for the year ended 30 June

R million	2015	2014	% change
Profit for the year (refer to page 15)	**15 601**	12 747	22
NCNR preference shareholders	**(207)**	(192)	8
Earnings attributable to ordinary equityholders	**15 394**	12 555	23
Adjusted for:	**(7)**	68	(>100)
Loss on disposal of investment securities and other investments of a capital nature	**–**	7	
Gain on disposal of available-for-sale assets	**(20)**	(66)	
Gain on disposal of investments in associates	**–**	(13)	
Loss on the disposal of property and equipment	**14**	20	
Impairment of assets in terms of IAS 36	**–**	117	
Other	**(3)**	(15)	
Tax effects of adjustments	**2**	18	
Headline earnings	**15 387**	12 623	22

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

for the year ended 30 June

R million	2015	2014	% change
Headline earnings	**15 387**	12 623	22
Adjusted for:	**(141)**	(302)	(53)
Total return swap and IFRS 2 liability remeasurement	**(34)**	(198)	(83)
IAS 19 adjustment	**(107)**	(104)	3
Normalised earnings	**15 246**	12 321	24

PRESENTATION

BASIS OF PRESENTATION

The summarised financial statements are summarised from a complete set of the bank's annual audited financial statements.

FirstRand Bank prepares its summarised financial results in accordance with:

- IFRS, including *IAS 34 Interim Financial Reporting*;
- SAICA Financial Reporting Guide as issued by the Accounting Practices Committee;
- Financial Reporting Pronouncements as issued by Financial Reporting Standards Council; and
- the requirements by the Companies Act 71 of 2008 applicable to summary financial statements.

The annual financial statements, from which these summarised financial statements are extracted, are prepared in accordance with the going concern principle under the historical cost basis as modified by the fair value accounting of certain assets and liabilities where required or permitted by IFRS.

The accounting policies applied in the preparation of the annual financial statements from which the summarised financial statements were derived, are in terms of IFRS. A number of revised IFRS requirements became applicable to the bank for the first time this year. No changes to the bank's accounting policies were required in order to comply with the revised requirements and the accounting policies are, therefore, consistent with those applied in the preparation of the prior year's annual financial statements.

The bank believes normalised earnings more accurately reflect operational performance. Consequently, headline earnings are adjusted to take into account non-operational and accounting anomalies. Details of the nature of these adjustments and reasons thereof can be found on pages 5 to 7.

The entire *Analysis of financial results* booklet itself is not audited but the summarised annual financial statements, which have been denoted as audited within this booklet, were extracted from audited information and the auditors have issued a separate opinion thereon in terms of ISA 810. The summarised financial statements for the year ended 30 June 2015 has been audited by PricewaterhouseCoopers Inc. and Deloitte & Touche, who expressed an unmodified opinion thereon. The independent auditors' report on the summarised financial statements does not necessarily encompass all the information contained in this booklet. Shareholders are, therefore, advised that in order to obtain a full understanding of the nature of the auditors' engagement, they should obtain a copy of the independent auditors' report on the summarised financial statements together with the accompanying financial statements. Unless the financial information is specifically stated as audited, it should be assumed it is unaudited. The forward-looking information has not been commented or reported on by the bank's external auditors. The bank's board of directors take full responsibility for the preparation of this *Analysis of financial results* booklet.

The auditors expressed an unmodified opinion dated 9 September 2015 on the financial statements from which these summarised financial statements were derived. A copy of the auditors' report on the summarised 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 respective auditors' reports.

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The IFRS results are adjusted to take into account non-operational items and accounting anomalies.

ECONOMIC INTEREST RATE HEDGES

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

USD LIQUIDITY FUNDING

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

MARGIN ON SECURITISED ASSETS

From time to time the bank enters into transactions whereby advances are sold to a securitisation vehicle controlled by the FirstRand group. The bank's compensation for the sale comprises a cash component received immediately and a right to receive any future excess spread from the securitisation vehicle, referred to as the deferred purchase price (DPP). The initial recognition of the DPP results in a profit for the bank on the date of the sale of the advances.

The purpose of the DPP is to compensate the bank for lost margin on the disposal of advances. The net profit resulting from the derecognition of the advances and the initial recognition of DPP is recognised in NIR in terms of IFRS. When calculating normalised results, the DPP profit is reclassified to NII in accordance with its economic substance.

The DPP is immediately sold to a third party and any further gains or losses on the DPP other than the profit recognised at initial recognition are not recognised.

FAIR VALUE ANNUITY INCOME – LENDING

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

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

CREDIT-BASED INVESTMENTS INCLUDED IN ADVANCES

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

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

EQUITY-SETTLED SHARE-BASED PAYMENTS

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

In 2005 the group concluded a BEE transaction. As part of this transaction, rights were granted to the group's black South African employees and black non-executive directors. These rights were accounted for as expenses in accordance with IFRS 2. In addition to the 2005 grants, the employees received MMI Holdings Limited (MMI) shares pursuant to the unbundling of MMI. These schemes all vested on 31 December 2014 and the staff received the FirstRand and MMI shares due to them.

From an IFRS perspective the following expenses are recognised for the period from 1 July 2014 until the vesting date:

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

All adjustments that are required by *Circular 2/2013 Headline Earnings* in calculating headline earnings are included in normalised earnings on a line-by-line basis based on the nature of the adjustment.

The description and the amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit on page 3. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

REGULATORY CHANGES

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

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

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

The table below shows these adjustments.

CREDIT-BASED INVESTMENTS ADJUSTMENTS

R million	2015	2014
Normalised advances excluding credit-related assets	**688 693**	634 981
Credit-related assets		
– Corporate bonds	**13 283**	11 226
– HQLA (corporate advances)	**9 494**	–
– Securitisation notes	**7 301**	–
Restated normalised advances	**718 771**	646 207
NPLs as a % of advances		
– Excluding credit-related assets	**2.26**	2.37
– Including credit-related assets	**2.17**	2.32
Impairment charge as a % of average advances		
– Excluding credit-related assets	**0.75**	0.82
– Including credit-related assets	**0.73**	0.81

OVERVIEW OF RESULTS

INTRODUCTION

The South African economy continued to face a number of external and internal headwinds to growth:

- Global commodity prices remained under pressure as growth in China continued to decelerate.
- The gradual economic recovery in the United States, and the prospect of rising interest rates, has weighed on emerging markets in general and has specifically impacted markets with current account deficits, such as South Africa, resulting in slowing capital flows and currency weakness.
- The euro zone's economic recovery continues to be lacklustre, providing limited support to South African exports.
- Domestic headwinds, including ongoing electricity shortages, weak foreign demand and low prices, resulted in subdued business confidence.
- Household consumption was impacted by higher debt service costs, rising unemployment levels and moderating levels of income growth, although the temporary, oil-led drop in inflation did provide some short-term relief.
- Reduced growth in government spending to stabilise public sector debt and safeguard the country's sovereign credit rating.

The central bank has so far implemented a gradual and moderate hiking cycle, but the economy remains vulnerable to a more aggressive cycle should capital inflows slow down or reverse.

Many economies in sub-Saharan Africa have also experienced weaker exchange rates, increasing inflation, higher policy rates and lower growth. With commodity prices expected to remain well below levels that prevailed in the previous decade, economic performance will likely be driven by structural reform.

OVERVIEW OF RESULTS

Despite the deteriorating economic backdrop, the bank continued to grow earnings and produced excellent returns in the year to 30 June 2015. Normalised earnings increased 24% to R15.2 billion and normalised ROE increased to 22.9%.

The bank's operating divisions performed well, again demonstrating their leading market positions. FNB produced ongoing topline growth and profitability on the back of sustained momentum in NIR and NII with good growth generated from both advances and deposits.

WesBank's domestic franchise produced a resilient performance on the back of continuing new business volumes despite the subdued local retail credit cycle. WesBank's MotoNovo business in the UK again showed excellent profitability in both rand and GBP terms.

RMB's investment banking and corporate banking franchises underpinned a solid performance in a year characterised by subdued corporate activity and liquidity pressures. RMB also continued to strengthen its balance sheet and remains conservative in its credit provisioning.

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

SOURCES OF NORMALISED EARNINGS

R million	2015	% composition	2014	% composition	% change
FNB	**9 392**	**61**	7 846	64	20
RMB	**3 826**	**25**	3 646	30	5
WesBank	**2 089**	**14**	2 190	18	(5)
FCC (including Group Treasury) and other	**146**	**1**	(1 169)	(10)	(>100)
NCNR preference dividend	**(207)**	**(1)**	(192)	(2)	8
Normalised earnings	**15 246**	**100**	12 321	100	24

The bank's NII increased 15% driven by ongoing growth in advances (+11%) and deposits (+12%). The benefits of asset repricing in certain portfolios were, in the main, offset by lower margins in the vehicle asset finance, WesBank corporate and investment banking books. Across the franchises, margins in many of the asset generating businesses continued to come under pressure from higher term funding and liquidity costs.

Total NIR increased 10% year-on-year, with another strong contribution from FNB, which grew NIR 10% and continued to benefit from its strategies to grow fee and commission income (+9%), drive customers onto electronic platforms and generate good momentum in cross-sell. WesBank's NIR increased 17%, driven by strong inflows from insurance income, mainly from the MotoNovo business.

Overall operating cost growth was 9% for the period, reflecting higher staff costs and continuing investment in infrastructure, operating footprint and regulatory requirements.

NPLs continued to reflect a mixed picture with residential mortgages and FNB personal loans showing significant decreases of 18% and 7%, respectively, on the back of workout strategies and disciplined origination. Strong book growth in the current and previous years combined with a deteriorating credit cycle resulted in an increase in NPLs in FNB's card and business subsegments, VAF and WesBank loans. The negative commodity cycle resulted in an increase in RMB NPLs.

The bank continues to exercise prudence on the back of deteriorating macroeconomic indicators. In the first six months of the year, the bank created certain provisions with reference to expected stress in the oil and gas counters. This stress has started to manifest, resulting in the utilisation of some of these provisions, however, the majority remain intact.

In the prior year, on the back of the deteriorating credit cycle, the bank created an extra R450 million of central portfolio overlays. The anticipated elevated risk has now manifested in the form of higher arrears levels and NPLs and related specific impairments during the year being raised in the operating franchises, therefore resulting in the release of R325 million. Despite this release, central overlays now total R925 million. Whilst the bank's total portfolio coverage ratio has declined marginally on the back of these changes, it remains above the current annual charge.

GROUP STRATEGIC OBJECTIVES

FirstRand's vision is to be the African financial services group of choice, create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength. The group seeks to achieve this through the following two growth strategies, supported by the effective allocation of capital, funding and risk appetite:

- In its domestic market, the group will continue to protect and grow its lending and transactional franchises through innovation, disruption and specific cross-sell initiatives across group customer bases. In addition, FirstRand believes it can capture a larger share of profits from the broader financial services markets, through leveraging its platforms, skills and proven culture of innovation to deliver highly differentiated channels, products and solutions which enable customers to transact, borrow, save, invest and insure.
- In the rest of Africa, FirstRand must establish meaningful banking franchises in those countries that the group has prioritised as markets expected to show above average economic growth, and which are well positioned to benefit from the trade and investment flows between Africa, India and China. These markets are mainly in the SADC region and the west and east African hubs.

With regard to expansion in the rest of Africa, there are three pillars to its execution:

1. Utilise the capabilities of the South African franchise, particularly the domestic balance sheet, intellectual capital, international platforms and the existing operating footprint in the rest of Africa.
2. Start an in-country franchise and grow organically.
3. Acquire small- to medium-sized in-country franchises where it makes commercial sense.

The group executes its expansion strategies through the appropriate platforms (legal entities). FRB's balance sheet is utilised for the first pillar of the rest of Africa expansion strategy and to capitalise on the investment flows between Africa, India and China. The subsidiaries in the rest of Africa form part of FirstRand EMA (Pty) Ltd (FREMA) and thus fall outside of the bank. It is anticipated that the group will focus its deployment of capital on pillars 2 and 3.

Further detail on progress on these strategies is outlined on page 12.

FRANCHISE PERFORMANCE REVIEW

Below is a brief overview of the financial and operational performance of each division.

FNB

FNB represents the bank's activities in the retail and commercial segments in South Africa. It is growing its franchise strongly on the back of innovative products and delivery channels, particularly focusing on electronic and digital platforms.

FNB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings	**9 392**	7 846	20
Normalised profit before tax	**13 045**	10 901	20
Total assets	**299 444**	270 765	11
Total liabilities	**286 622**	260 472	10
NPLs (%)	**2.66**	3.31	
Credit loss ratio (%)	**0.76**	0.88	

SEGMENT RESULTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised PBT			
Retail	**8 367**	7 035	19
FNB Africa*	**(323)**	(407)	(21)
Commercial	**5 001**	4 273	17
Total FNB	**13 045**	10 901	20

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

FNB produced another good performance for the year, increasing pre-tax profits 20%, driven by a strong operational performance from the South African franchise which posted growth in both NII and NIR.

This performance also reflects the success of FNB's primary strategy to grow and retain core transactional accounts, drive cross-sell into the customer base, apply disciplined origination strategies and provide innovative savings products to attract deposits.

FNB's overall NII increased 15% driven by growth in both advances (+10%) and deposits (+12%). The performance of the lending businesses presented a mixed picture:

- the business and commercial segments benefited from good advances growth and low levels of impairments;
- residential mortgage advances showed modest growth of 5%, with NPLs still declining significantly;
- personal loans performed strongly with controlled growth of advances and a significant reduction in impairments, strong collections, lower NPLs and an improved book risk profile resulted in impairments decreasing 27%; and
- credit card continued to benefit from post-write off recoveries, however, there is some pressure in overdrafts and revolving credit facilities in the consumer and premium segments.

Segment analysis of deposits and advances growth is shown below.

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	Year ended 30 June 2015			
	Deposit growth		**Advances growth**	
Segments	**%**	**R billion**	**%**	**R billion**
Retail	**13**	**18.6**	**8**	**16.9**
Commercial	**11**	**14.7**	**17**	**8.3**

FNB's bad debt charge dropped to 0.76% of advances, with NPLs trending down to 2.66%. Following strong book growth in previous periods, credit appetite continues to be adjusted and provisions bolstered. Overall provisioning levels for FNB have remained conservative with overlays maintained.

FNB continues to see significant traction in migration of its customer base onto electronic channels. NIR increased 10% year-on-year with continued strong growth of 12% in overall transactional volumes with electronic transactional volumes up 14%. ADT (automated deposit terminal) deposits increased 12%, whilst branch-based deposits decreased 20%. The ongoing success of FNB's electronic migration strategy is also reflected in strong growth in transactions online (+15%), banking app (+69%) and mobile (+25%). FNB's strategy to drive credit card as a transactional product also resulted in 13% growth in volumes, underpinned by good growth in new active accounts of 6%.

NIR growth is under pressure in the consumer segment due to the adjustments to certain fees. In addition, since mid-March reduced interchange impacted NIR and this will continue to be the case for the next twelve months. FNB, however, believes volume growth emanating from its cash-to-card migration strategy will offset the impact of interchange to some degree.

FNB's cross-sell strategy achieved particularly good traction in the premier segment where the ratio improved 23% year-on-year. This was driven by the introduction of new products.

FNB's overall operating expenditure increased 11%, reflecting ongoing investment in its operating footprint. The business, however, continues to deliver positive operating jaws and the cost-to-income ratio decreased to 56.8%.

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 continues to benefit from its strategy to generate more income from client-driven activities, anchored around a risk appetite designed to effectively manage the trade-offs between earnings volatility, profit growth and returns. This strategy is delivering a resilient earnings profile.

RMB FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings	**3 826**	3 646	5
Normalised profit before tax	**5 315**	5 063	5
Total assets	**352 714**	326 514	8
Total liabilities	**348 145**	321 753	8
Credit loss ratio (%)	**0.33**	0.10	
Cost-to-income ratio (%)	**49.4**	52.0	

DIVISIONAL PERFORMANCE

	Year ended 30 June		
Normalised PBT R million	**2015**	**2014**	**% change**
Investment banking	**4 672**	4 565	2
Global Markets	**1 585**	1 494	6
IBD	**3 108**	3 328	(7)
Private Equity	**(79)**	32	(>100)
Other RMB	**58**	(289)	>100
Corporate banking	**643**	498	29
Total RMB	**5 315**	5 063	5

RMB produced solid results for the year with pre-tax profits increasing 5% to R5.3 billion. This performance was achieved against a highly challenging economic environment and results from a high quality portfolio of businesses, particularly resilient investment banking and growing corporate banking franchises. RMB's balance sheet remains robust, the quality of earnings continues to improve and enhanced operational leverage has contributed to a decline in cost-to-income to 49.4%.

RMB's organisational structure is based on four separate divisions, namely Investment Banking (IBD), Global Markets, Private Equity and Corporate Banking.

IBD's performance came under pressure due to increasing funding and liquidity costs. In addition, impairments raised against mining and metals, and oil and gas exposures in the core lending book further impacted results, specifically in the first half of the financial year. This is considered prudent action given the ongoing deterioration in the outlook for those sectors. The quality of underlying activities resulted in the securing of a number of significant M&A mandates, both domestic and international, which positively impacted profitability.

Global Markets delivered a solid performance despite challenging market conditions and increased competitive pressures. Structuring results were up with bespoke once-off large transactions executed primarily in the second half of the financial year, and additional benefits were seen from increased local and international price volatility in fixed income, currency and commodity markets.

Corporate Banking performed well, benefiting from focused client coverage initiatives, increased demand for trade and working capital products and higher deposit balances. This was, however, offset by increasing credit provision requirements against specific NPL exposures.

Franchise-wide head office costs, endowment on capital invested and legacy portfolios are reflected in other activities. The legacy portfolio realised a profit of R47 million, curtailing a loss of R140 million in the prior year.

WesBank

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

WESBANK FINANCIAL HIGHLIGHTS

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised earnings	**2 089**	2 190	(5)
Normalised profit before tax	**2 861**	3 042	(6)
Total assets	**166 345**	156 743	6
Total liabilities	**163 586**	155 058	5
NPLs (%)	**3.46**	2.97	
Credit loss ratio (%)	**1.49**	1.42	
Cost-to-income ratio (%)	**47.6**	47.5	
Net interest margin (%)	**4.57**	5.28	

WesBank's performance was in line with expectations given its sensitivity to the local retail credit cycle.

These results reflect the resilience of WesBank's franchise, adherence to disciplined credit origination and effective sales channels.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Year ended 30 June		
Normalised PBT	**2015**	**2014**	**% change**
VAF			
– Retail SA	**1 516**	1 481	2
– Retail UK (MotoNovo)	**455**	650	(30)
– Corporate and commercial	**385**	411	(6)
Personal loans	**505**	500	1
Total WesBank	**2 861**	3 042	(6)

* *Refer to additional segment disclosure on page 60.*

Strong new business volumes and profit growth continued in the MotoNovo business, however, reported profit was negatively impacted by a prospective change in accounting treatment for incentive commissions on new securitisation transactions in the current year of R550 million. On a like-for-like basis, normalised profits would have increased more than 50% year-on-year.

New business volumes increased across all of WesBank's retail portfolios, but remain within appropriate risk parameters with systemic tightening continuing in credit appetite for higher risk segments. Local retail VAF's performance continues to be impacted by the pressures facing consumers, with advances fairly flat year-on-year. Interest margins are trending down mainly due to higher funding and liquidity costs and the ongoing shift in mix from fixed- to floating-rate business.

As anticipated, bad debts in the local VAF portfolio remained fairly flat within WesBank's through-the-cycle thresholds and provisioning continues to be conservatively applied. NPLs are up 24% year-on-year, but remain inflated by the high proportion of restructured debt review accounts, most of which are still paying according to arrangement.

This conservative treatment is in line with bank practice with 34% of NPLs currently under debt review (compared to 29% in the prior year), a high percentage of which have never defaulted, or reflect balances lower than when these went into debt review.

NIR increased 17% driven by satisfactory new business volumes and increasing insurance revenues, mainly in the MotoNovo business in the UK.

