for the six months ended 31 December 2015

ANALYSIS OF FINANCIAL RESULTS

FIRSTRAND BANK

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FIRSTRAND BANK

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

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

Email questions to
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INTRODUCTION

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

Normalised results include a condensed income statement, statement of comprehensive income and statement of financial position. A detailed description of the difference between normalised and IFRS results is provided on pages 5 to 7. Detailed reconciliations of normalised to IFRS results are provided on pages 28 to 36.

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

FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
	2015	**2014**	**% change**	**2015**
Normalised earnings (R million)	**7 712**	7 139	8	15 246
Normalised ROE (%)	**21.1**	22.9		22.9
Common Equity Tier 1 ratio (%)	**13.6**	13.6		14.2
Credit loss ratio (%)	**0.79**	0.78		0.73
NPLs (% of advances)	**2.31**	2.35		2.17

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 and 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

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Earnings attributable to ordinary equityholders	**7 198**	7 336	(2)	15 394
Headline earnings	**7 196**	7 337	(2)	15 387
Normalised earnings	**7 712**	7 139	8	15 246
Normalised net asset value	**74 513**	63 608	17	71 997
Average normalised net asset value	**73 255**	62 336	18	66 531
Gross advances	**759 556**	682 299	11	718 771
Normalised ROE (%)	**21.1**	22.9		22.9
Cost-to-income ratio (%)	**55.4**	56.3		55.3
Net interest margin (%)	**4.95**	5.13		5.02
Capital adequacy*				
Capital adequacy ratio (%)	**16.7**	16.3		16.9
Tier 1 ratio (%)	**14.0**	14.1		14.6
Common Equity Tier 1 (CET1) ratio (%)	**13.6**	13.6		14.2

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

STATEMENT OF HEADLINE EARNINGS – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Profit for the period (refer page 16)	**7 307**	7 438	(2)	15 601
NCNR preference shareholders	**(109)**	(102)	7	(207)
Earnings attributable to ordinary equityholders	**7 198**	7 336	(2)	15 394
Adjusted for:	**(2)**	1	(>100)	(7)
Loss/(gain) on disposal of available-for-sale assets	**2**	(5)		(20)
(Gain)/loss on the disposal of property and equipment	**(4)**	6		14
Other	**–**	–		(3)
Tax effects of adjustments	**–**	–		2
Headline earnings	**7 196**	7 337	(2)	15 387

RECONCILIATION FROM HEADLINE TO NORMALISED EARNINGS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Headline earnings	**7 196**	7 337	(2)	15 387
Adjusted for:	**516**	(198)	(>100)	(141)
Total return swap and IFRS 2 liability remeasurement*	**569**	(144)	(>100)	(34)
IAS 19 adjustment	**(53)**	(54)	(2)	(107)
Normalised earnings	**7 712**	7 139	8	15 246

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

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

In the current period, the share price declined R10.95. During the period ended 31 December 2014, FirstRand's share price increased R9.82. This resulted in a significant mark-to-market fair value loss in the current period (compared to profit in the prior period) being included in the bank's IFRS attributable earnings. The normalised results reflect the adjustment to normalise this period-on-period IFRS fair value volatility from the TRS, as described in more detail on page 6.

PRESENTATION

BASIS OF PRESENTATION

The bank prepares its condensed financial results in accordance with:

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

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

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

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

DESCRIPTION OF DIFFERENCE BETWEEN NORMALISED AND IFRS RESULTS

The bank believes normalised results more accurately reflect the economic performance. Headline earnings 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 against NIR. From an economic perspective, these impacts form part of the inherent cost of the USD funding pool and, as such, have been reflected against NII on a normalised basis.

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 a 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 the 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 in RMB on a fair value basis in terms of IFRS. As a result, the margin on these advances is reflected as part of NIR.

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

IAS 19 REMEASUREMENT OF PLAN ASSETS

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

CASH-SETTLED SHARE-BASED PAYMENTS AND THE ECONOMIC HEDGE

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

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

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

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

In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price 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 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. 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 were recognised for the period ended 31 December 2014:

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

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

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

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

HEADLINE EARNINGS ADJUSTMENTS

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

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

REGULATORY CHANGES

The 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 business unit/area charged with the management of liquidity.

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

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

The table below shows these adjustments.