Growth in core operating costs remained below inflation, increasing 3%, and WesBank's cost-to-income ratio increased marginally reflecting excellent cost containment.

STRATEGIES TO ENSURE SUSTAINABILITY OF GROWTH AND RETURNS

As previously stated the group seeks to create long-term franchise value, deliver superior and sustainable economic returns to shareholders within acceptable levels of volatility and maintain balance sheet strength.

FirstRand believes it has the necessary strategies and operating platforms to continue to generate growth and earnings above its hurdle rates, although the level of outperformance that can be achieved becomes more difficult given the high earnings base created in the past and the challenging operating environment going forward.

The group's portfolio of businesses already represents a diversified earnings stream, although mainly concentrated in traditional banking activities, namely retail and wholesale lending, transactional and related endowment. The high quality of the lending and transactional franchises that reside in FNB, RMB and WesBank are a direct result of the group's strategy over the past five years to achieve significant market share of profits in those activities.

This market positioning will stand the domestic franchises in good stead moving into what is expected to be a more difficult operating environment. FirstRand, however, recognises the imperative to continue to protect and grow these franchises. The group believes this can be achieved through executing on disruptive and innovative strategies to deliver differentiated offerings to customers. In addition, the appropriate level of cross-sell available through collaboration across all of the franchises is still not fully realised.

For example, there are still meaningful opportunities within the WesBank customer base for FNB to introduce its market leading transactional offering, particularly given that 60% of WesBank customers remain unbanked by FNB. The recent acquisition of the non-controlling interests in Direct Axis, which has a customer base that is also significantly under-penetrated by FNB, provides new high quality customers to introduce transactional products. The group believes transactional offerings are the appropriate mechanisms to drive growth in new customers, particularly given the negative credit cycle. It is in line with FNB's stated objective to increase volumes on its electronic platforms and grow fee and commission income, with the concomitant positive impact this will have on NIR, ROA and ROE. Credit extension should increase on the back of these new transactional relationships, particularly where FNB gains comfort from transactional data on the account.

The group believes growth of its domestic franchise also lies in its ability to capture a larger share of profits from the broader financial services markets including savings, insurance and investment products, currently the domain of asset managers and insurance companies. These activities currently represent only 11% of the group's gross revenue and have become more attractive following changes in regulations. The group can offer significantly differentiated, but more cost-effective offerings to both existing and new customers currently saving and investing with competitors. It can, in particular, leverage off its strong actuarial skills base, flexible electronic distribution platforms and track record of innovation.

As the group's primary objective is to produce superior returns for its shareholders and its key performance measurement is net income after capital charge (NIACC), the majority of the growth initiatives outlined above are "capital light" and seek to drive growth in NIR and enhance ROE.

MANAGEMENT OF FINANCIAL RESOURCES

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

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

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.5	8.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**14.2**	**14.6**	**16.9**

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

** *Includes unappropriated profits.*

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 unit 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 future outlook.

Liquidity position

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

The bank exceeds the 60% minimum liquidity coverage ratio as set out by the Basel Committee with an LCR of 84% as at 30 June 2015, holding available liquidity of R119 billion with an additional R11 billion of management liquidity available.

REGULATORY UPDATE

During the year, the Basel Committee on Banking Supervision (BCBS) issued a number of consultative documents that may impact the capital levels going forward:

- a revised set of standardised approaches for credit and operational risk; and
- a capital floor based on the revised standardised approach for internal ratings-based (IRB) accredited banks.

The capital floor aims to address variability in capital for banks using the IRB approaches, and to enhance comparability across jurisdictions. These consultative documents are still under discussion and the impact of the standardised capital floor cannot yet be determined as the BCBS has not yet clarified the proposed calibration and implementation timeline.

In addition, the Financial Stability Board issued for consultation a set of principles on the adequacy of loss absorbing and recapitalisation capacity of global systemically important banks (G-SIBs) at the end of 2014. These were developed in consultation with the BCBS and will, once finalised, form a new minimum standard for the total loss absorbing capacity and composition of a bank's capital structure. Recently National Treasury, the South African Reserve Bank and the Financial Services Board published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. The paper sets out the motivation, principles and policy proposals for such a strengthened framework and is intended to solicit public comment and serve as a basis for further industry discussions in preparation for the drafting of a special resolution bill.

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

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

Comments are expected from all relevant stakeholders and the public by the end of September 2015. The final outcome from the consultation phase is not clear. It is, therefore, anticipated that further enhancements and changes may be incorporated in the current discussion document.

The bank is of the view that, given its current high levels of capital, it is well positioned to absorb these increased regulatory requirements, however, it is fair to say that the absolute impact on capital levels and composition remains unclear.

PROSPECTS

The year to June 2016 is expected to display more negative characteristics than the year under review. GDP will remain below trend due to both demand weakness and supply side constraints, particularly with regards to power. If the US recovery emerges as expected, the SARB may have to increase rates which will place further pressure on the South African consumer. Unemployment is trending upwards with retrenchments already announced in the mining and construction sectors.

Economic headwinds continue to increase and growth in the system is expected to be subdued. High levels of indebtedness remain in certain consumer segments, which means advances growth will stay at current levels or decline and corporate activity is unlikely to pick up significantly. Regulatory changes will negatively impact the profitability of certain retail lending and transactional business lines.

The bank believes its divisions have the appropriate strategies in place to produce resilient operational performances against this difficult economic backdrop. The strength of its balance sheet and the resilience of its diverse income streams should allow FRB to continue to deliver sustainable and superior returns.

EVENTS AFTER THE REPORTING PERIOD

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

- It is anticipated that during the 2016 financial year, Discovery Limited (Discovery) will subscribe for preference shares in FirstRand Bank Limited in the amount of R1.35 billion and increase its participation in DiscoveryCard to 74.99% with FirstRand retaining 25.01%.

BOARD CHANGES

Sizwe Errol Nxasana will resign as chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Johan Petrus Burger will be appointed as chief executive officer of FirstRand and FirstRand Bank in place of Sizwe Errol Nxasana with effect from 1 October 2015.

Alan Patrick Pullinger will be appointed deputy chief executive officer and executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

In addition to the above:

Paballo Joel Makosholo will be appointed as a non-executive director of FirstRand and FirstRand Bank with effect from 1 October 2015.

Kgotso Buni Schoeman will resign as a non-executive director of FirstRand and FirstRand Bank with effect from 30 September 2015.

Jurie Johannes Human Bester retired at the conclusion of the 2014 annual general meeting and did not offer himself for re-election.

SUMMARISED INCOME STATEMENT – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Net interest income before impairment of advances	**30 229**	25 199	20
Impairment of advances	**(4 356)**	(4 827)	(10)
Net interest income after impairment of advances	**25 873**	20 372	27
Non-interest revenue	**29 216**	28 622	2
Income from operations	**55 089**	48 994	12
Operating expenses	**(33 498)**	(31 076)	8
Income before tax	**21 591**	17 918	20
Indirect tax	**(751)**	(796)	(6)
Profit before tax	**20 840**	17 122	22
Income tax expense	**(5 239)**	(4 375)	20
Profit for the year	**15 601**	12 747	22
Attributable to			
Ordinary equityholders	**15 394**	12 555	23
NCNR preference shareholders	**207**	192	8
Profit for the year	**15 601**	12 747	22

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014	% change
Profit for the year	**15 601**	12 747	22
Items that may subsequently be classified to profit or loss			
Cash flow hedges	**(271)**	361	(>100)
Losses arising during the year	**(569)**	(111)	>100
Reclassification adjustments for amounts included in profit or loss	**193**	613	(69)
Deferred income tax	**105**	(141)	(>100)
Available-for-sale financial assets	**(35)**	(149)	(77)
Losses arising during the year	**(40)**	(149)	(73)
Reclassification adjustments for amounts included in profit or loss	**(20)**	(67)	(70)
Deferred income tax	**25**	67	(63)
Exchange differences on translating foreign operations	**290**	193	50
Gains arising during the year	**290**	193	50
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**1**	(207)	(100)
Gains/(losses) arising during the year	**2**	(287)	(>100)
Deferred income tax	**(1)**	80	(>100)
Other comprehensive (loss)/income for the year	**(15)**	198	(>100)
Total comprehensive income for the year	**15 586**	12 945	20
Attributable to			
Ordinary equityholders	**15 379**	12 753	21
NCNR preference shareholders	**207**	192	8
Total comprehensive income for the year	**15 586**	12 945	20

SUMMARISED STATEMENT OF FINANCIAL POSITION – IFRS (AUDITED)

as at 30 June

R million	2015	2014
ASSETS		
Cash and cash equivalents	**53 725**	51 788
Derivative financial instruments	**34 112**	38 633
Commodities	**7 354**	7 904
Accounts receivable	**4 301**	4 131
Advances	**675 387**	622 112
Amounts due by holding company and fellow subsidiary companies	**27 318**	26 005
Investment securities and other investments	**133 543**	88 783
Investment in subsidiary companies	*****	*
Investment in associate companies	*****	*
Property and equipment	**12 821**	11 369
Intangible assets	**71**	84
Deferred income tax asset	**1 202**	400
Non-current assets and disposal groups held for sale	**125**	–
Total assets	**949 959**	851 209
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 270**	5 398
Derivative financial instruments	**40 811**	41 628
Creditors and accruals	**12 166**	10 380
Current tax liability	**69**	53
Deposits	**779 703**	693 176
Provisions	**299**	386
Employee liabilities	**8 848**	8 080
Other liabilities	**3 977**	4 268
Amounts due to holding company and fellow subsidiary companies	**11 836**	12 292
Tier 2 liabilities	**11 983**	11 484
Total liabilities	**874 962**	787 145
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	15 304
Reserves	**55 189**	45 756
Capital and reserves attributable to ordinary equityholders	**71 997**	61 064
NCNR preference shares	**3 000**	3 000
Total equity	**74 997**	64 064
Total equity and liabilities	**949 959**	851 209

* *Denotes amounts less than R500 000.*

SUMMARISED STATEMENT OF CASH FLOWS – IFRS (AUDITED)

for the year ended 30 June

R million	2015	2014
Cash flows from operating activities		
Cash receipts from customers	**74 575**	67 634
Cash paid to customers, suppliers and employees	**(46 198)**	(41 379)
Dividends received	**2 128**	1 982
Dividends paid	**(6 654)**	(4 481)
Cash generated from operating activities	**23 851**	23 756
Increase in income-earning assets	**(96 632)**	(66 796)
Increase in deposits and other liabilities	**83 000**	53 558
Taxation paid	**(6 663)**	(5 342)
Net cash generated from operating activities	**3 556**	5 176
Net cash outflow from investing activities	**(3 212)**	(2 733)
Net cash inflow from financing activities	**1 539**	7 039
Net increase in cash and cash equivalents	**1 883**	9 482
Cash and cash equivalents at the beginning of the year	**51 788**	42 296
Effect of exchange rate changes on cash and cash equivalents	**54**	10
Cash and cash equivalents at the end of the year	**53 725**	51 788
Mandatory reserve balances included above*	**18 173**	16 040

* *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.*

FLOW OF FUNDS ANALYSIS

R million	June 2015 vs June 2014 **12-month movement**	June 2014 vs June 2013 **12-month movement**
Sources of funds		
Capital account movement (including profit and reserves)	**10 933**	9 657
Working capital movement	**(674)**	(1 543)
Derivatives positions	**3 576**	4 285
Investments	**(889)**	(2 717)
Deposits and long-term liabilities	**87 026**	67 163
Advances	**(72 074)**	(84 602)
Total	**27 898**	(7 757)
Application of funds		
Cash and cash equivalents	**(1 937)**	(9 492)
Investment securities and other investments	**(25 961)**	17 249
Total	**(27 898)**	7 757

SUMMARISED 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 2013	4	15 304	**15 308**	(559)	100
Movement in other reserves	–	–	**–**	–	–
Equity transactions with fellow subsidiaries	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	(207)	361
Balance as at 30 June 2014	4	15 304	**15 308**	(766)	461
Issue of share capital	*	1 500	**1 500**	–	–
Movement in other reserves	–	–	**–**	–	–
Vesting of share-based payments	–	–	**–**	–	–
Equity transactions with fellow subsidiaries	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the year	–	–	**–**	1	(271)
Balance as at 30 June 2015	4	16 804	**16 808**	(765)	190

* *Denotes amounts less than R500 000.*

Ordinary share capital and ordinary equityholders' funds							
Share-based payment reserve	**Available-for-sale reserve**	**Foreign currency translation reserve**	**Other reserves**	**Retained earnings**	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
439	579	(7)	1 345	34 202	**36 099**	**3 000**	**54 407**
26	–	–	–	–	**26**	**–**	**26**
–	–	–	–	1 167	**1 167**	**–**	**1 167**
–	–	–	–	(4 289)	**(4 289)**	**–**	**(4 289)**
–	–	–	–	–	**–**	**(192)**	**(192)**
–	(149)	193	–	12 555	**12 753**	**192**	**12 945**
465	430	186	1 345	43 635	**45 756**	**3 000**	**64 064**
–	–	–	–	–	**–**	**–**	**1 500**
74	–	–	–	–	**74**	**–**	**74**
(539)	–	–	–	539	**–**	**–**	**–**
–	–	–	–	427	**427**	**–**	**427**
–	–	–	–	(6 447)	**(6 447)**	**–**	**(6 447)**
–	–	–	–	–	**–**	**(207)**	**(207)**
–	(35)	290	–	15 394	**15 379**	**207**	**15 586**
–	395	476	1 345	53 548	**55 189**	**3 000**	**74 997**

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DETAILED FINANCIAL ANALYSIS – NORMALISED

This section is based on normalised results. A detailed reconciliation between IFRS and normalised results is set out on pages 28 to 33.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Earnings performance			
Normalised earnings contribution by franchise	**15 246**	12 321	24
FNB	**9 392**	7 846	20
RMB	**3 826**	3 646	5
WesBank	**2 089**	2 190	(5)
FCC (including Group Treasury) and other	**146**	(1 169)	(>100)
NCNR preference dividend	**(207)**	(192)	8
Attributable earnings – IFRS (refer page 15)	**15 394**	12 555	23
Headline earnings	**15 387**	12 623	22
Normalised earnings	**15 246**	12 321	24
Normalised net asset value	**71 997**	61 064	18
Tangible normalised net asset value	**71 926**	60 980	18
Average normalised net asset value	**66 531**	56 236	18
Balance sheet			
Normalised total assets	**949 959**	851 209	12
Loans and advances (net of credit impairment)	**705 257**	633 183	11
Ratios and key statistics			
ROE (%)	**22.9**	21.9	
ROA (%)	**1.69**	1.51	
Average gross loan-to-deposit ratio (%)	**92.7**	91.9	
Diversity ratio (%)	**42.5**	43.5	
Credit impairment charge	**4 993**	4 925	1
NPLs as % of advances	**2.17**	2.32	
Credit loss ratio (%)	**0.73**	0.81	
Specific coverage ratio (%)	**41.0**	40.4	
Total impairment coverage ratio (%)	**86.6**	86.9	
Performing book coverage ratio (%)	**1.01**	1.10	
Cost-to-income ratio (%)	**55.3**	57.0	
Effective tax rate (%)	**25.1**	25.3	
Number of employees	**36 793**	33 476	10

SUMMARISED INCOME STATEMENT – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Net interest income before impairment of advances	**33 913**	29 544	15
Impairment of advances	**(4 993)**	(4 925)	1
Net interest income after impairment of advances	**28 920**	24 619	17
Non-interest revenue*	**25 057**	22 736	10
Income from operations	**53 977**	47 355	14
Operating expenses	**(32 591)**	(29 807)	9
Income before tax	**21 386**	17 548	22
Indirect tax	**(751)**	(796)	(6)
Profit before tax	**20 635**	16 752	23
Income tax expense	**(5 182)**	(4 239)	22
Profit for the year	**15 453**	12 513	23
NCNR preference shareholders	**(207)**	(192)	8
Normalised earnings attributable to ordinary equityholders of the bank	**15 246**	12 321	24

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

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

for the year ended 30 June

R million	2015	2014	% change
Profit for the year	**15 453**	12 513	23
Items that may subsequently be reclassified to profit or loss			
Cash flow hedges	**(271)**	361	(>100)
Losses arising during the year	**(569)**	(111)	>100
Reclassification adjustments for amounts included in profit or loss	**193**	613	(69)
Deferred income tax	**105**	(141)	(>100)
Available-for-sale financial assets	**(35)**	(149)	(77)
Losses arising during the year	**(40)**	(149)	(73)
Reclassification adjustments for amounts included in profit or loss	**(20)**	(67)	(70)
Deferred income tax	**25**	67	(63)
Exchange differences on translating foreign operations	**290**	193	50
Gains arising during the year	**290**	193	50
Items that may not subsequently be reclassified to profit or loss			
Remeasurements on defined benefit post-employment plans	**108**	(103)	(>100)
Gains/(losses) arising during the year	**151**	(142)	(>100)
Deferred income tax	**(43)**	39	(>100)
Other comprehensive income for the year	**92**	302	(70)
Total comprehensive income for the year	**15 545**	12 815	21
Attributable to:			
Ordinary equityholders	**15 338**	12 623	22
NCNR preference shareholders	**207**	192	8
Total comprehensive income for the year	**15 545**	12 815	21

SUMMARISED STATEMENT OF FINANCIAL POSITION – NORMALISED

as at 30 June

R million	2015	2014
ASSETS		
Cash and cash equivalents	**53 725**	51 788
Derivative financial instruments	**34 112**	38 633
Commodities	**7 354**	7 904
Accounts receivable	**4 301**	4 131
Advances**	**705 257**	633 183
Amounts due by holding company and fellow subsidiary companies	**27 318**	26 005
Investment securities and other investments**	**103 673**	77 712
Investment in subsidiary companies	*****	*
Investment in associate companies	*****	*
Property and equipment	**12 821**	11 369
Intangible assets	**71**	84
Deferred income tax asset	**1 202**	400
Non-current assets and disposal groups held for sale	**125**	–
Total assets	**949 959**	851 209
EQUITY AND LIABILITIES		
Liabilities		
Short trading positions	**5 270**	5 398
Derivative financial instruments	**40 811**	41 628
Creditors and accruals	**12 166**	10 380
Current tax liability	**69**	53
Deposits	**779 703**	693 176
Provisions	**299**	386
Employee liabilities	**8 848**	8 080
Other liabilities	**3 977**	4 268
Amounts due to holding company and fellow subsidiary companies	**11 836**	12 292
Tier 2 liabilities	**11 983**	11 484
Total liabilities	**874 962**	787 145
Equity		
Ordinary shares	**4**	4
Share premium	**16 804**	15 304
Reserves	**55 189**	45 756
Capital and reserves attributable to ordinary equityholders	**71 997**	61 064
NCNR preference shares	**3 000**	3 000
Total equity	**74 997**	64 064
Total equity and liabilities	**949 959**	851 209

* *Denotes amounts less than R500 000.*

** *Advances include R9 494 million of HQLA which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R18 714 million. These were reclassified from investment securities. Prior year numbers have been restated.*

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED INCOME STATEMENT

for the year ended 30 June 2015

R million	June 2015 Normalised	Economic hedges	Fair value annuity income (lending)	IAS 19 adjustment
Net interest income before impairment of advances	**33 913**	(265)	(2 816)	–
Impairment of advances	**(4 993)**	–	637	–
Net interest income after impairment of advances	**28 920**	(265)	(2 179)	–
Non-interest revenue	**25 057**	265	2 179	–
Income from operations	**53 977**	–	–	–
Operating expenses	**(32 591)**	–	–	149
Income before tax	**21 386**	–	–	149
Indirect tax	**(751)**	–	–	–
Profit before tax	**20 635**	–	–	149
Income tax expense	**(5 182)**	–	–	(42)
Profit for the year	**15 453**	–	–	107
Attributable to:				
NCNR preference shareholders	**(207)**	–	–	–
Ordinary equityholders	**15 246**	–	–	107
Headline and normalised earnings adjustments	**–**	–	–	(107)
Normalised earnings	**15 246**	–	–	–

Margin on securitised assets	USD liquidity funding	TRS adjustment	Headline earnings	IFRS
(807)	204	–	–	**30 229**
–	–	–	–	**(4 356)**
(807)	204	–	–	**25 873**
807	(204)	1 106	6	**29 216**
–	–	1 106	6	**55 089**
–	–	(1 059)	3	**(33 498)**
–	–	47	9	**21 591**
–	–	–	–	**(751)**
–	–	47	9	**20 840**
–	–	(13)	(2)	**(5 239)**
–	–	34	7	**15 601**
–	–	–	–	**(207)**
–	–	34	7	**15 394**
–	–	(34)	(7)	**(148)**
–	–	–	–	**15 246**

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED INCOME STATEMENT

for the year ended 30 June 2014

R million	Normalised	Economic hedges	Fair value annuity income (lending)	IAS 19 adjustment
Net interest income before impairment of advances	29 544	(253)	(3 081)	–
Impairment of advances	(4 925)	–	98	–
Net interest income after impairment of advances	24 619	(253)	(2 983)	–
Non-interest revenue	22 736	253	2 983	–
Income from operations	47 355	–	–	–
Operating expenses	(29 807)	–	–	145
Income before tax	17 548	–	–	145
Indirect tax	(796)	–	–	–
Profit before tax	16 752	–	–	145
Income tax expense	(4 239)	–	–	(41)
Profit for the year	12 513	–	–	104
Attributable to:				
NCNR preference shareholders	(192)	–	–	–
Ordinary equityholders	12 321			104
Headline and normalised earnings adjustments	–	–	–	(104)
Normalised earnings	12 321	–	–	–

Margin on securitised assets	USD liquidity funding	TRS adjustment	Headline earnings	IFRS
(958)	(53)	–	–	25 199
–	–	–	–	(4 827)
(958)	(53)	–	–	20 372
958	53	1 572	67	28 622
–	–	1 572	67	48 994
–	–	(1 297)	(117)	(31 076)
–	–	275	(50)	17 918
–	–	–	–	(796)
–	–	275	(50)	17 122
–	–	(77)	(18)	(4 375)
–	–	198	(68)	12 747
–	–	–	–	(192)
–	–	198	(68)	12 555
–	–	(198)	68	(234)
–	–	–	–	12 321

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

R million	Normalised	Reallocation of credit instruments	IFRS
ASSETS			
Cash and cash equivalents	**53 725**	–	**53 725**
Derivative financial instruments	**34 112**	–	**34 112**
Commodities	**7 354**	–	**7 354**
Accounts receivable	**4 301**	–	**4 301**
Advances	**705 257**	(29 870)	**675 387**
Amounts due by holding company and fellow subsidiary companies	**27 318**	–	**27 318**
Investment securities and other investments	**103 673**	29 870	**133 543**
Investment in subsidiary companies	*****	–	*****
Investment in associate companies	*****	–	*****
Property and equipment	**12 821**	–	**12 821**
Intangible assets	**71**	–	**71**
Deferred income tax asset	**1 202**	–	**1 202**
Non-current assets and disposal groups held for sale	**125**	–	**125**
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 and accruals	**12 166**	–	**12 166**
Current tax liability	**69**	–	**69**
Deposits	**779 703**	–	**779 703**
Provisions	**299**	–	**299**
Employee liabilities	**8 848**	–	**8 848**
Other liabilities	**3 977**	–	**3 977**
Amounts due to holding company and fellow subsidiary companies	**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 equity and liabilities	**949 959**	–	**949 959**

* *Denotes amounts less than R500 000.*

RECONCILIATION OF NORMALISED TO IFRS SUMMARISED STATEMENT OF FINANCIAL POSITION

as at 30 June 2014

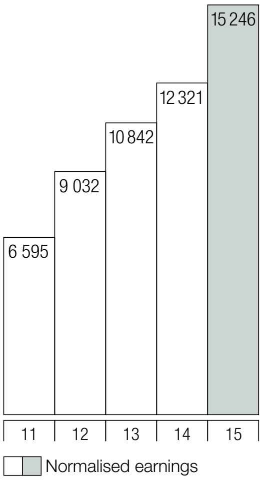
R million	Normalised	Reallocation of credit instruments	IFRS
ASSETS			
Cash and cash equivalents	51 788	–	51 788
Derivative financial instruments	38 633	–	38 633
Commodities	7 904	–	7 904
Accounts receivable	4 131	–	4 131
Advances	633 183	(11 071)	622 112
Amounts due by holding company and fellow subsidiary companies	26 005	–	26 005
Investment securities and other investments	77 712	11 071	88 783
Investment in subsidiary companies	*	–	*
Investment in associate companies	*	–	*
Property and equipment	11 369	–	11 369
Intangible assets	84	–	84
Deferred income tax asset	400	–	400
Non-current assets and disposal groups held for sale	–	–	–
Total assets	851 209	–	851 209
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	5 398	–	5 398
Derivative financial instruments	41 628	–	41 628
Creditors and accruals	10 380	–	10 380
Current tax liability	53	–	53
Deposits	693 176	–	693 176
Provisions	386	–	386
Employee liabilities	8 080	–	8 080
Other liabilities	4 268	–	4 268
Amounts due to holding company and fellow subsidiary companies	12 292	–	12 292
Tier 2 liabilities	11 484	–	11 484
Total liabilities	787 145	–	787 145
Equity			
Ordinary shares	4	–	4
Share premium	15 304	–	15 304
Reserves	45 756	–	45 756
Capital and reserves attributable to ordinary equityholders	61 064	–	61 064
NCNR preference shares	3 000	–	3 000
Total equity	64 064	–	64 064
Total equity and liabilities	851 209	–	851 209

* *Denotes amounts less than R500 000.*

OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

NORMALISED EARNINGS
R million
CAGR 23%

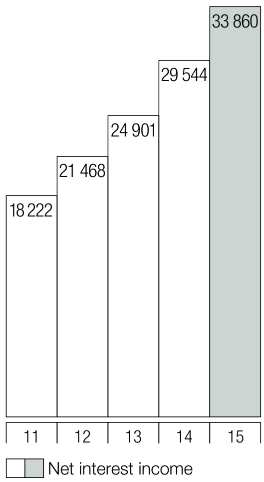


Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 15%

NET INTEREST INCOME

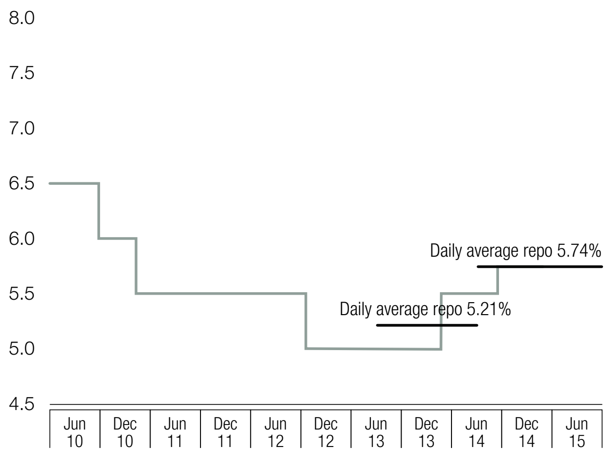
R million



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

REPO RATE

%



Note: R126 billion = average endowment book for the year. Rates were higher by 53 bps on average in the current year, which translates into a positive endowment impact of approximately R668 million.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
June 2014 normalised margin*	**4.87**
Capital and deposit endowment	**0.15**
Advances	**(0.02)**
– Change in balance sheet mix	**0.09**
– Asset pricing**	**(0.11)**
Liabilities	**(0.05)**
– Change in balance sheet mix (deposits)	**0.06**
– Term funding cost	**(0.09)**
– Deposit pricing	**(0.02)**
Group Treasury and other movements	**0.07**
– MTM vs accrual on term issuance in professional funding	**0.06**
– Increase in HQLA	**(0.09)**
– Other accounting mismatches and interest rate risk hedges	**0.10**
June 2015 normalised margin	**5.02**

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

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

SEGMENTAL ANALYSIS OF NET INTEREST INCOME BEFORE IMPAIRMENT OF ADVANCES

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
FNB	**18 630**	16 138	15
Retail	**12 505**	10 990	14
– Residential mortgages	**3 548**	3 418	4
– Card	**1 856**	1 517	22
– Personal loans	**2 232**	2 216	1
– Retail other	**4 869**	3 839	27
Commercial	**6 121**	5 146	19
FNB Africa*	**4**	2	100
RMB	**5 300**	5 178	2
Investment banking	**4 382**	4 365	–
Corporate banking	**918**	813	13
WesBank	**8 124**	8 159	–
FCC (including Group Treasury) and other**	**1 859**	69	>100
Net interest income – bank activities	**33 913**	29 544	15

* *Includes FNB's activities in India.*

** *Includes aggregation adjustments.*

Key drivers

- Positive endowment effect from the 50 bps increase in the repo rate in January 2014 and a further 25 bps increase in July 2014 (an average increase of 53 bps in the repo rate for the year).
- Higher capital levels further underpinned NII growth.
- Strong advances and deposit growth of 11% and 12%, respectively, boosted NII.
- An increase in certain asset margins in FNB. Repricing benefits in card, retail overdrafts and commercial term loans were, to some extent offset by lower margins in commercial overdrafts and FNB loans.
- WesBank's margins reduced slightly, negatively impacted by a change in the fixed vs floating retail new business mix, an increase in liquidity costs and competitive pricing pressures.
- Investment banking advances were negatively impacted by higher term funding and liquidity costs.
- A decrease of R77 million in the dollar funding carry costs relating to excess dollar liquidity, primarily affected by the increased funding of operational assets during the year.
- With LCR becoming a prudential regulatory requirement from 1 January 2015, higher holdings of HQLA resulted in lower interest margin in bank.

AVERAGE BALANCE SHEET

R million	Notes	June 2015 Average balance*,**	June 2015 Interest income/ (expense)	June 2015 Average rate %	June 2014 Average balance	June 2014 Interest income/ (expense)	June 2014 Average rate %
INTEREST-EARNING ASSETS							
Average prime rate				**9.24**			8.71
Balances with central banks		**17 225**	**–**		15 151	–	
Cash and cash equivalents		**14 763**	**555**	**3.76**	18 526	545	2.94
Liquid assets portfolio		**62 210**	**4 641**	**7.46**	56 380	4 217	7.48
Loans and advances to customers	1	**581 780**	**57 704**	**9.92**	517 110	49 037	9.48
Interest-earning assets		**675 978**	**62 900**	**9.31**	607 167	53 799	8.86
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.05**			5.33
Deposits due to customers	2	**(393 953)**	**(15 150)**	**3.85**	(349 135)	(12 182)	3.49
Group Treasury funding		**(249 744)**	**(16 558)**	**6.63**	(215 109)	(12 799)	5.95
Interest-bearing liabilities		**(643 697)**	**(31 708)**	**4.93**	(564 244)	(24 981)	4.43
ENDOWMENT AND TRADING BOOK							
Other assets[#]		**123 281**	**2 721**	**2.21**	109 065	726	0.67
Other liabilities[†]		**(87 236)**	**–**	**–**	(90 508)	–	–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(65 326)**	**–**	**–**	(58 480)	–	–
Endowment and trading book		**(32 281)**	**2 721**	**(8.43)**	(42 923)	726	(1.69)
Total interest-bearing liabilities, endowment and trading book		**(675 978)**	**(28 987)**	**4.29**	(607 167)	(24 255)	3.99
Net interest margin on average interest-earning assets		**675 978**	**33 913**	**5.02**	607 167	29 544	4.87

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

* *Includes level 1 HQLA.*

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

Includes preference share advances and trading assets.

† *Includes trading liabilities.*

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	June 2015		June 2014#	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.24**		8.71
Advances				
Retail – secured	**290 206**	**2.62**	269 406	2.95
Residential mortgages	**174 898**	**1.77**	166 808	1.76
VAF*	**115 308**	**3.92**	102 598	4.87
Retail – unsecured	**52 005**	**12.45**	41 364	13.02
Card	**17 732**	**9.10**	14 611	8.84
Personal loans	**22 947**	**17.08**	21 091	17.49
– FNB loans	**13 233**	**15.24**	12 696	15.49
– WesBank loans	**9 714**	**19.60**	8 395	20.51
Overdrafts	**11 326**	**8.32**	5 662	7.17
Corporate and commercial	**239 569**	**2.43**	206 340	2.63
FNB commercial	**52 490**	**3.78**	44 865	3.76
– Mortgages	**14 467**	**2.64**	12 354	2.58
– Overdrafts	**21 803**	**4.87**	18 904	4.93
– Term loans	**16 220**	**3.32**	13 607	3.21
WesBank corporate	**38 032**	**2.69**	34 116	2.77
RMB investment banking**	**146 755**	**1.89**	124 707	2.19
RMB corporate banking	**2 292**	**2.57**	2 652	2.23
Total advances	**581 780**	**3.42**	517 110	3.63

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.

* *Normalised interest margin on WesBank's MotoNovo book was impacted by a transfer of NII from FCC (including Group Treasury) to compensate WesBank for margin forfeited on securitised assets. This is included in WesBank's NII whilst securitised advances are not reflected on the bank's statement of financial position.*

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

2014 margins have been restated due to segmentation.

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

The bank operates a transfer pricing framework that incorporates liquidity cost and benefits into products pricing, including any regulatory costs for all significant business activities on- and off-balance sheets; 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.

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

	June 2015		June 2014*	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.24**		8.71
Deposits				
Retail	**135 200**	**2.84**	119 278	2.61
Current and savings	**47 469**	**5.53**	40 904	4.98
Call	**3 112**	**2.98**	3 111	2.63
Money market	**29 164**	**1.65**	28 032	1.64
Term	**55 455**	**1.15**	47 231	1.12
Commercial	**141 837**	**2.57**	128 390	2.33
Current and savings	**53 758**	**4.94**	48 815	4.39
Call	**35 235**	**1.29**	31 097	1.26
Money market	**19 381**	**2.01**	18 129	1.84
Term	**33 463**	**0.46**	30 349	0.44
Corporate and investment banking	**116 916**	**0.69**	101 467	0.68
Current and savings	**48 947**	**1.30**	40 706	1.20
Call	**36 857**	**0.20**	30 772	0.30
Term	**31 112**	**0.29**	29 989	0.36
Total deposits	**393 953**	**2.10**	349 135	1.95

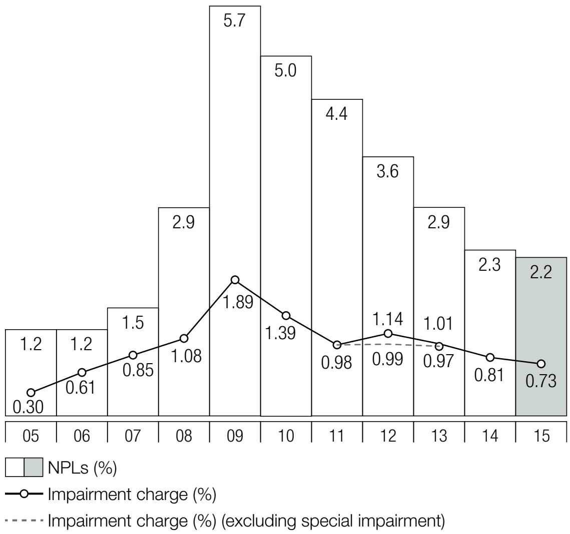
Average balances are daily averages for the South African operations (FNB and WesBank) and monthly averages for RMB.

Institutional funding is excluded from deposits due to customers.

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

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Total gross advances – including credit-related assets*	**718 771**	646 207	11
NPLs – including credit-related assets	**15 603**	14 984	4
NPLs as a % of advances – including credit-related assets	**2.17**	2.32	
Impairment charge – including credit-related assets	**4 993**	4 925	1
Impairment charge as a % of average advances – including credit-related assets	**0.73**	0.81	
Total impairments*	**13 514**	13 024	4
– Portfolio impairments	**7 109**	6 963	2
– Specific impairments	**6 405**	6 061	6
Implied loss given default (coverage)**	**41.0**	40.4	
Total impairments coverage ratio#	**86.6**	86.9	
Performing book coverage ratio†	**1.01**	1.10	

* *Includes cumulative credit fair value adjustments.*

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

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

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

Credit impairments increased 1%. The credit impairment ratio, however, reduced from 81 bps (restated) to 73 bps.

Overall NPLs increased 4%, driven by strong book growth in card, other retail, India and WesBank loans. The downturn in the commodity cycle negatively impacted NPL formation in the corporate portfolio.

The total coverage ratio marginally reduced to 86.6 bps (June 2014: 86.9 bps), reflecting a change in NPL mix, although both specific and portfolio impairments increased during the year. Increased portfolio impairments were driven by strong book growth in WesBank loans, retail VAF, card, and in RMB, by the adverse commodity cycle (oil and gas, and mining and metals sectors). The performing book coverage ratio of 101 bps reduced from the prior year (June 2014:110 bps). This was largely a result of central overlay release, given the previously identified risk manifesting with NPL formation increasing in the underlying franchises and products during the year, resulting in higher specific impairments.

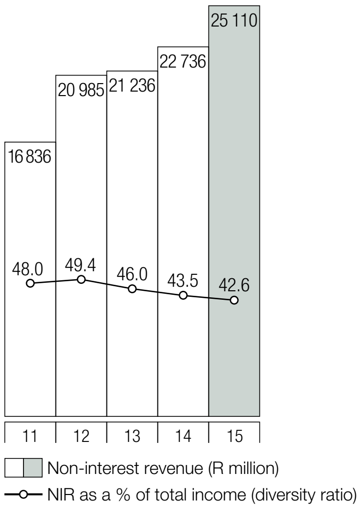
Key drivers

- An 18% reduction in residential mortgage NPLs, reflecting continued strong cure rates of defaulted accounts and constrained levels of new inflows, reflecting disciplined origination strategies and effective workout strategies.
- A reduction of 7% in FNB personal loans NPLs, underpinned by a 22% reduction in NPLs in mass loans, reflecting more conservative origination strategies and tightening credit criteria.
- Higher NPLs in card, retail VAF and WesBank loans, impacted by strong book growth and the worsening credit cycle.
- NPLs in RMB's Investment Banking division increased 26%, primarily driven by the impact of the adverse commodity cycle on certain counters in the mining and metals sector.
- Post write-off recoveries remained robust at R1.83 million, driven by card, the unsecured retail lending portfolios (personal loans) and VAF.

NON-INTEREST REVENUE – UP 10%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 11%



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

ANALYSIS OF NON-INTEREST REVENUE

		Year ended 30 June		
R million	**Notes**	**2015**	**2014**	**% change**
Fee and commission income	1	**20 009**	18 812	6
Fair value income	2	**2 522**	2 063	22
Investment income		**74**	(99)	(>100)
Other non-interest revenue	3	**2 452**	1 960	25
Total non-interest revenue		**25 057**	22 736	10

NIR growth was satisfactory, although the growth trajectory moderated given the more constrained macro environment and the initial regulatory impact of the reduction in interchange.

NIR growth was underpinned by fee and commission income growth, benefiting from the specific ongoing strategies to grow electronic transaction volumes. Fee and commission income represents 80% of total NIR.

NOTE 1 – FEE AND COMMISSION INCOME – UP 6%

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Bank commissions and fee income	**20 292**	18 970	7
– Card commissions	**3 342**	3 149	6
– Cash deposit fees	**1 724**	1 664	4
– Commissions on bills, drafts and cheques	**1 727**	1 610	7
– Bank charges	**13 499**	12 547	8
Knowledge-based fees	**976**	1 137	(14)
Management and fiduciary fees	**577**	557	4
Insurance income	**1 045**	1 009	4
Other non-bank commissions*	**513**	297	73
Gross fee and commission income	**23 403**	21 970	7
Fee and commission expenditure	**(3 394)**	(3 158)	7
Total fee and commission income	**20 009**	18 812	6

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

Key drivers

- FNB grew fee and commission income 9%, benefiting from a 12% growth in transaction volumes, increased product cross-sell and an increase in the active account base in targeted segments.
- Electronic volumes increased 14%, while manual volumes decreased marginally, in line with strategy.