CREDIT-BASED INVESTMENT ADJUSTMENTS

	December		June
R million	**2015**	**2014**	**2015**
Normalised advances excluding credit-related assets	**724 027**	662 495	688 693
Credit-related assets			
– Corporate bonds	**10 370**	19 804*	13 283
– HQLA (corporate advances)	**15 280**	–	9 494
– Securitisation notes	**9 879**	–	7 301
Restated normalised advances	**759 556**	682 299	718 771
NPLs as a % of advances			
– Excluding credit-related assets	**2.41**	2.42	2.26
– Including credit-related assets	**2.31**	2.35	2.17
Impairment charge as a % of average advances			
– Excluding credit-related assets	**0.83**	0.78	0.75
– Including credit-related assets	**0.79**	0.78	0.73

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

OVERVIEW OF RESULTS

INTRODUCTION

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

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

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

OVERVIEW OF RESULTS

Against this challenging economic backdrop, the bank grew normalised earnings 8% and produced an ROE of 21.1% for the six months to December 2015.

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

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

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

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

SOURCES OF NORMALISED EARNINGS

	Six months ended 31 December					Year ended 30 June	
R million	**2015**	**% composition**	**2014**	**% composition**	**% change**	**2015**	**% composition**
FNB	**5 339**	**69**	4 716	66	13	9 354	61
RMB	**1 429**	**18**	1 291	18	11	3 754	24
WesBank	**1 160**	**15**	1 121	16	3	2 064	14
FCC (including Group Treasury) and other*	**(107)**	**(1)**	113	1	(>100)	281	2
NCNR preference dividend	**(109)**	**(1)**	(102)	(1)	7	(207)	(1)
Normalised earnings	**7 712**	**100**	7 139	100	8	15 246	100

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

The bank's NII increased 8%, benefiting from the ongoing growth in advances (+11%) and deposits (+11%). Despite the benefit of increased endowment, overall NII growth was negatively impacted by the continued pressure on margins from higher term funding and liquidity costs, as well as the negative impact of increased levels of HQLA following the introduction of LCR on 1 January 2015. Accounting mismatches in excess of R400 million relating to certain interest rate hedging strategies and term funding instruments also negatively impacted reported NII (due to fair value movements), although the majority of these negative impacts will reverse in future reporting periods.

Bank NIR growth of 8% reflects a muted performance from FNB mainly due to the regulatory impact of interchange reduction. Whilst absolute volumes remained robust, fee levels were lower due to deliberate strategies to migrate customers onto electronic channels. WesBank produced satisfactory NIR growth on the back of new business volumes and insurance revenue streams.

Overall operating cost growth was 6% for the period compared to 12% in the comparative period and down from 9% at June. This trend reflects lower growth in variable staff costs directly related to lower income generation, although fixed staff costs increased 11%. The bank continues to invest in infrastructure, operating footprint and initiatives to satisfy increased regulatory requirements. The cost to income ratio decreased to 55.4% (December 2014: 56.3%).

NPLs increased 9% year-on-year, however, on a rolling six-months basis these increased 12% reflecting the continued deterioration in the credit cycle, as well as the effects of strong growth in most of the major retail books. In addition, pressure on commodity prices is creating increased risk in a small component of RMB's corporate lending book, particularly certain resources counters, and cross-border oil and gas exposures in the rest of Africa. The bank is comfortable with the relative size of these exposures, which represent 2.3% of the total CIB advances book.

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

The bank's total impairment coverage ratio reduced to 83.8% reflecting a change in NPL mix, however, both specific and portfolio provisions increased.

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

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

FRANCHISE PERFORMANCE REVIEW

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

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

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised earnings	**5 339**	4 716	13	9 354
Normalised profit before tax	**7 417**	6 549	13	12 992
Total assets	**313 762**	283 980	10	299 518
Total liabilities	**306 400**	277 414	10	286 508
NPLs (%)	**2.56**	2.95		2.66
Credit loss ratio (%)	**0.94**	0.87		0.76

SEGMENT RESULTS

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Normalised PBT				
Retail	**4 739**	4 234	12	8 276
FNB Africa*	**(167)**	(171)	(2)	(323)
Commercial	**2 845**	2 486	14	5 039
Total FNB	**7 417**	6 549	13	12 992

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

FNB grew pre-tax profits 13%, driven by a resilient operational performance despite increasing economic and regulatory headwinds.