	Increase in certain transaction volumes %
Mobile financial	**25**
Internet banking	**15**
Debit card	**18**
Cheque card	**13**
Banking app	**69**
ADT/ATM cash deposits	**12**

- Overall fee and commission income growth rates were impacted by the initial impact of interchange as well as lower credit life revenue.
- WesBank's NIR growth of 17% was driven by satisfactory new business volumes, given the constrained macro environment, a strong contribution from the full maintenance rental book and increasing insurance revenues, primarily driven by MotoNovo in the UK.
- Knowledge-based fee income remained resilient, although down from the high base in 2014, impacted by:
  - higher levels of equity capital market fees due to a number of significant transactions during the year;
  - disappointing debt capital market fees on the back of a significant reduction in issuance volumes, after the failure of ABIL;
  - solid levels of M&A advisory income benefiting from a substantial increase in both domestic and cross-border activity and some notable significant deals concluded during the year; and
  - resilient structuring and origination fees, benefiting from the finalisation of key mandates during the year as well as ongoing book growth.

NOTE 2 – FAIR VALUE INCOME – UP 22%

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Client	**1 704**	1 340	27
Markets	**688**	972	(29)
Other	**130**	(249)	(>100)
Total	**2 522**	2 063	22

Key drivers

- Flow trading performance remained resilient, benefiting from a strong performance across most asset classes, notably interest rates and currencies. Rand depreciation and higher inflation led to increased client flow activity.
- The structuring business had an excellent performance, benefiting from large bespoke transactions in the current year.
- The markets business was negatively impacted by an adverse soft commodity trading environment, especially in the latter half of the financial year, negatively impacted by the drought in certain parts of South Africa.
- The bank's net TRS fair value income increased R234 million during the year benefiting from decreased volatility in the share-based payment expense due to rollover and vesting of schemes.

NOTE 3 – OTHER NON-INTEREST REVENUE – UP 25%

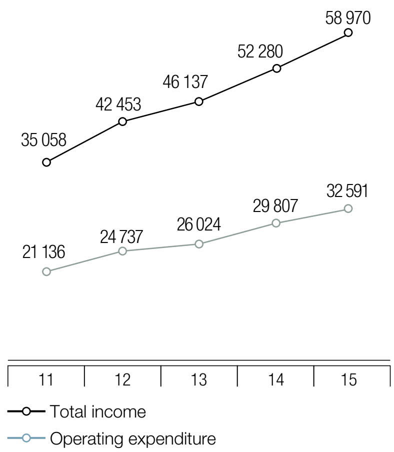
Other NIR includes rental income, with the most significant rental income being the WesBank fixed maintenance rental income, and smart box and speedpoint rental. Rental income grew 17%.

The bank provides various services to other entities in the group, for which it earns income. This income is included in other NIR and has shown strong growth.

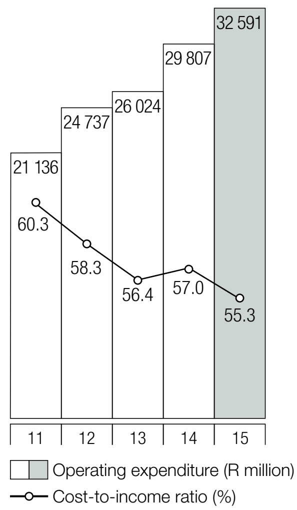
OPERATING EXPENSES – UP 9%

OPERATING JAWS

R million



OPERATING EFFICIENCY



Note: 2013 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

OPERATING EXPENSES

	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Staff expenditure	**19 169**	17 149	12
– Direct staff expenditure	**11 558**	10 374	11
– Other staff-related expenditure	**7 611**	6 775	12
Depreciation	**1 717**	1 673	3
Amortisation of other intangible assets	**50**	54	(7)
Advertising and marketing	**1 044**	1 020	2
Insurance	**209**	206	1
Lease charges	**1 093**	1 023	7
Professional fees	**1 259**	1 156	9
Audit fees	**244**	190	28
Computer expenses	**1 388**	1 407	(1)
Maintenance	**871**	662	32
Telecommunications	**264**	289	(9)
Cooperation agreements and joint ventures	**871**	1 052	(17)
Property	**763**	678	13
Business travel	**319**	288	11
Other expenditure	**3 330**	2 960	13
Total operating expenses	**32 591**	29 807	9

Key drivers

- Cost growth of 9% was driven by higher levels of variable costs associated with income generation and ongoing investment into infrastructure, capacity and expansion.

Description	% change	Reasons
Direct staff costs	11	Unionised increases of 8% and a 10% increase in the staff complement across the bank, impacted by the converting of temporary staff to permanent staff, which accounted for 6% of the increase in staff numbers and had a positive impact on the increase in professional fees.
Variable staff costs	4	Directly related to higher levels of profitability.

- Decrease of 17% in cooperation agreement and JV costs due to margin pressure and increased operating expenses incurred by the partners.
- The 9% growth in professional fees reflects the increased spend on development, implementation and improvement projects related to various electronic platforms, as well as additional compliance related projects during the year.
- Increase in property and maintenance expenses relate to additional premises obtained during the last two financial years.

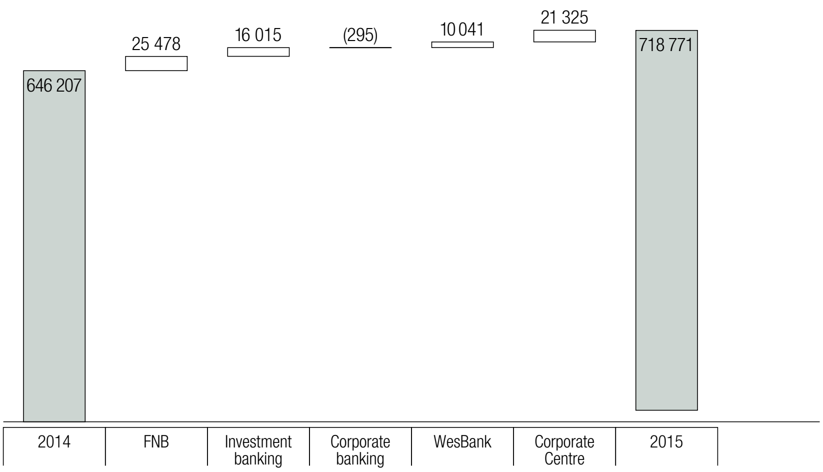
DIRECT TAXATION – UP 22%

Key drivers

- Higher levels of profitability during the year.
- A change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.

ADVANCES – UP 11%

GROSS ADVANCES BY FRANCHISE
R million



	Year ended 30 June		
R million	**2015**	**2014**	**% change**
Normalised gross advances	**718 771**	646 207	11
Normalised impairment of advances	**(13 514)**	(13 024)	4
Normalised net advances	**705 257**	633 183	11

The bank delivered satisfactory advances growth given the more constrained macro environment and rising interest rate cycle.

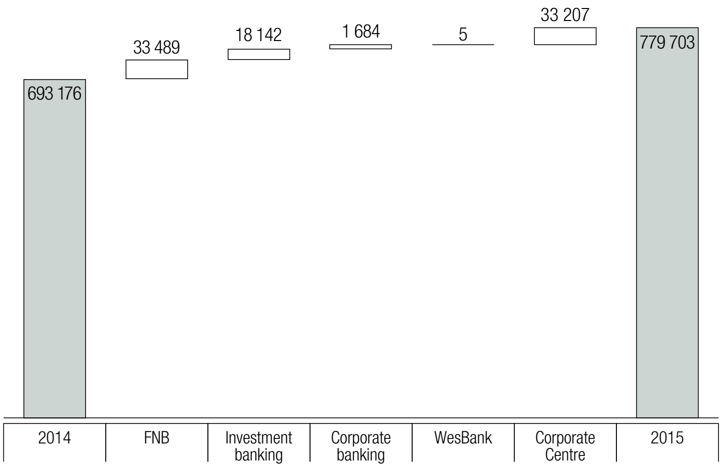
Growth rates have moderated across most retail portfolios, and in the case of the corporate portfolio, specifically in the second half of the financial year. Robust growth continues in the commercial portfolio.

Portfolio/product	% change	Key drivers
FNB retail	**8**	
Residential mortgages	5	• Continued strong growth of 14% in secured affordable housing, reflecting client demand. • 5% growth in FNB HomeLoans, reflecting an improvement in new business volumes, although absolute growth is tracking nominal house price inflation.
Card	24	• Underpinned by targeted client acquisition, increased client migration and higher utilisation levels.
Personal loans	11	• Growth reflects a more conservative origination appetite, with consumer personal loans (including student loans) growing 16%, while mass market term loans decreased marginally.
Other retail	30	• Growth driven by increased transactional banking accounts (primarily overdrafts) and revolving credit facilities, although growth has moderated on a rolling six month basis, reflecting lower risk appetite, slowing customer acquisition and more competitive pressures.
FNB commercial	**17**	• Reflecting targeted new client acquisition in the business segment, resulting in growth of 22% in business banking advances, underpinned by growth of 25% in agriculture, 18% in commercial property finance and 14% in overdrafts.
RMB investment banking core advances (excluding repos)	**7**	• Resilient growth from the SA core advances book, underpinned by infrastructure, renewable energy and leverage finance. Cross border growth was marginally negative given reduced risk appetite given the constrained commodity cycle. The introduction of LCR with effect from 1 January 2015 and the resultant creation of HQLA further impacted on absolute growth.
WesBank	**6**	• Strong growth of 59% (44% in GBP) in new business volumes in MotoNovo, driven by increased volumes, new products and increased footprint. • Overall growth in advances was negatively impacted by slower new business volumes of 9% in personal loans and 0.5% in SA retail secured, reflecting the more constrained macro environment, a 4.8% slowdown in new vehicle sales and a change in origination structure with an alliance partner.

DEPOSITS – UP 12%

GROSS DEPOSITS BY FRANCHISE

R million



Client deposits grew 12% with institutional funding including term and structures issuances, increasing at 14%.

Key drivers

- FNB's deposits increased 12%.
- Retail deposit growth of 13% was supported by ongoing product innovation.
- Commercial deposit growth of 11% was driven by new client acquisition and cross-sell.

GROWTH IN DEPOSIT BALANCES

Product	%
Current accounts	**7**
Savings and transmission accounts	**5**
Fixed deposits	**19**
Notice deposits	**14**

- Corporate transactional banking growth of 14% was driven by client acquisition, which led to an increase in both transactional and operational deposit balances, as well as new product innovation.
- Group Treasury deposits grew 19%, benefiting from foreign currency and structured issuances in the domestic market and higher activity in the bond markets.

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SEGMENT REPORT

SEGMENT REPORT

for the year ended 30 June 2015

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 548	1 856	2 232	4 869	**12 505**	6 121	4	**18 630**
Impairment of advances	(111)	(191)	(715)	(743)	**(1 760)**	(310)	(3)	**(2 073)**
Net interest income after impairment of advances	3 437	1 665	1 517	4 126	**10 745**	5 811	1	**16 557**
Non-interest revenue	305	1 287	757	8 511	**10 860**	5 987	501	**17 348**
Income from operations	3 742	2 952	2 274	12 637	**21 605**	11 798	502	**33 905**
Operating expenses	(1 684)	(1 577)	(938)	(8 639)	**(12 838)**	(6 762)	(824)	**(20 424)**
Income before tax	2 058	1 375	1 336	3 998	**8 767**	5 036	(322)	**13 481**
Indirect tax	(35)	(44)	(18)	(303)	**(400)**	(35)	(1)	**(436)**
Profit for the year before tax	2 023	1 331	1 318	3 695	**8 367**	5 001	(323)	**13 045**
Income tax expense	(566)	(373)	(369)	(1 035)	**(2 343)**	(1 400)	90	**(3 653)**
Profit for the year	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**
Attributable to:								
Ordinary equityholders	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**
Attributable earnings to ordinary shareholders	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 457	958	949	2 660	**6 024**	3 601	(233)	**9 392**

* *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 115) and are not reported in the bank.*

** *Refer to additional segmental disclosure on page 60.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline adjustments	**FRB – IFRS**
4 382	918	**5 300**	**8 124**	1 859	**33 913**	(3 684)	**30 229**
(661)	(112)	**(773)**	**(2 413)**	266	**(4 993)**	637	**(4 356)**
3 721	806	**4 527**	**5 711**	2 125	**28 920**	(3 047)	**25 873**
5 697	1 149	**6 846**	**2 395**	(1 532)	**25 057**	4 159	**29 216**
9 418	1 955	**11 373**	**8 106**	593	**53 977**	1 112	**55 089**
(4 671)	(1 330)	**(6 001)**	**(5 006)**	(1 160)	**(32 591)**	(907)	**(33 498)**
4 747	625	**5 372**	**3 100**	(567)	**21 386**	205	**21 591**
(75)	18	**(57)**	**(239)**	(19)	**(751)**	–	**(751)**
4 672	643	**5 315**	**2 861**	(586)	**20 635**	205	**20 840**
(1 309)	(180)	**(1 489)**	**(772)**	732	**(5 182)**	(57)	**(5 239)**
3 363	463	**3 826**	**2 089**	146	**15 453**	148	**15 601**
3 363	463	**3 826**	**2 089**	(61)	**15 246**	148	**15 394**
–	–	**–**	**–**	207	**207**	–	**207**
3 363	463	**3 826**	**2 089**	146	**15 453**	148	**15 601**
3 363	463	**3 826**	**2 089**	(61)	**15 246**	148	**15 394**
–	–	**–**	**–**	–	**–**	(7)	**(7)**
3 363	463	**3 826**	**2 089**	(61)	**15 246**	141	**15 387**
–	–	**–**	**–**	–	**–**	(34)	**(34)**
–	–	**–**	**–**	–	**–**	(107)	**(107)**
3 363	463	**3 826**	**2 089**	(61)	**15 246**	–	**15 246**

Segment report for the year ended 30 June 2015 *continued*

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	43.7	50.2	31.4	64.6	**54.9**	55.8	163.2	**56.8**
Diversity ratio (%)	7.9	40.9	25.3	63.6	**46.5**	49.4	99.2	**48.2**
Credit loss ratio (%)	0.06	1.08	5.42	6.82	**0.81**	0.57	0.88	**0.76**
NPLs as a percentage of advances (%)	2.54	2.09	4.91	4.10	**2.73**	2.23	18.06	**2.66**
Income statement includes:								
Depreciation	(6)	(5)	(1)	(1 171)	**(1 183)**	(23)	(3)	**(1 209)**
Amortisation	–	–	–	(3)	**(3)**	–	–	**(3)**
Impairment charges	–	–	–	(3)	**(3)**	–	–	**(3)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	180 208	19 488	13 856	12 315	**225 867**	58 232	443	**284 542**
Normal advances	180 208	19 488	13 856	12 315	**225 867**	58 232	443	**284 542**
Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 585	407	680	505	**6 177**	1 301	80	**7 558**
Total deposits (including non-recourse deposits)	155	1 467	1	156 676	**158 299**	152 912	409	**311 620**
Total assets	178 990	18 895	12 787	30 406	**241 078**	57 787	579	**299 444**
Total liabilities	178 393	18 171	12 120	22 194	**230 878**	54 841	903	**286 622**
Capital expenditure	–	3	7	2 640	**2 650**	32	23	**2 705**

* *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 115) and are not reported in the bank.*

** *Refer to additional segmental disclosure on page 60.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline adjustments	**FRB – IFRS**
46.3	64.3	**49.4**	**47.6**	>100	**55.3**	–	**56.4**
56.5	55.6	**56.4**	**22.8**	(>100)	**42.5**	–	**49.1**
0.29	1.78	**0.33**	**1.49**	(0.04)	**0.73**	–	**0.48**
0.93	1.37	**0.94**	**3.46**	–	**2.17**	–	**2.27**
(66)	(3)	**(69)**	**(411)**	(28)	**(1 717)**	–	**(1 717)**
(8)	–	**(8)**	**(36)**	(3)	**(50)**	–	**(50)**
–	–	**–**	**–**	(1)	**(4)**	–	**(4)**
235 669	6 147	**241 816**	**166 897**	25 516	**718 771**	(33 294)	**685 477**
224 513	6 147	**230 660**	**166 897**	6 594	**688 693**	(3 216)	**685 477**
11 156	–	**11 156**	**–**	18 922	**30 078**	(30 078)	**–**
2 193	84	**2 277**	**5 768**	–	**15 603**	(50)	**15 553**
121 253	70 906	**192 159**	**53**	275 871	**779 703**	–	**779 703**
346 103	6 611	**352 714**	**166 345**	131 456	**949 959**	–	**949 959**
342 219	5 926	**348 145**	**163 586**	76 609	**874 962**	–	**874 962**
172	3	**175**	**826**	6	**3 712**	–	**3 712**

SEGMENT REPORT

for the year ended 30 June 2014

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 418	1 517	2 216	3 839	**10 990**	5 146	2	**16 138**
Impairment of advances	(158)	(101)	(980)	(581)	**(1 820)**	(262)	(99)	**(2 181)**
Net interest income after impairment of advances	3 260	1 416	1 236	3 258	**9 170**	4 884	(97)	**13 957**
Non-interest revenue	312	1 280	848	7 447	**9 887**	5 569	379	**15 835**
Income from operations	3 572	2 696	2 084	10 705	**19 057**	10 453	282	**29 792**
Operating expenses	(1 573)	(1 384)	(888)	(7 723)	**(11 568)**	(6 146)	(688)	**(18 402)**
Income before tax	1 999	1 312	1 196	2 982	**7 489**	4 307	(406)	**11 390**
Indirect tax	(36)	(38)	(33)	(347)	**(454)**	(34)	(1)	**(489)**
Profit for the year before tax	1 963	1 274	1 163	2 635	**7 035**	4 273	(407)	**10 901**
Income tax expense	(550)	(357)	(326)	(740)	**(1 973)**	(1 196)	114	**(3 055)**
Profit for the year	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Attributable to:								
Ordinary equityholders	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the year	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Attributable earnings to ordinary equityholders	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 413	917	837	1 895	**5 062**	3 077	(293)	**7 846**

* *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 115) and are not reported in the bank.*

** *Refer to additional segmental disclosure on page 60.*

	RMB							
	Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline adjustments	**FRB – IFRS**
	4 365	813	**5 178**	**8 159**	69	**29 544**	(4 345)	**25 199**
	(170)	(31)	**(201)**	**(2 060)**	(483)	**(4 925)**	98	**(4 827)**
	4 195	782	**4 977**	**6 099**	(414)	**24 619**	(4 247)	**20 372**
	4 858	1 095	**5 953**	**2 044**	(1 096)	**22 736**	5 886	**28 622**
	9 053	1 877	**10 930**	**8 143**	(1 510)	**47 355**	1 639	**48 994**
	(4 431)	(1 354)	**(5 785)**	**(4 848)**	(772)	**(29 807)**	(1 269)	**(31 076)**
	4 622	523	**5 145**	**3 295**	(2 282)	**17 548**	370	**17 918**
	(57)	(25)	**(82)**	**(253)**	28	**(796)**	–	**(796)**
	4 565	498	**5 063**	**3 042**	(2 254)	**16 752**	370	**17 122**
	(1 278)	(139)	**(1 417)**	**(852)**	1 085	**(4 239)**	(136)	**(4 375)**
	3 287	359	**3 646**	**2 190**	(1 169)	**12 513**	234	**12 747**
	3 287	359	**3 646**	**2 190**	(1 361)	**12 321**	234	**12 555**
	–	–	**–**	**–**	192	**192**	–	**192**
	3 287	359	**3 646**	**2 190**	(1 169)	**12 513**	234	**12 747**
	3 287	359	**3 646**	**2 190**	(1 361)	**12 321**	234	**12 555**
	–	–	**–**	**–**	–	**–**	68	**68**
	3 287	359	**3 646**	**2 190**	(1 361)	**12 321**	302	**12 623**
	–	–	**–**	**–**	–	**–**	(198)	**(198)**
	–	–	**–**	**–**	–	**–**	(104)	**(104)**
	3 287	359	**3 646**	**2 190**	(1 361)	**12 321**	–	**12 321**

R million	FNB Retail: Residential mortgages	FNB Retail: Card	FNB Retail: Personal loans	FNB Retail: Retail other	FNB Retail: **Retail**	FNB: Commercial	FNB: FNB Africa*	**Total FNB**
Cost-to-income ratio (%)	42.2	49.5	29.0	68.4	**55.4**	57.4	180.6	**57.6**
Diversity ratio (%)	8.4	45.8	27.7	66.0	**47.4**	52.0	99.5	**49.5**
Credit loss ratio (%)	0.09	0.70	7.72	7.09	**0.90**	0.57	42.67	**0.88**
NPLs as a percentage of advances (%)	3.29	2.21	5.82	5.85	**3.47**	2.52	25.73	**3.31**
Income statement includes:								
Depreciation	(6)	(5)	(2)	(1 144)	**(1 157)**	(27)	(1)	**(1 185)**
Amortisation	–	–	–	(10)	**(10)**	(12)	–	**(22)**
Impairment charges	–	–	–	(17)	**(17)**	(10)	–	**(27)**
Statement of financial position includes:								
Advances (after ISP – before impairments)	171 173	15 761	12 516	9 470	**208 920**	49 903	241	**259 064**
Normal advances	171 173	15 761	12 516	9 470	**208 920**	49 903	241	**259 064**
Credit-related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	5 625	348	729	554	**7 256**	1 259	62	**8 577**
Total deposits (including non-recourse deposits)	129	1 349	25	138 171	**139 674**	138 262	195	**278 131**
Total assets	169 776	15 216	11 448	24 683	**221 123**	49 382	260	**270 765**
Total liabilities	167 934	14 000	10 228	22 568	**214 730**	45 108	634	**260 472**
Capital expenditure	6	9	1	2 325	**2 341**	36	12	**2 389**

* *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 115) and are not reported in the bank.*

** *Refer to additional segmental disclosure on page 60.*

RMB							
Investment banking	Corporate banking	Total RMB	WesBank**	FCC (including Group Treasury) and other	FRB – normalised	Normalised and headline adjustments	FRB – IFRS
48.0	71.0	**52.0**	**47.5**	(75.2)	**57.0**	–	**57.7**
52.7	57.4	**53.5**	**20.0**	>100	**43.5**	–	**53.2**
0.08	0.54	**0.10**	**1.42**	0.08	**0.81**	–	**0.81**
0.79	0.09	**0.77**	**2.97**	–	**2.32**	–	**2.37**
(65)	(5)	**(70)**	**(375)**	(43)	**(1 673)**	–	**(1 673)**
(5)	–	**(5)**	**(25)**	(2)	**(54)**	–	**(54)**
(1)	–	**(1)**	**–**	14	**(14)**	(117)	**(131)**
219 654	6 442	**226 096**	**156 856**	4 191	**646 207**	(14 556)	**631 651**
210 276	6 442	**216 718**	**156 856**	2 343	**634 981**	(3 330)	**631 651**
9 378	–	**9 378**	**–**	1 848	**11 226**	(11 226)	**–**
1 740	6	**1 746**	**4 661**	–	**14 984**	–	**14 984**
103 111	69 222	**172 333**	**48**	242 664	**693 176**	–	**693 176**
319 688	6 826	**326 514**	**156 743**	97 187	**851 209**	–	**851 209**
315 450	6 303	**321 753**	**155 058**	49 862	**787 145**	–	**787 145**
77	4	**81**	**972**	37	**3 479**	–	**3 479**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Year ended 30 June 2015				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	UK (MotoNovo)			
NII before impairment of advances	**4 118**	**933**	**1 035**	**2 038**	**8 124**
Impairment of advances	**(1 217)**	**(163)**	**(204)**	**(829)**	**(2 413)**
Normalised profit before tax	**1 516**	**455**	**385**	**505**	**2 861**
Normalised earnings	**1 091**	**328**	**306**	**364**	**2 089**
Advances	**95 759**	**20 923**	**39 743**	**10 472**	**166 897**
– Normal advances	**95 759**	**20 923**	**39 743**	**10 472**	**166 897**
– Securitised advances	**–**	**–**	**–**	**–**	**–**
NPLs	**4 163**	**75**	**627**	**903**	**5 768**
Advances margin (%)	**3.68**	**5.40**	**2.69**	**19.60**	**4.57**
NPLs (%)	**4.35**	**0.36**	**1.58**	**8.62**	**3.46**
Credit loss ratio (%)	**1.27**	**0.96**	**0.52**	**8.45**	**1.49**

	Year ended 30 June 2014				
	VAF				
	Retail		Corporate and commercial	Personal loans	Total WesBank
R million	South Africa	UK (MotoNovo)			
NII before impairment of advances	4 139	1 147	1 111	1 762	8 159
Impairment of advances	(1 204)	(135)	(119)	(602)	(2 060)
Normalised profit before tax	1 481	650	411	500	3 042
Normalised earnings	1 066	468	296	360	2 190
Advances	95 863	13 185	38 659	9 149	156 856
– Normal advances	95 863	13 185	38 659	9 149	156 856
– Securitised advances	–	–	–	–	–
NPLs	3 387	37	578	659	4 661
Advances margin (%)	4.23	10.59	2.77	20.51	5.28
NPLs (%)	3.53	0.28	1.50	7.20	2.97
Credit loss ratio (%)	1.32	1.30	0.33	7.34	1.42

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BALANCE SHEET ANALYSIS

ECONOMIC VIEW OF THE BALANCE SHEET

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

When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 79% of total assets. The composition of the net advances portfolio consists of retail secured (41%), retail unsecured (8%), corporate and commercial (49%) and other (2%). Total NPLs were R15.6 billion (2.17% as a percentage of advances) with a credit loss ratio of 0.73% and 92% of advances were rated B or better.

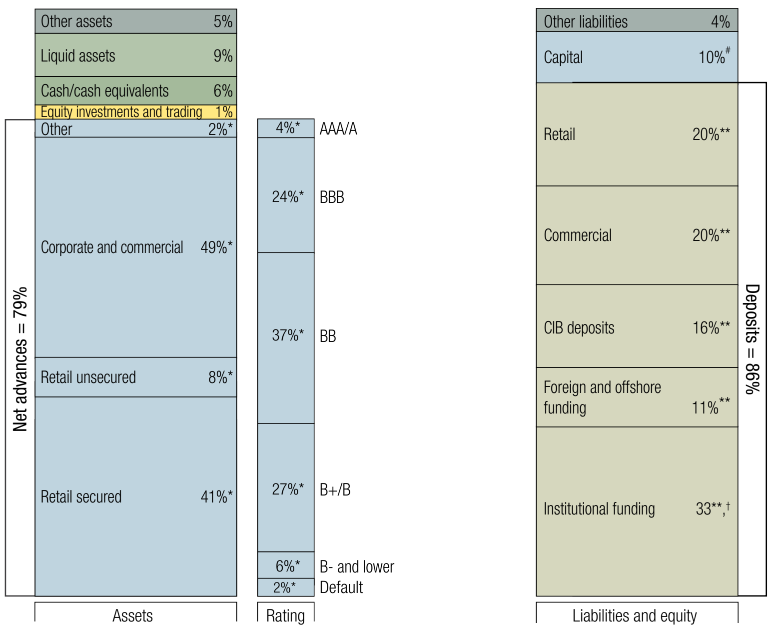
Cash and cash equivalents, and liquid assets represent 6% and 9% respectively of total assets. Only a small portion of assets relate to the investment and trading businesses. Market risk arising from trading activities has remained low.

The funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the bank has continued to reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 31 months in 2015.

The bank's capital ratios remained strong with the CET1 ratio 14.2%, Tier 1 ratio 14.6% and total capital adequacy ratio 16.9%. Gearing reduced to 12.9 times (June 2014: 13.3 times).

ECONOMIC VIEW OF THE BALANCE SHEET

%



* *As a proportion of loans and advances.*

** *As a proportion of deposit franchise.*

Ordinary equity (8%) and NCNR preference shares and Tier 2 liabilities (2%).

† *Includes CIB institutional funding and the foreign branches platforms.*

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

CAPITAL

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

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

YEAR UNDER REVIEW

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward looking basis and the bank remains appropriately capitalised under a range of normal and severe scenarios (including stress events), which includes ongoing regulatory developments, expansion initiatives and corporate transactions. The final Basel III leverage framework was implemented in 2014 and greater emphasis has been placed on monitoring leverage for the bank.

The bank comfortably operated above its capital and leverage targets during the year. The table below summarises the bank's capital and leverage ratios as at 30 June 2015.

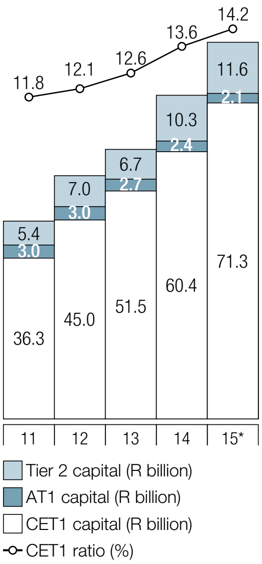
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.5	8.0	10.0	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB excluding foreign branches				
Excluding unappropriated profits	**13.2**	**13.6**	**15.6**	**6.6**
Including unappropriated profits	**14.3**	**14.8**	**16.7**	**7.1**
FRB including foreign branches				
Excluding unappropriated profits	**13.1**	**13.5**	**15.8**	**6.7**
Including unappropriated profits	**14.2**	**14.6**	**16.9**	**7.2**

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

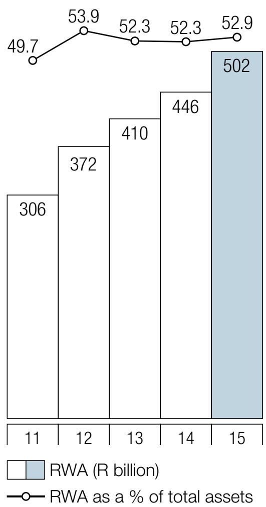
The graphs below show the historical overview of capital adequacy and RWA for FirstRand Bank including foreign branches.

CAPITAL ADEQUACY



* *Includes unappropriated profits.*

RWA HISTORY



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

REGULATORY UPDATE

The BCBS issued a number of consultative documents during the year under review. These papers are at different stages of testing, finalisation and implementation and will be incorporated in the BCBS quantitative impact studies. The bank continues to participate in the quantitative impact studies to assess and incorporate, where relevant, the effect of these standards. The following table summarises the proposals that may impact the bank's capital levels.

SUMMARY OF CONSULTATIVE DOCUMENTS

	Objectives	Impact assessment
Revised standardised approaches for credit and operational risk	• Reduced variability in RWA and increased risk sensitivity.	• Impact not yet quantified. • Incorporated in the last BCBS quantitative impact studies for December 2014.
Capital floor based on standardised approaches for internal ratings based accredited banks	• Address variability in capital ratios for banks using internal ratings based approaches. • Enhanced comparability across jurisdictions.	• Impact not yet quantified. • Proposed calibration and implementation timeline not clarified.
Interest rate risk in the banking book	• Appropriate capital to cover potential losses from exposure to changes in interest rates. • Limit capital arbitrage between trading and banking book.	• Impact not yet quantified. • Incorporated in current BCBS quantitative impact studies for June 2015. • Two possible options: – Pillar 1 approach (minimum capital requirement); or – Enhanced Pillar 2 approach.
Principles on loss absorbing and recapitalisation capacity of G-SIBs	• Developed in consultation with BCBS. • Forms a new minimum standard for total loss absorbing capacity and composition of a bank's capital structure.	• Discussion document issued for comment.

The National Treasury, SARB and Financial Services Board published for public comment a discussion document, *Strengthening South Africa's Resolution Framework for Financial Institutions*. Comments on the paper are due by 30 September 2015.

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise FirstRand Bank's qualifying capital components and unpacks year-on-year movements.

COMPOSITION OF CAPITAL ANALYSIS*

R million	CET1 capital	Tier 1 capital	Total qualifying capital
2015 – excluding unappropriated profits	65 876	67 976	79 594
2015 – including unappropriated profits	**71 289**	**73 389**	**85 007**
2014**	**60 415**	**62 815**	**73 098**

* *FRB including foreign branches.*

** *All profits were appropriated at 30 June 2014.*

Movement

CET1	AT1	Tier 2
↑	↓	↑
• Share capital issuance. • Internal capital generation through earnings.	• Additional haircut on non-compliant Basel III NCNR preference shares.	• Issuance of Basel III compliant subordinated debt instrument (FRB15 – R2.0 billion) in March 2015. • Redemption of FRB03 old-style Tier 2 instrument (R1.7 billion) in September 2014. • Additional haircut on non-compliant Basel III Tier 2 instruments.

DEMAND FOR CAPITAL

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

RWA ANALYSIS*

R million	2015	2014		Key drivers
Credit risk	**370 561**	330 142	↑	organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**15 591**	9 840	↑	primarily a result of the withdrawal of the credit valuation adjustment (CVA) exemption for ZAR and local counterparty over-the-counter (OTC) derivatives.
Operational risk	**77 302**	70 007	↑	recalibration of risk scenarios; increase in gross income for foreign branches on the standardised approach; and capital floor add-on for difference between advanced measurement approach (AMA) and standardised approaches.
Market risk	**11 523**	12 037	↓	volume and mark-to-market movements; and refinement to internal and regulatory methodologies.
Equity investment risk	**5 409**	6 567	↓	disposals of investments and fair value adjustments.
Other assets**	**21 992**	17 000	↑	increase in assets subject to the 250% risk weighting; and increase in property and equipment.
Total RWA	**502 378**	445 593		

* *FRB including foreign branches.*

** *Includes investment in financial, banking and insurance entities and deferred tax assets risk weighted at 250%.*

Directive 3/2015 (replaces directive 8/2013) and directive 4/2014 (leverage) requires the following additional common disclosure in line with Regulation 43 of the *Regulations relating to Banks*:

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

Refer to www.firstrand.co.za/investorcentre/pages/commondisclosures.aspx for further detail.

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

FUNDING AND LIQUIDITY

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

Given the liquidity risk introduced by its business activities, 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.

Compliance with the Basel III LCR influences the bank's funding strategy, as it particularly seeks to restore the correct risk-adjusted pricing of deposits. 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 enhance the funding and liquidity profile of the bank.

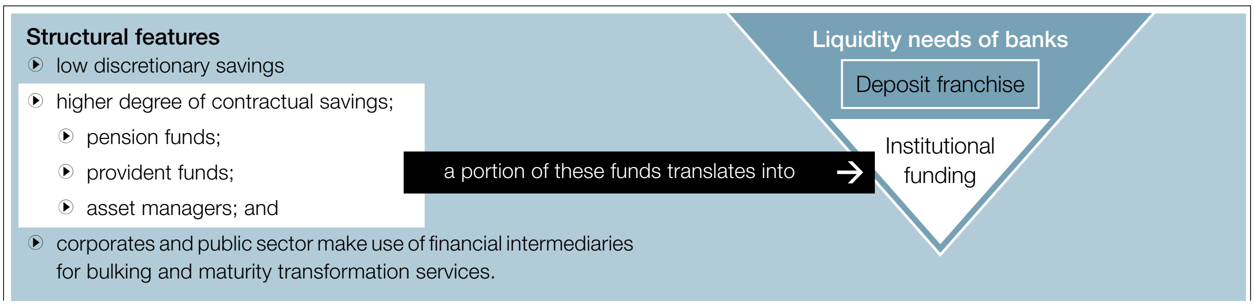
Given market conditions and the regulatory environment, the bank increased its holdings of available liquidity in line with its risk appetite for the year under review. The bank utilised new market structures, platforms and the SARB committed liquidity facility to efficiently increase the available liquidity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

At 30 June 2015, FRB exceeded the 60% minimum LCR requirement with a LCR measurement of 84%.

FRB's available sources of liquidity per the BCBS LCR were R119 billion, with an additional R11 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.



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

Risk mitigated to some extent by:

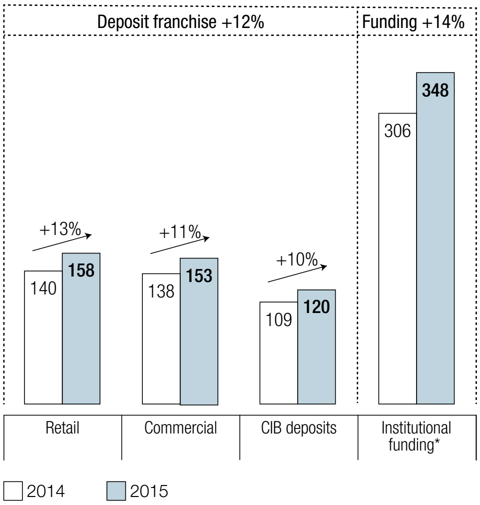
- the closed rand system – rand transactions are cleared and settled through registered banks and clearing institutions domiciled in SA;
- concentration of customer current accounts with the four largest banks;
- prudential exchange control framework; and
- the low dependency of SA banks on foreign currency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

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

The bank manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 66% of domestic funding liabilities at 30 June 2015. During the year under review, the bank continued to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing by source and behaviour. To fund operations, the bank accesses the domestic money markets daily and has, over the course of the year, accessed capital markets. The bank has frequently issued various capital and funding instruments in the capital markets on an auction and reverse enquiry basis with strong support from investors, both domestically and internationally. Institutional funding has increased faster than in prior periods based on the bank's strategy to improve diversification in terms of maturity and investor base.

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

FIRSTRAND BANK FUNDING BY SEGMENT
R billion



* *Includes CIB institutional funding and foreign branch platforms.*

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 measurement and activity

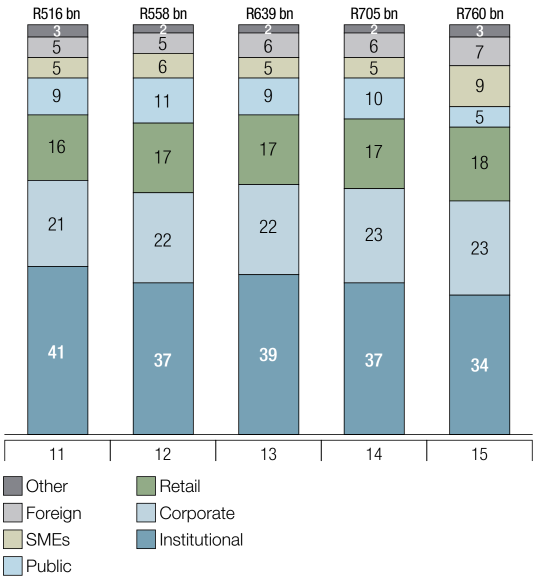
The bank, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from the deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described above. The table below provides an analysis of the bank's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

FIRSTRAND BANK'S FUNDING SOURCES

	As at 30 June 2015			
% of funding liabilities	**Total**	**Short-term**	**Medium-term**	**Long-term**
Institutional funding	**34.1**	**9.9**	**7.4**	**16.8**
Deposit franchise	**65.9**	**48.5**	**7.8**	**9.6**
Corporate	**23.4**	**19.9**	**1.8**	**1.7**
Retail	**17.7**	**13.6**	**2.8**	**1.3**
SMEs	**5.4**	**4.7**	**0.4**	**0.3**
Government and parastatals	**9.2**	**6.9**	**1.7**	**0.6**
Foreign	**7.5**	**3.2**	**1.0**	**3.3**
Other	**2.7**	**0.2**	**0.1**	**2.4**
Total	**100.0**	**58.4**	**15.2**	**26.4**

FIRSTRAND BANK'S FUNDING SOURCES

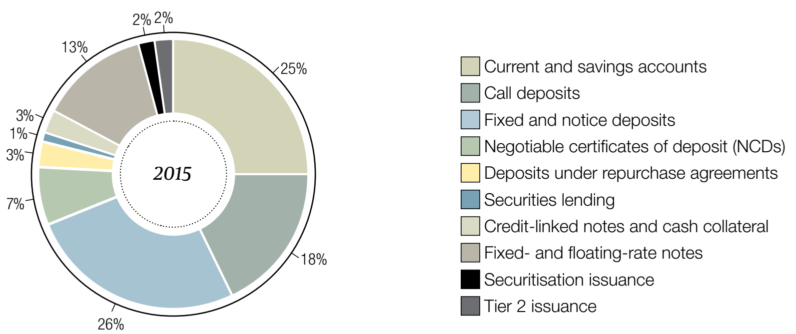
R billion

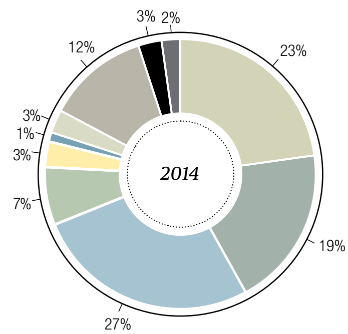


Source: SARB BA900 returns, June 2015.

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

FIRSTRAND BANK'S FUNDING ANALYSIS BY INSTRUMENT TYPE



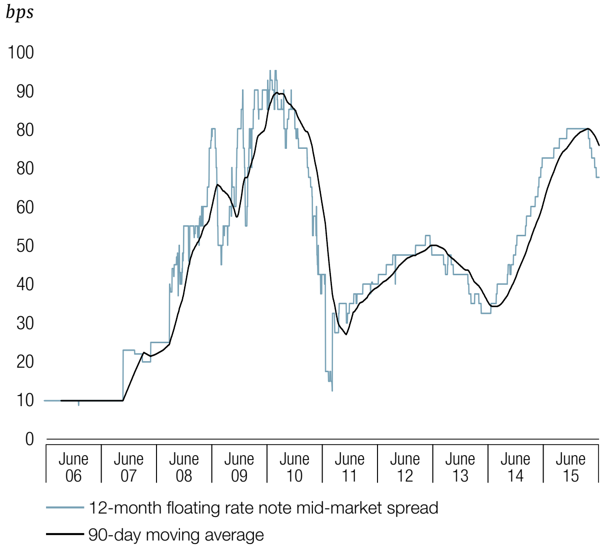


The bank's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

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

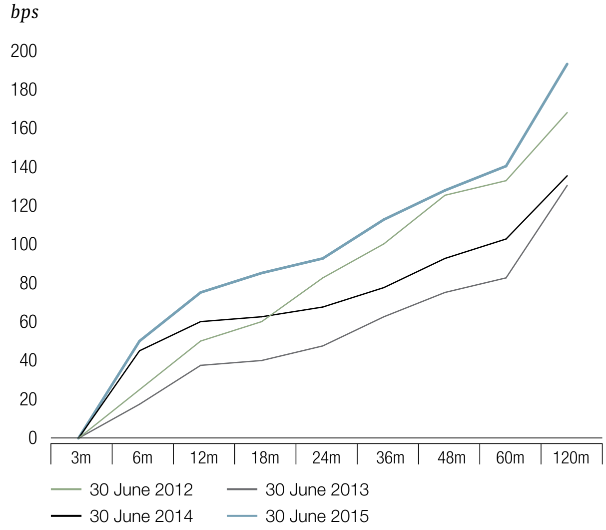
12-MONTH LIQUIDITY SPREAD



Source: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads are elevated from a historical perspective. On the basis of the bank's improved risk profile, higher capital adequacy and greater predictability of earnings, the credit risk component of funding spreads should be lower. Long-term funding spreads, therefore, still appear to be reflecting a high liquidity premium. The bank is consistently able to raise funds in the capital markets in line with its funding curve, which it views as an important test as the bank's asset origination is linked to its funding curve.

LONG-TERM FUNDING SPREADS

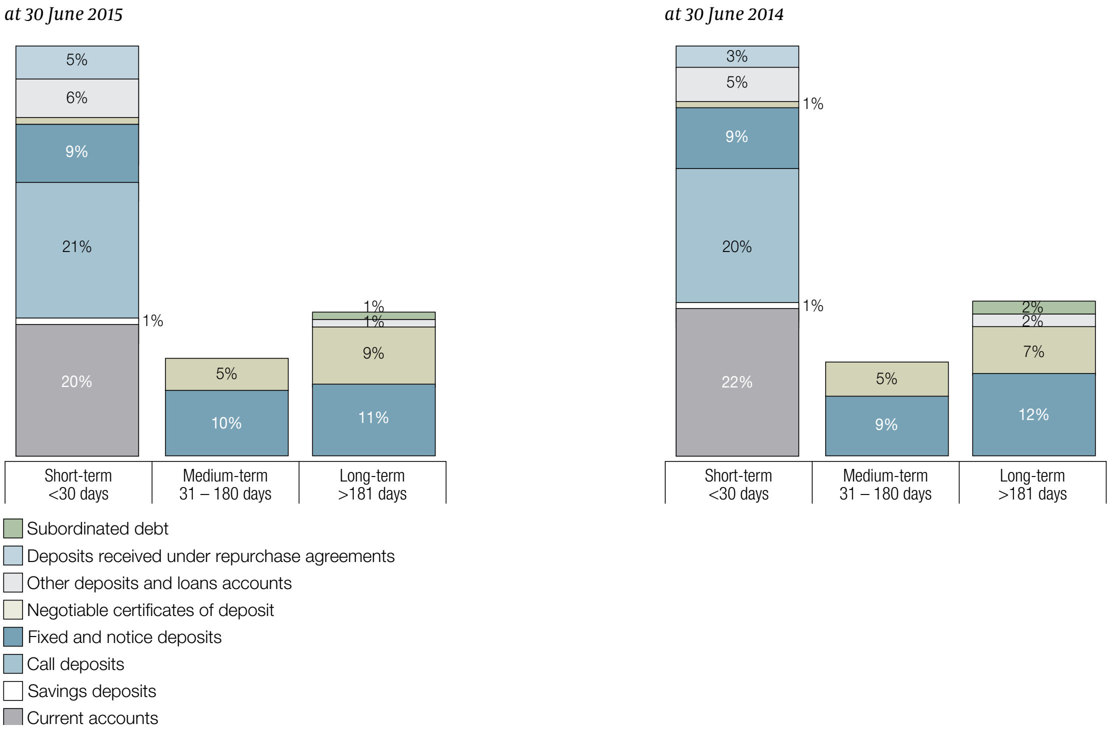


Source: Bloomberg (RMBP screen) and Reuters.

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.

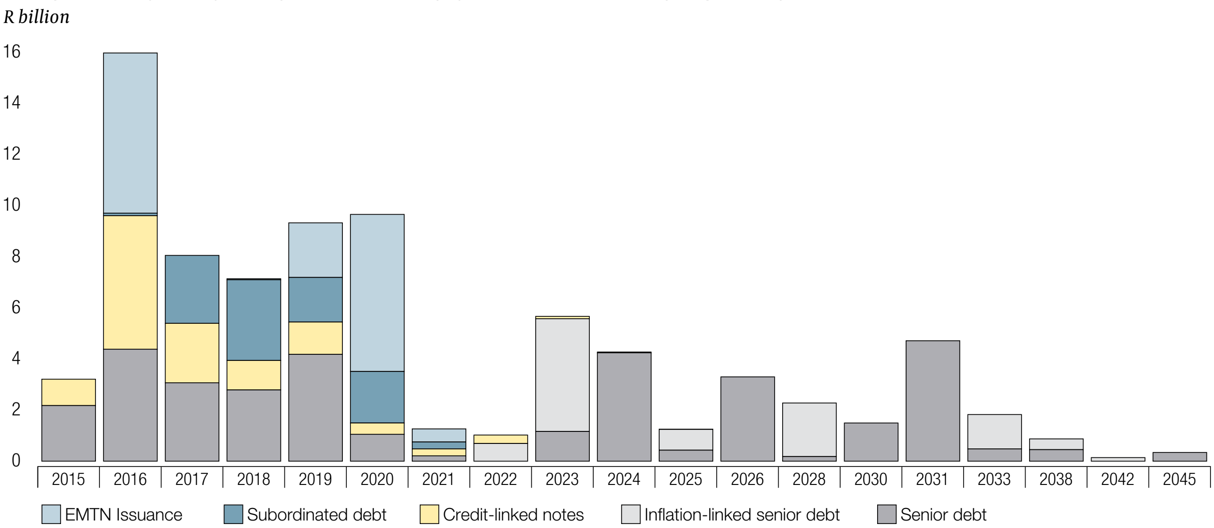
The following chart illustrates a breakdown of the bank's funding liabilities by instrument and term.

FIRSTRAND BANK'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



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

MATURITY PROFILE OF FIRSTRAND BANK'S CAPITAL MARKET INSTRUMENTS



FOREIGN CURRENCY BALANCE SHEET

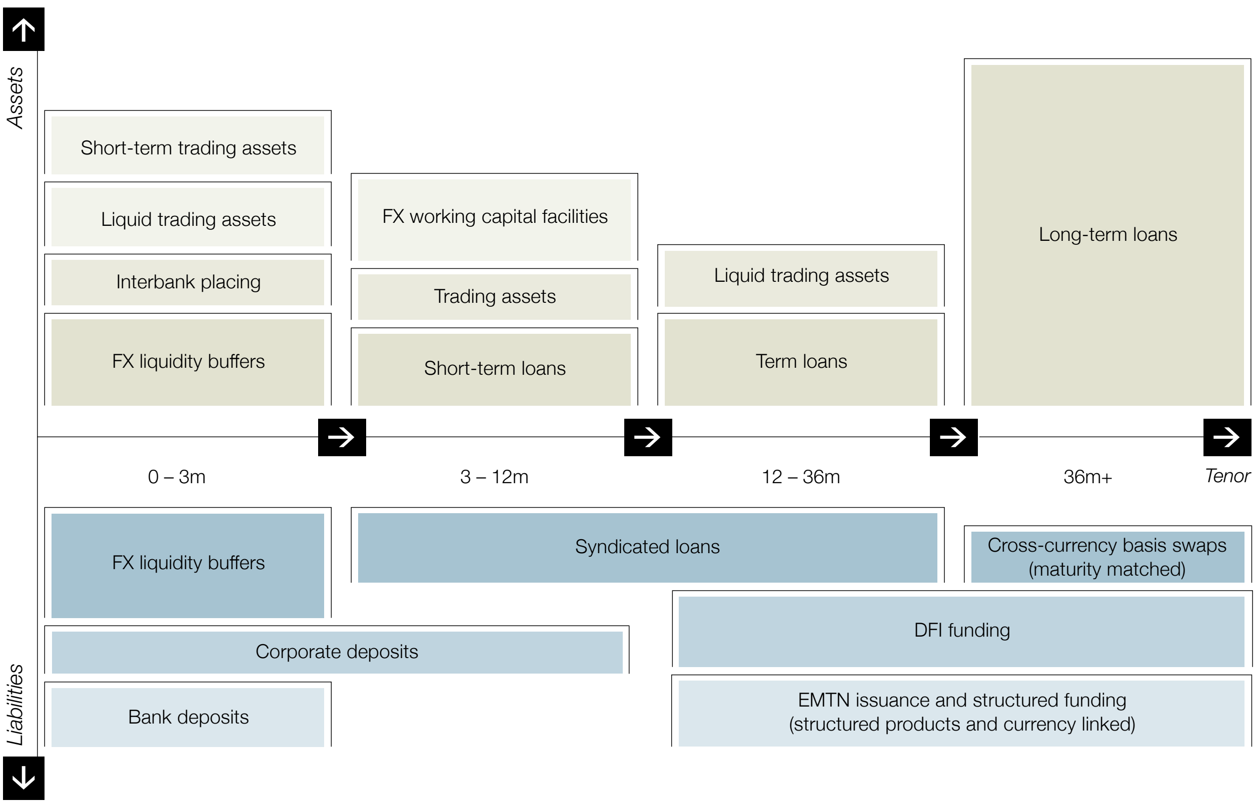
Given the group's objective to grow its franchise in the rest of Africa, India and the corridors, and the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk within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

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

Philosophy on foreign currency external debt

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

Basel III

1 Basel III

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

- LCR addresses short-term liquidity risk cash management; and
- Net Stable Funding Ratio (NSFR) addresses the structural liquidity risk of the balance sheet.

The BCBS released an update on the NSFR in January 2014, proposing better alignment between the LCR and NSFR. The group believes that the calibration and alignment has improved the NSFR, however, some concerns remain with respect to the treatment of secured funding transactions, such as repos and the application of the calibration to derivative transactions. The group will continue to participate in the consultative process on NSFR.

2 Liquidity coverage ratio

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

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

3 Disclosure requirements

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

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

4 Net stable funding ratio

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

5 Resolution recovery framework

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

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

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

LIQUIDITY RISK POSITION

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

FIRSTRAND BANK'S COMPOSITION OF LIQUID ASSETS

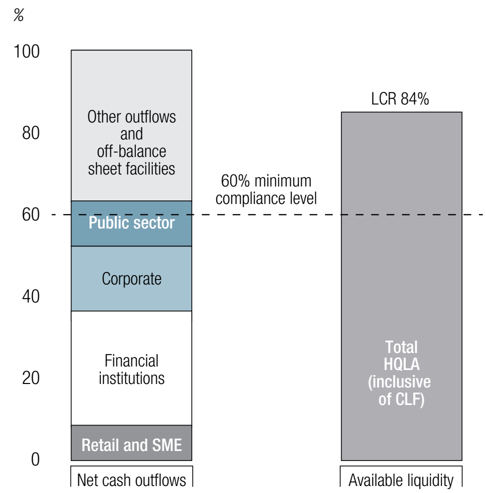
	Basel III			Management view
		After haircut		After SARB haircut
R billion	**High-quality liquid assets**	**Level 1**	**Level 2**	**Management buffer after haircuts**
Cash and deposits with central banks	**26**	**–**	**–**	**26**
Government bonds and bills	**82**	**82**	**–**	**77**
Corporate bonds	**11**	**–**	**6**	**6**
Other liquid assets	**–**	**–**	**–**	**11**
Total	**119**	**82**	**6**	**120**

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

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

The graph below gives an indication of the bank's LCR position of 84% as at 30 June 2015 and demonstrates the bank's compliance with the 60% minimum requirement.

FIRSTRAND BANK LCR



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

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

CREDIT

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

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		As at 30 June		
R million	Notes	**2015**	**2014**	**% change**
Total gross advances – including credit-related assets*	1	**718 771**	646 207	11
NPLs – including credit-related assets	2	**15 603**	14 984	4
NPLs as a % of advances – including credit-related assets		**2.17**	2.32	
Impairment charge – total including credit-related assets	3	**4 993**	4 925	1
Impairment charge as a % of average advances – including credit-related assets		**0.73**	0.81	
Total impairments*	4	**13 514**	13 024	4
– Portfolio impairments		**7 109**	6 963	2
– Specific impairments		**6 405**	6 061	6
Implied loss given default (coverage)**	4	**41.0**	40.4	
Total impairments coverage ratio#		**86.6**	86.9	
Performing book coverage ratio†		**1.01**	1.10	

* *Includes cumulative credit fair value adjustments.*

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

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

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

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

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

- advances were adjusted (upwards) by the statement of financial position credit fair value adjustments of R3 424 million (June 2014: R3 485 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R637 million (June 2014: R98 million). Under IFRS, these are accounted for under NIR.

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

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL VIEW OF ADVANCES

	Advances			
	As at 30 June			2015
R million	2015	2014	% change	% composition
Retail	**353 021**	327 117	8	**49**
Retail – secured	**296 890**	280 221	6	**41**
Residential mortgages	**180 208**	171 173	5	**25**
VAF	**116 682**	109 048	7	**16**
– SA	**95 759**	95 863	–	**13**
– International	**20 923**	13 185	59	**3**
Retail – unsecured	**56 131**	46 896	20	**8**
Card	**19 488**	15 761	24	**3**
Personal loans	**24 328**	21 665	12	**3**
– FNB loans	**13 856**	12 516	11	**2**
– WesBank loans	**10 472**	9 149	14	**1**
Retail other	**12 315**	9 470	30	**2**
Corporate and commercial	**349 285**	314 658	11	**49**
FNB commercial	**58 232**	49 903	17	**8**
WesBank corporate	**39 743**	38 659	3	**6**
RMB investment banking	**235 669**	219 654	7	**33**
RMB corporate banking	**6 147**	6 442	(5)	**1**
HQLA corporate advances*	**9 494**	–	–	**1**
FNB Africa**	**443**	241	84	**–**
FCC (including Group Treasury)	**16 022**	4 191	>100	**2**
Securitisation notes	**7 301**	–	–	**1**
Other	**8 721**	4 191	>100	**1**
Total advances	**718 771**	646 207	11	**100**
Of which:				
Accrual book	**507 608**	453 653	12	**71**
Fair value book#	**211 163**	192 554	10	**29**

* *Managed by the Group Treasurer.*

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

Including advances classified as available-for-sale.

Fluctuations in assets under agreements to resell included in the RMB loan book can impact the analysis of total book growth significantly as illustrated in the table below.

	As at 30 June			2015
R million	2015	2014	% change	% composition
RMB advances	**235 669**	219 654	7	**100**
Less: assets under agreements to resell	**(35 600)**	(32 753)	9	**(15)**
RMB advances net of assets under agreements to resell	**200 069**	186 901	7	**85**

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	As at 30 June			2015
R million	**2015**	**2014**	**% change**	**% composition**
Gross advances	**720 142**	647 729	11	**100**
Less: interest in suspense	**(1 371)**	(1 522)	(10)	**–**
Advances net of interest in suspense	**718 771**	646 207	11	**100**
Sector analysis				
Agriculture	**25 216**	20 345	24	**4**
Banks	**16 651**	8 434	97	**2**
Financial institutions	**83 746**	78 517	7	**12**
Building and property development	**33 012**	32 542	1	**5**
Government, Land Bank and public authorities	**17 610**	17 148	3	**2**
Individuals	**341 998**	327 268	5	**48**
Manufacturing and commerce	**87 451**	75 793	15	**12**
Mining	**23 715**	21 810	9	**3**
Transport and communication	**16 806**	18 867	(11)	**2**
Other services	**72 566**	45 483	60	**10**
Total advances	**718 771**	646 207	11	**100**
Geographic analysis				
South Africa	**647 514**	599 769	8	**90**
Other Africa	**29 801**	19 229	55	**4**
UK	**29 553**	18 903	56	**4**
Other Europe	**5 153**	4 238	22	**1**
North America	**308**	714	(57)	**–**
South America	**718**	–	–	**–**
Australasia	**2**	2	–	**–**
Asia	**5 722**	3 352	71	**1**
Total advances	**718 771**	646 207	11	**100**

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL ANALYSIS OF NPLs

	NPLs				NPLs as a % of advances	
	As at 30 June			2015	As at 30 June	
R million	2015	2014	% change	% composition	2015	2014
Retail	**11 318**	11 339	–	**72**	**3.21**	3.47
Retail – secured	**8 823**	9 049	(2)	**57**	**2.97**	3.23
Residential mortgages	**4 585**	5 625	(18)	**30**	**2.54**	3.29
VAF	**4 238**	3 424	24	**27**	**3.63**	3.14
– SA	**4 163**	3 387	23	**26**	**4.35**	3.53
– International	**75**	37	>100	**1**	**0.36**	0.28
Retail – unsecured	**2 495**	2 290	9	**15**	**4.44**	4.88
Card	**407**	348	17	**2**	**2.09**	2.21
Personal loans	**1 583**	1 388	14	**10**	**6.51**	6.41
– FNB	**680**	729	(7)	**4**	**4.91**	5.82
– WesBank	**903**	659	37	**6**	**8.62**	7.20
Retail other	**505**	554	(9)	**3**	**4.10**	5.85
Corporate and commercial	**4 205**	3 583	17	**27**	**1.20**	1.14
FNB commercial	**1 301**	1 259	3	**8**	**2.23**	2.52
WesBank corporate	**627**	578	8	**4**	**1.58**	1.50
RMB investment banking	**2 193**	1 740	26	**14**	**0.93**	0.79
RMB corporate banking	**84**	6	>100	**1**	**1.37**	0.09
HQLA corporate advances*	**–**	–	–	**–**	**–**	–
FNB Africa**	**80**	62	29	**1**	**18.06**	25.73
FCC (including Group Treasury)	**–**	–	–	**–**	**–**	–
Securitisation notes	**–**	–	–	**–**	**–**	–
Other	**–**	–	–	**–**	**–**	–
Total NPLs	**15 603**	14 984	4	**100**	**2.17**	2.32
Of which:						
Accrual book	**13 726**	13 344	3	**88**	**2.70**	2.94
Fair value book	**1 877**	1 640	14	**12**	**0.89**	0.85

* *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			**2015**	**As at 30 June**	
R million	**2015**	**2014**	**% change**	**% composition**	**2015**	**2014**
Sector analysis						
Agriculture	**220**	174	26	**1**	**0.87**	0.86
Financial services	**97**	167	(42)	**1**	**0.12**	0.21
Building and property development	**1 391**	2 080	(33)	**9**	**4.21**	6.39
Government, Land Bank and public authorities	**9**	53	(83)	**–**	**0.05**	0.31
Individuals	**10 992**	11 323	(3)	**70**	**3.21**	3.46
Manufacturing and commerce	**1 021**	469	>100	**7**	**1.17**	0.62
Mining	**811**	52	>100	**5**	**3.42**	0.24
Transport and communication	**125**	65	92	**1**	**0.74**	0.34
Other services	**937**	601	56	**6**	**1.29**	1.32
Total NPLs	**15 603**	14 984	4	**100**	**2.17**	2.32
Geographic analysis						
South Africa	**14 726**	14 886	(1)	**94**	**2.27**	2.48
Other Africa	**674**	–	–	**5**	**2.26**	–
UK	**75**	37	>100	**–**	**0.25**	0.20
Other Europe	**48**	–	–	**–**	**0.93**	–
North America	**–**	–	–	**–**	**–**	–
South America	**–**	–	–	**–**	**–**	–
Australasia	**–**	–	–	**–**	**–**	–
Asia	**80**	61	31	**1**	**1.40**	1.82
Total NPLs	**15 603**	14 984	4	**100**	**2.17**	2.32

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

R million	2015 NPLs	2015 Security held and expected recoveries	2015 Specific impairment*	2014 NPLs	2014 Security held and expected recoveries	2014 Specific impairment*
Retail	**11 318**	**7 349**	**3 969**	11 339	7 603	3 736
Retail – secured	**8 823**	**6 523**	**2 300**	9 049	6 886	2 163
Residential mortgages	**4 585**	**3 662**	**923**	5 625	4 504	1 121
VAF	**4 238**	**2 861**	**1 377**	3 424	2 382	1 042
– SA	**4 163**	**2 833**	**1 330**	3 387	2 376	1 011
– International	**75**	**28**	**47**	37	6	31
Retail – unsecured	**2 495**	**826**	**1 669**	2 290	717	1 573
Card	**407**	**111**	**296**	348	94	254
Personal loans	**1 583**	**601**	**982**	1 388	474	914
– FNB	**680**	**175**	**505**	729	159	570
– WesBank	**903**	**426**	**477**	659	315	344
Retail other	**505**	**114**	**391**	554	149	405
Corporate and commercial	**4 205**	**1 831**	**2 374**	3 583	1 320	2 263
FNB commercial	**1 301**	**549**	**752**	1 259	526	733
WesBank corporate	**627**	**254**	**373**	578	170	408
RMB investment banking	**2 193**	**950**	**1 243**	1 740	624	1 116
RMB corporate banking	**84**	**78**	**6**	6	–	6
HQLA corporate advances**	**–**	**–**	**–**	–	–	–
FNB Africa#	**80**	**18**	**62**	62	–	62
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–
Other	**–**	**–**	**–**	–	–	–
Total	**15 603**	**9 198**	**6 405**	14 984	8 923	6 061

* *Specific impairments include cumulative credit fair value adjustments.*

** *Managed by the Group Treasurer.*

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

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge improved from 81 bps at June 2014 to 73 bps at June 2015.

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge			As a % of average advances	
	As at 30 June			As at 30 June	
R million	2015	2014	% change	2015	2014
Retail	**3 969**	3 761	6	**1.17**	1.21
Retail – secured	**1 491**	1 497	–	**0.52**	0.56
Residential mortgages	**111**	158	(30)	**0.06**	0.09
VAF	**1 380**	1 339	3	**1.22**	1.32
– SA	**1 217**	1 204	1	**1.27**	1.32
– International	**163**	135	21	**0.96**	1.30
Retail – unsecured	**2 478**	2 264	9	**4.81**	5.21
Card	**191**	101	89	**1.08**	0.70
Personal loans	**1 544**	1 582	(2)	**6.71**	7.57
– FNB	**715**	980	(27)	**5.42**	7.72
– WesBank	**829**	602	38	**8.45**	7.34
Retail other	**743**	581	28	**6.82**	7.09
Corporate and commercial	**1 287**	582	>100	**0.39**	0.20
FNB commercial	**310**	262	18	**0.57**	0.57
WesBank corporate	**204**	119	71	**0.52**	0.33
RMB investment banking	**661**	170	>100	**0.29**	0.08
RMB corporate banking	**112**	31	>100	**1.78**	0.54
HQLA corporate advances*	**–**	–	–	**–**	–
FNB Africa**	**3**	99	(97)	**0.88**	42.67
FCC (including Group Treasury)#	**(266)**	483	(<100)	**(0.04)**	0.08
Securitisation notes	**–**	–	–	**–**	–
Other†	**(266)**	483	(<100)	**(0.04)**	0.08
Total impairment charge	**4 993**	4 925	1	**0.73**	0.81
Of which:					
Portfolio impairment charge	**318**	971	(67)	**0.05**	0.16
Specific impairment charge	**4 675**	3 954	18	**0.68**	0.65

* *Managed by the Group Treasurer.*

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

Percentages calculated on total average advances.

† *Including release of R325 million central portfolio overlays in the current year.*

NOTE 4: 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. The bank's NPLs coverage ratio is 41.0% (2014: 40.4%).

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	**2015**	**2014**	**% change**	**2015**	**2014**
Specific impairments*					
Retail	**3 969**	3 736	6	**35.1**	32.9
Retail – secured	**2 300**	2 163	6	**26.1**	23.9
Residential mortgages	**923**	1 121	(18)	**20.1**	19.9
VAF**	**1 377**	1 042	32	**32.5**	30.4
– SA	**1 330**	1 011	32	**31.9**	29.8
– International	**47**	31	52	**62.7**	83.8
Retail – unsecured	**1 669**	1 573	6	**66.9**	68.7
Card	**296**	254	17	**72.7**	73.0
Personal loans	**982**	914	7	**62.0**	65.9
– FNB	**505**	570	(11)	**74.3**	78.2
– WesBank	**477**	344	39	**52.8**	52.2
Retail other	**391**	405	(3)	**77.4**	73.1
Corporate and commercial	**2 374**	2 263	5	**56.5**	63.2
FNB commercial	**752**	733	3	**57.8**	58.2
WesBank corporate	**373**	408	(9)	**59.5**	70.6
RMB investment banking	**1 243**	1 116	11	**56.7**	64.1
RMB corporate banking	**6**	6	–	**7.1**	100.0
HQLA corporate advances#	**–**	–	–	**–**	–
FNB Africa†	**62**	62	–	**77.5**	100.0
FCC (including Group Treasury)	**–**	–	–	**–**	–
Securitisation notes	**–**	–	–	**–**	–
Other	**–**	–	–	**–**	–
Total specific impairments/implied loss given default‡	**6 405**	6 061	6	**41.0**	40.4
Portfolio impairments^	**7 109**	6 963	2	**45.6**	46.5
Total impairments/total impairment coverage ratio~	**13 514**	13 024	4	**86.6**	86.9

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

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

Managed by the Group Treasurer.

† *Includes FNB's activities in India.*

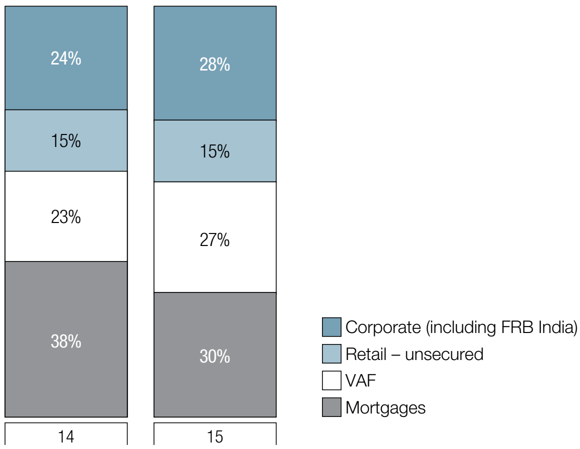
‡ *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

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

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

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

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

The bank incorporates cumulative fair value adjustments to loans that are held at fair value through profit or loss in the calculation of total impairments.

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

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	As at 30 June					
	Amortised cost book		Fair value book		Total book	
R million	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
Non-performing book	**5 239**	4 995	**1 166**	1 066	**6 405**	6 061
Performing book	**4 851**	4 544	**2 258**	2 419	**7 109**	6 963
Total impairments	**10 090**	9 539	**3 424**	3 485	**13 514**	13 024

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

BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST

	As at 30 June		
R million	**2015**	**2014**	**% change**
Opening balance	**4 995**	5 228	(4)
Reclassifications and transfers	**50**	(4)	>100
Acquisitions	**12**	22	(45)
Exchange rate difference	**7**	9	(22)
Unwinding and discounted present value on NPLs	**(81)**	(128)	(37)
Bad debts written off	**(5 586)**	(5 547)	1
Net new impairments created	**5 842**	5 415	8
Closing balance	**5 239**	4 995	5

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

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

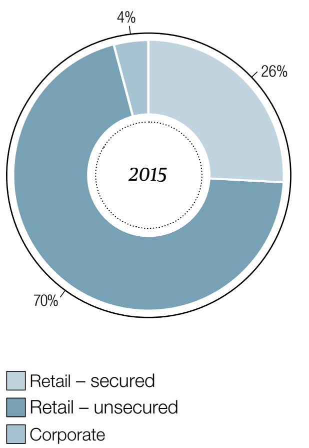
INCOME STATEMENT IMPAIRMENTS

	As at 30 June		
R million	**2015**	**2014**	**% change**
Specific impairment charge	**5 842**	5 415	8
Recoveries of bad debts written off	**(1 826)**	(1 616)	13
Net specific impairment charge (amortised cost)	**4 016**	3 799	6
Portfolio impairment charge (amortised cost)	**340**	1 028	(67)
Credit fair value adjustments	**637**	98	>100
– Non-performing book	**659**	155	>100
– Performing book	**(22)**	(57)	(61)
Total impairments	**4 993**	4 925	1

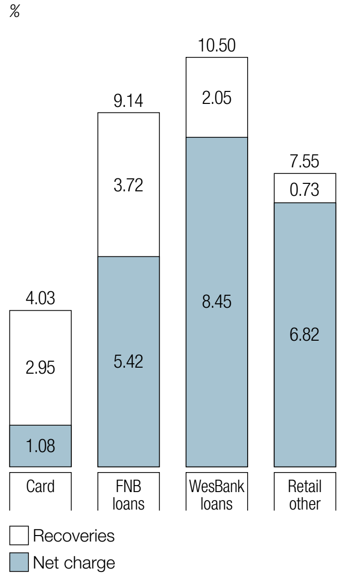
IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries of R1.83 billion, primary emanating from the unsecured retail lending portfolio.
- Impairment charges were significantly reduced by the post write-off recoveries for FNB card and particularly FNB loans.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES

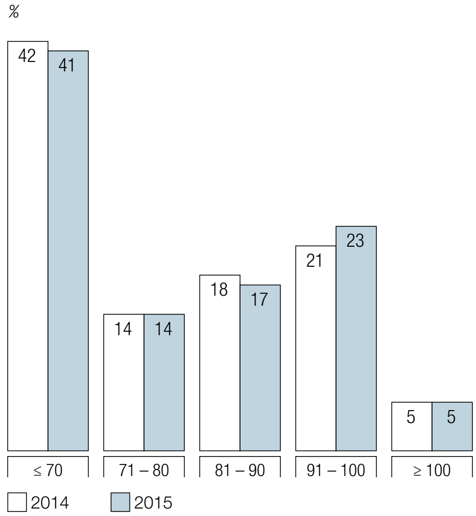


RISK ANALYSES

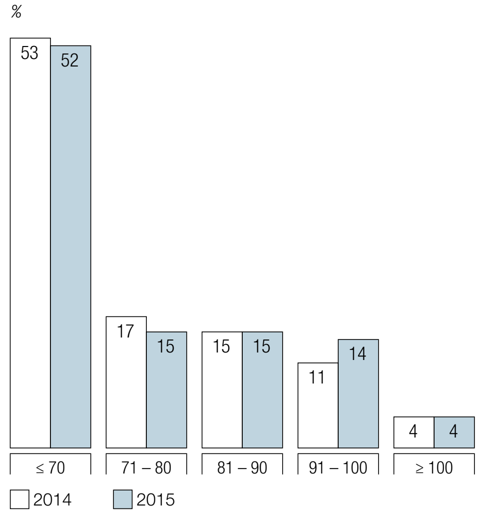
The graphs below provide loan balance-to-value ratios and age distributions of residential mortgages.

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

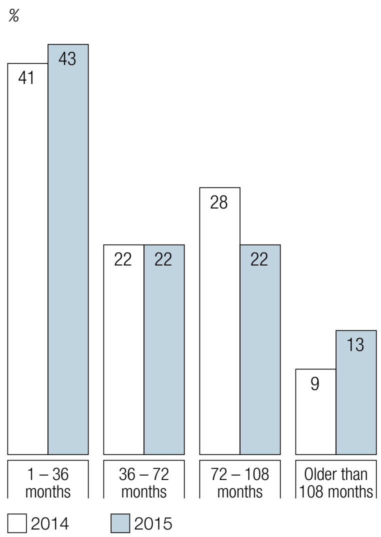
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE



RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

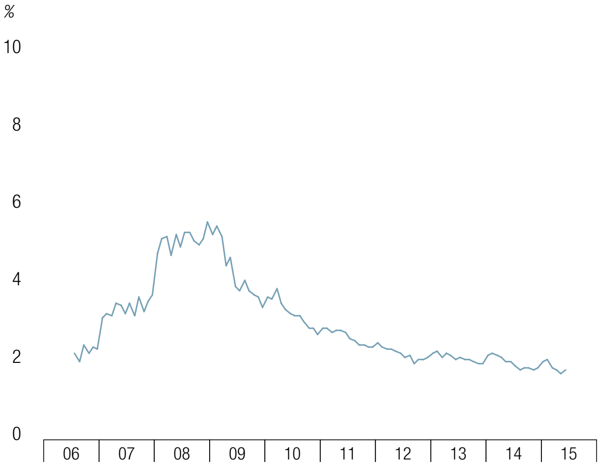


RESIDENTIAL MORTGAGES AGE DISTRIBUTION



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

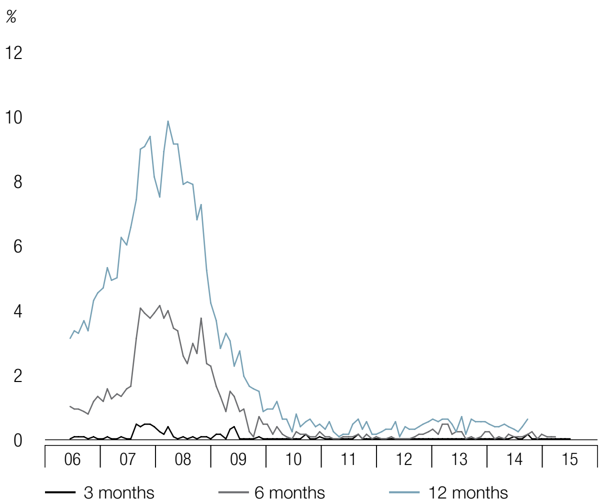
FNB HOMELOANS ARREARS



The following graphs provide the vintage analyses for FNB HomeLoans and WesBank retail VAF. 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.

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

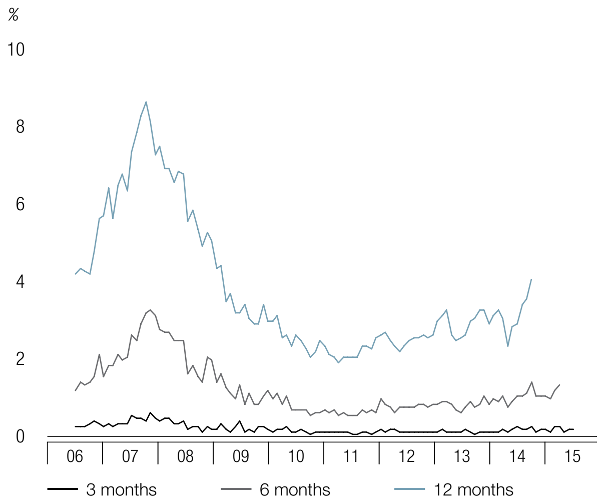
FNB HOMELOANS VINTAGE ANALYSIS



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

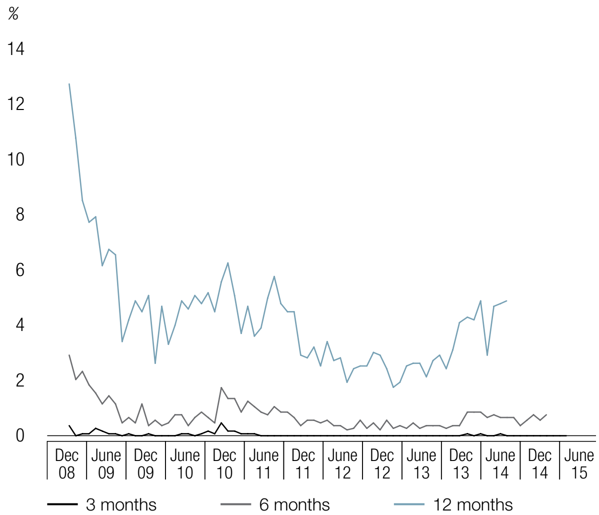
As expected, default rates in the retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The bank actively adjusts risk appetite and credit parameters to ensure that vintages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

WESBANK RETAIL VAF VINTAGE ANALYSIS



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

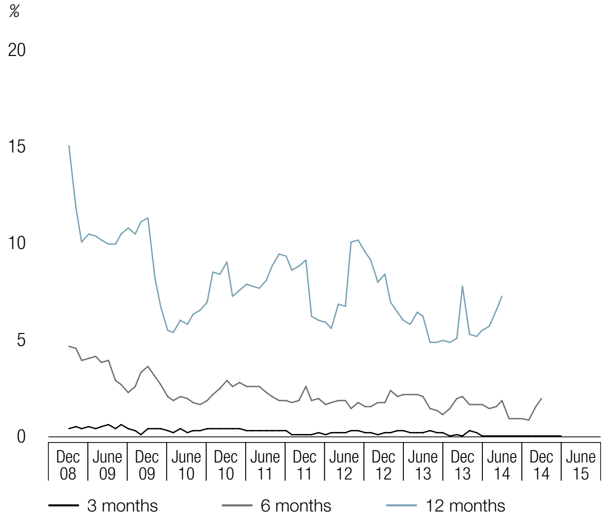
FNB CARD VINTAGE ANALYSIS



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

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

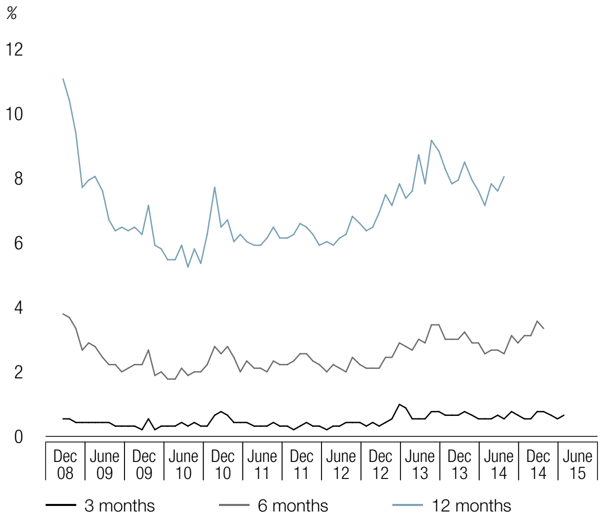
FNB PERSONAL LOANS VINTAGE ANALYSIS



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

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

WESBANK PERSONAL LOANS VINTAGE ANALYSIS



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SUPPLEMENTARY INFORMATION

FAIR VALUE MEASUREMENTS (AUDITED)

VALUATION METHODOLOGY

In terms of IFRS, the bank is required to or elects to measure 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 technical teams are responsible for the selection, implementation and any changes to the valuation techniques used to determine fair value measurements. Valuation committees comprising representatives from key management have been established in each franchise and at an overall 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 technical teams, valuation committees, relevant risk committees and external auditors annually or more frequently if considered appropriate.

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

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

Recurring fair value measurements

Recurring fair value measurements are for assets and liabilities that IFRS requires or permits to be recognised at fair value and are recognised in the statement of financial position at reporting date. This includes financial assets, financial liabilities and non-financial assets, including commodities, that the bank measures at fair value at the end of 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. Although not a requirement, the bank uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

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

Where the 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.

Non-financial assets

When determining the fair value of a non-financial asset, a market participant's ability to generate economic benefits by using the assets in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use, is taken into account. This includes the use of the asset that is physically possible, legally permissible and financially feasible. In determining the fair value of the bank's commodities, the highest and best use of the assets was their current use.

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 fair value less costs to sell is the recoverable amount; IFRS 3 business combinations where assets and liabilities are measured at fair value at acquisition date; and IAS 36 impairments of assets where fair value less costs to sell is the recoverable amount. These fair value measurements are determined on a case by case basis as they occur within each reporting period.

Other fair value measurements

Other fair value measurements include assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS, e.g. financial instruments at amortised cost. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included on page 108, 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. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the bank include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

Where a valuation model is applied and the 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, e.g. to cover the uncertainty of the model valuation. The bank considers factors such as counterparty and own credit when making appropriate valuation adjustments.

Levels of fair value hierarchy

Level 1

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

Level 2

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

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Loans and advances to customers					
Investment banking book	Level 3	Discounted cash flows	The 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. The future cash flows are discounted using a market-related interest rate. 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.	Market interest rates and curves	Credit inputs
Other loans and advances	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs
Investment securities and other investments					
Equities/ bonds listed in an inactive market	Level 2 and level 3	Discounted cash flows	For listed equities and bonds, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, these are classified as level 2 or level 3 and a valuation technique is used, e.g. a discounted cash flow valuation is used for listed bonds. 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 a market-related interest rate. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves	Credit inputs
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Inputs to these models include information that is consistent with similar market-quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves	Not applicable
Deposits					
Call and non-term deposits	Level 2	None – the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand, i.e. the undiscounted amount of the deposit.	None – the undiscounted amount approximates fair value and no valuation is performed	Not applicable
Deposits that represent collateral on credit linked notes	Level 3	Discounted cash flows	These deposits represent the collateral leg of credit linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves.	Credit inputs on related advance

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Deposits continued					
Other deposits	Level 2 and level 3	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves.	Credit inputs
Other liabilities and Tier 2 liabilities	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate.	Market interest rates and curves.	Not applicable
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Level 2 and level 3	Discounted cash flows	Future cash flows are discounted using a market-related interest rate and curves adjusted for credit inputs.	Market interest rates and curves.	Credit inputs

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, e.g. property and equipment or intangible assets, the carrying amount is considered to be equal to or a reasonable approximation of the fair value. This will be assessed per transaction and details will be provided in the relevant notes to the annual financial statements. There were no assets or liabilities measured at fair value on a non-recurring basis in the current and prior year.

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	2015			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**96**	**34 011**	**5**	**34 112**
Advances*	**–**	**40 679**	**153 777**	**194 456**
Investment securities and other investments	**65 313**	**39 361**	**28 677**	**133 351**
Commodities	**7 354**	**–**	**–**	**7 354**
Amounts due by holding company and fellow subsidiaries	**–**	**295**	**–**	**295**
Total assets measured at fair value	**72 763**	**114 346**	**182 459**	**369 568**
Liabilities				
Recurring fair value measurements				
Short trading positions	**5 270**	**–**	**–**	**5 270**
Derivative financial instruments	**51**	**40 755**	**5**	**40 811**
Deposits	**2 207**	**93 591**	**1 182**	**96 980**
Other liabilities	**–**	**3 348**	**–**	**3 348**
Amounts due by holding company and fellow subsidiaries	**–**	**135**	**–**	**135**
Tier 2 liabilities	**–**	**–**	**–**	**–**
Total liabilities measured at fair value	**7 528**	**137 829**	**1 187**	**146 544**

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

	2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	22	38 610	1	38 633
Advances*	–	31 809	146 064	177 873
Investment securities and other investments	49 299	33 461	5 518	88 278
Commodities	7 904	–	–	7 904
Amounts due by holding company and fellow subsidiaries	–	305	–	305
Total assets measured at fair value	57 225	104 185	151 583	312 993
Liabilities				
Recurring fair value measurements				
Short trading positions	5 398	–	–	5 398
Derivative financial instruments	25	41 598	5	41 628
Deposits	125	82 104	952	83 181
Other liabilities	–	3 287	–	3 287
Amounts due by holding company and fellow subsidiaries	–	226	–	226
Tier 2 liabilities	–	1 030	–	1 030
Total liabilities measured at fair value	5 548	128 245	957	134 750

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Transfers between fair value hierarchy levels

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

	2015		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	**–**	**–**	There were no transfers in or out of level 1
Level 2	**6**	**(4 709)**	The transfers into level 2 relates to advances for which the significant inputs into the fair value calculation became observable in the current year.
Level 3	**4 709**	**(6)**	Corporate bonds to the value of R4 709 million were transferred into level 3. The market for these bonds is not active and the fair value is determined using a valuation technique that makes use of unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	**4 715**	**(4 715)**	

R million	2014 Transfers in	Transfers out	Reasons for transfers in
Level 1	–	–	There were no transfers in or out of level 1
Level 2	–	(187)	Investment securities to the value of R187 million were transferred into level 3 out of level 2 as a result of certain of the significant inputs becoming unobservable owing to a change in the counterparty's capital structure.
Level 3	187	–	
Total transfers	187	(187)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	2015		
R million	Fair value on 30 June 2014	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income
Assets			
Derivative financial instruments	**1**	**4**	**–**
Advances	**146 064**	**6 801**	**–**
Investment securities and other investments	**5 518**	**1 083**	**97**
Total financial assets measured at fair value in level 3	**151 583**	**7 888**	**97**
Liabilities			
Derivative financial instruments	**5**	**4**	**–**
Deposits	**952**	**14**	**–**
Total financial liabilities measured at fair value in level 3	**957**	**18**	**–**

	2014		
R million	Fair value on 30 June 2013	Gains/losses recognised in profit or loss	Gains/losses recognised in other comprehensive income
Assets			
Derivative financial instruments	1	–	–
Advances	112 331	3 139	–
Investment securities and other investments	4 831	317	55
Total financial assets measured at fair value in level 3	117 163	3 456	55
Liabilities			
Derivative financial instruments	–	4	–
Deposits	1 302	–	–
Total financial liabilities measured at fair value in level 3	1 302	4	–

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

2015					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 30 June 2015**
–	**–**	**–**	**–**	**–**	**5**
(367)	**–**	**–**	**(6)**	**1 285**	**153 777**
17 248	**–**	**4 709**	**–**	**22**	**28 677**
16 881	**–**	**4 709**	**(6)**	**1 307**	**182 459**
(4)	**–**	**–**	**–**	**–**	**5**
216	**–**	**–**	**–**	**–**	**1 182**
212	**–**	**–**	**–**	**–**	**1 187**

2014					
Purchases, sales, issues and settlements	**Acquisitions/ disposals of subsidiaries**	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate difference**	**Fair value on 30 June 2014**
–	–	–	–	–	1
30 179	–	–	–	415	146 064
122	–	187	–	6	5 518
30 301	–	187	–	421	151 583
1	–	–	–	–	5
(371)	–	–	–	21	952
(370)	–	–	–	21	957

ADDITIONAL DISCLOSURES FOR LEVEL 3 INSTRUMENTS continued

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

The bank classifies assets or liabilities in level 3 of the fair value hierarchy when the significant inputs into the valuation model are not observable. In addition, the valuation model for level 3 assets or liabilities typically also relies on a number of inputs that are readily observable either directly or indirectly. Thus, the gains or 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.

	2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivatives	**4**	**–**	**4**
Advances*	**5 132**	**–**	**5 132**
Investment securities and other investments	**937**	**97**	**1 034**
Total	**6 073**	**97**	**6 170**
Liabilities			
Derivative financial instruments	**4**	**–**	**4**
Deposits	**(14)**	**–**	**(14)**
Other liabilities	**–**	**–**	**–**
Total	**(10)**	**–**	**(10)**

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

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

	2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Advances*	2 889	–	2 889
Investment securities and other investments	290	51	341
Total	3 179	51	3 230
Liabilities			
Derivative financial instruments	4	–	4
Deposits	(2)	–	(2)
Other liabilities	–	–	–
Total	2	–	2

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

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

ADDITIONAL DISCLOSURES FOR LEVEL 3 INSTRUMENTS continued

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

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

R million	Significant unobservable inputs	Reasonably possible changes to significant unobservable inputs
Assets		
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**
Advances	**Credit**	**Credit, migration matrix***
Investment securities and other investments	**Credit, growth rates and P/E ratios of unlisted investments**	**Unobservable inputs are increased and decreased by 10%**
Total financial assets measured at fair value in level 3		
Liabilities		
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**
Deposits	**Credit risk of the cash collateral leg of credit linked notes**	**Credit migration matrix****
Total financial liabilities measured at fair value in level 3		

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

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

	2015			2014		
	Reasonably possible alternative fair value			Reasonably possible alternative fair value		
	Fair value	**Using more positive assumptions**	**Using more negative assumptions**	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**
	5	**6**	**5**	1	1	1
	153 777	**154 411**	**151 871**	146 064	147 016	146 478
	28 677	**29 004**	**28 360**	5 518	6 086	4 957
	182 459	**183 421**	**180 236**	151 583	153 103	151 436
	5	**4**	**5**	5	5	5
	1 182	**1 064**	**1 301**	952	857	1 048
	1 187	**1 068**	**1 306**	957	862	1 053

OTHER FAIR VALUE MEASUREMENTS

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

	2015				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**480 931**	**483 816**	**–**	**86 999**	**396 817**
Investment securities and other investments	**192**	**192**	**–**	**192**	**–**
Total assets at amortised cost	**481 123**	**484 008**	**–**	**87 191**	**396 817**
Liabilities					
Deposits	**682 723**	**682 482**	**5 159**	**674 881**	**2 442**
Other liabilities	**629**	**625**	**–**	**625**	**–**
Tier 2 liabilities	**11 983**	**12 188**	**–**	**12 188**	**–**
Total liabilities at amortised cost	**695 335**	**695 295**	**5 159**	**687 694**	**2 442**

	2014				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	444 239	446 233	–	60 101	386 132
Investment securities and other investments	505	505	–	505	–
Total assets at amortised cost	444 744	446 738	–	60 606	386 132
Liabilities					
Deposits	609 995	611 136	18 029	592 152	955
Other liabilities	981	975	–	975	–
Tier 2 liabilities	10 454	10 705	–	10 705	–
Total liabilities at amortised cost	621 430	622 816	18 029	603 832	955

Day 1 profit or loss

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

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

R million	**2015**	**2014**
Balance at 1 July	**11**	16
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(5)
Balance at 30 June	**6**	11

CONTINGENCIES AND COMMITMENTS (AUDITED)

R million	2015	2014	% change
Contingencies			
Guarantees	**33 319**	30 895	8
Letters of credit	**5 494**	7 075	(22)
Total contingencies	**38 813**	37 970	2
Capital commitments			
Contracted capital commitments	**731**	694	5
Capital expenditure authorised not yet contracted	**4 047**	2 321	74
Total capital commitments	**4 778**	3 015	58
Other commitments			
Irrevocable commitments	**80 044**	77 806	3
Operating lease and other commitments	**2 131**	2 047	4
Total other commitments	**82 175**	79 853	3
Total contingencies and commitments	**125 766**	120 838	4

AFRICAN BANK INVESTMENT LIMITED (ABIL)

The SARB announced in August 2014 that ABIL would be placed under curatorship. A consortium of six South African banks, including FirstRand, and the Public Investment Corporation have underwritten R5 billion respectively.

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), SE Nxasana (chief executive officer), JP Burger (deputy chief executive officer), HS Kellan (financial director), VW Bartlett, JJH Bester (retired December 2014), MS Bomela, P Cooper (alternate), L Crouse, JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, RM Loubser, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), KB Schoeman, BJ van der Ross, JH van Greuning

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Docex 10 Johannesburg

LISTED FINANCIAL INSTRUMENTS OF THE BANK

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB08	ZAG000047796
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRB15	ZAG000124199
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBN04	ZAG000041005
	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS105	ZAG000112046
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS116	ZAG000117136
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS118	ZAG000118498
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541
	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX30	ZAG000124264
	FirstRand Bank Limited	FRX31	ZAG000084195

	Issuer	Bond code	ISIN code
Inflation-linked bonds	FirstRand Bank Limited	FRX45	ZAG000076480
	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
Credit-linked notes	FirstRand Bank Limited	FRC37	ZAG000076712
	FirstRand Bank Limited	FRC40	ZAG000081027
	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC68	ZAG000088758
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC79	ZAG000089947
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC147	ZAG000099433
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC149	ZAG000099607
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC184	ZAG000109992
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC226	ZAG000122722
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRD003	ZAG000114067

	Issuer	Bond code	ISIN code
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

London Stock Exchange (LSE)

European medium term note (EMTN) programme

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	XS0610341967
	FirstRand Bank Limited	XS0635404477

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FIRSTRAND BANK LIMITED BOND CODE: BIFR1	FIRSTRAND EMA (PTY) LTD (FREMA)	FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL)	ASHBURTON INVESTMENTS HOLDINGS LIMITED	FIRSTRAND INSURANCE HOLDINGS (PTY) LTD
Banking	**Africa and emerging markets**	**Other activities**	**Investment management**	**Insurance**
First National Bank[1]	**58%** FNB Namibia	**96%** RMB Private Equity Holdings	**100%** Ashburton Fund Managers	**100%** FirstRand Life Assurance
Rand Merchant Bank[1]	**69%** FNB Botswana	**93%** RMB Private Equity	**100%** Ashburton Investor Services	
WesBank[1]	**100%** FNB Swaziland	**100%** RMB Securities	**100%** Ashburton Management Company (RF)	
FirstRand Bank India[2]	**90%** FNB Mozambique	**50%** RMB Morgan Stanley	**100%** Ashburton Private Equity GP 1	
FirstRand Bank London[2,*]	**100%** FNB Zambia	**100%** FNB Securities	**100%** Ashburton Equity Hedge Fund GP 1	
FirstRand Bank Guernsey[2,**]	**100%** FNB Lesotho	**100%** RentWorks	**100%** Ashburton Investments International Holdings	
FirstRand Bank Kenya[3]	**100%** FNB Tanzania	**100%** Direct Axis	**100%** RMB CIS Management Company (RF)	
FirstRand Bank Angola[3]	**100%** FNB Ghana	**100%** FirstRand International – Guernsey		
FirstRand Bank Dubai[3]	**100%** RMB Nigeria	**100%** RMB Australia Holdings		
FirstRand Bank Shanghai[3]	**100%** FirstRand International – Mauritius			

1. Division
2. Branch
3. Representative office

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

** Trading as FNB Channel Islands.

Structure shows effective consolidated shareholding

For segmental analysis purposes, entities included in FRIHL and FREMA are reported as part of results of the managing franchise. The group's securitisations and conduits are in FRIHL.

CREDIT RATINGS

FIRSTRAND BANK LIMITED

The credit ratings reflect the bank's strong market position as one of the big four banks in South Africa as well as its focused strategy, good core profitability, financial flexibility, robust risk management and sound capitalisation.

CREDIT RATINGS AS AT 9 SEPTEMBER 2015

	South African sovereign rating			FirstRand Bank		
	Moody's	**Fitch**	**S&P**	**Moody's**	**Fitch**	**S&P**
Foreign currency rating						
Long term	Baa2	BBB	BBB-	Baa2	BBB	BBB-
Short term	(P)P-2	F3	A-3	P-2	F3	A-3
Outlook	Stable	Negative	Stable	Stable	Negative	Stable
Local currency rating						
Long term	Baa2	BBB+	BBB+	Baa2	BBB	BBB-
Short term	(P)P-2	–	A-2	P-2	–	A-3
Outlook	Stable	Negative	Stable	Stable	Negative	Stable
National scale rating						
Long term			zaAAA	A1.za	AA(zaf)	zaAA
Short term			zaA-1	P-1.za	F1+(zaf)	zaA-1
Outlook			–	–	Negative	–
Standalone credit ratings*				baa2	bbb	bbb

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

Moody's Investor Services (Moody's)

Moody's announced on 19 August 2014 that it had downgraded FRB's local currency and national scale ratings by one notch to Baa1 (from A3) and Aa3.za (from Aa2.za), respectively, and that all ratings had been placed under review. In the announcement, Moody's indicated that the change to their credit opinion was prompted by the SARB's actions with respect to ABIL, which, in their view, changed the likelihood of systemic support that might be received from South African authorities. These rating actions were linked to Moody's assessment of the South African banking industry as a whole and were not a reflection of any fundamental changes in FRB's financial strength, earnings resilience or credit quality. On 10 November 2014, the agency announced that following the lowering of South Africa's bond rating to Baa2 (stable) from Baa1 (negative) on 6 November 2014, the long-term deposit and senior debt ratings of the five largest South African banks were downgraded by one notch to Baa2 (stable) from Baa1 (on review for downgrade). These rating actions concluded Moody's rating review which had been initiated for these banks on 19 August 2014.

In the announcement, Moody's indicated that the rating actions were driven primarily by:

- the weakening of the South African government's credit profile, as captured by Moody's downgrade of South Africa's bond rating to Baa2 from Baa1 on 6 November 2014, combined with FRB's sizable holdings of sovereign debt securities, which link their creditworthiness to that of the national government; and to a lesser extent by
- the challenges the banks face in view of weaker economic growth in South Africa, particularly in the context of consumer affordability pressures and still-high consumer indebtedness that will likely lead to increased credit risk and higher loan impairments for the banks.

The agency indicated that the bank's deposit rating downgrade to Baa2 from Baa1 was mainly triggered by its sovereign debt exposure, amounting to approximately 96% of its capital base as of August 2014. In view of the correlation between sovereign and bank credit risk, FRB's rating continues to be aligned with the rating of the government. To a lesser extent, the rating action also reflects the agency's expectation that the challenging economic conditions will moderate its earnings growth in the foreseeable future.

On 23 June 2015 Moody's affirmed FRB's ratings.

Fitch Ratings (Fitch)

On 17 July 2014 and 25 June 2015, FRB's national scale ratings as well as all the local and foreign currency ratings were affirmed by Fitch.

Standard and Poor's (S&P)

On 12 December 2014, S&P affirmed FRB's counterparty and national scale ratings.

DEFINITIONS

Additional Tier 1 capital	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 capital	Share capital and premium plus accumulated comprehensive income and reserves less specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Normalised earnings	The bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	Common Equity Tier 1 capital plus Additional Tier 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.

FIRSTRAND BANK

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