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

FNB's overall NII increased 17% driven by growth in both advances (+10%) and deposits (+14%) and the positive endowment effect from the two 25 bps increases in the repo rate in July and November 2015.

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

SEGMENT ANALYSIS OF ADVANCES AND DEPOSIT GROWTH

	31 December 2015 vs 31 December 2014			
	Deposit growth		Advances growth	
Segments	%	R billion	%	R billion
Retail	**14**	**21.2**	**8**	**18.2**
Commercial	**14**	**20.7**	**18**	**9.3**

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

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

Cost growth was well contained at 6%.

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

RMB

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

RMB FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised earnings	**1 429**	1 291	11	3 754
Normalised profit before tax	**1 984**	1 795	11	5 218
Total assets	**402 253**	347 941	16	352 714
Total liabilities	**400 527**	346 398	16	348 145
Credit loss ratio (%)	**0.39**	0.39		0.33
Cost-to-income ratio (%)	**56.3**	55.8		49.9

RMB produced solid results for the period with pre-tax profits increasing 11% to R2 billion. This performance was achieved against the backdrop of a challenging economic environment and highlights the resilience and diversification of RMB's portfolio of businesses. RMB's balance sheet remains robust, with a high quality of earnings and solid operational leverage despite platform investments and increasing regulatory and compliance spend.

Whilst RMB's organisational structure continues to be based on its divisions, namely Investment Banking (IBD), Global Markets, Private Equity and Corporate Banking, the business is managed on a core activity basis.

During the period under review, the organisational business model has been further refined to more closely reflect the core activity view. All activities relating to the corporate and transactional banking pillar have been grouped in the Corporate Banking business unit. These include the transactional banking, trade and working capital, and global foreign exchange activities, some of which were previously reported in Global Markets. As a consequence of these refinements, the business unit view has been amended and is outlined in the table below.

DIVISIONAL PERFORMANCE

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised PBT				
Investment banking	**1 386**	1 263	10	4 193
Global Markets	**430**	298	44	1 175
IBD	**1 322**	1 241	7	3 108
Private Equity*	**(51)**	(35)	(46)	(79)
Other RMB	**(315)**	(241)	(31)	(11)
Corporate banking	**598**	532	12	1 025
Total RMB	**1 984**	1 795	11	5 218

* *The majority of private equity activities are in FRIHL.*

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

Corporate Banking has shown solid growth in the current period. The liability raising strategy yielded positive results with higher average deposit balances and an enhanced liquidity profile. Earnings in trade and working capital benefited from increased demand for structured trade advances. Income growth was adversely impacted by lower traditional trade revenue due to the deteriorating macroeconomic environment, particularly in the oil-producing African countries.

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

Unallocated franchise costs, portfolio overlays relating to oil and gas exposures, endowment on capital invested, legacy portfolios and RMB Resources are reflected in other activities. The legacy portfolio curtailed losses to R10 million in the current year, whilst RMB Resources business reported a loss of R185 million for the period primarily on the back of impairments taken against the debt portfolio, which remains under pressure as a result of the downturn in the commodity cycle. As previously stated, RMB is exiting these activities and is undertaking an orderly unwind of the portfolio with no new investments.

WesBank

WesBank represents the 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 unsecured lending market in South Africa. WesBank's leading position in its chosen markets is due to its long-standing alliances with leading motor manufacturers, suppliers and dealer groups, and strong point-of-sale presence.

WESBANK FINANCIAL HIGHLIGHTS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised earnings	**1 160**	1 121	3	2 064
Normalised profit before tax	**1 610**	1 518	6	2 825
Total assets	**177 537**	161 647	10	166 345
Total liabilities	**175 872**	160 423	10	163 586
NPLs (%)	**3.39**	3.22		3.46
Credit loss ratio (%)	**1.45**	1.42		1.49
Cost to-income ratio (%)	**48.0**	48.0		47.8
Net interest margin (%)	**4.69**	4.92		4.57

WesBank also delivered a resilient performance with ongoing solid growth in local new business volumes, combined with very strong growth in the UK business, underpinning a 6% increase in pre-tax profits to R1.6 billion.

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

BREAKDOWN OF PROFIT CONTRIBUTION BY ACTIVITY*

	Six months ended 31 December			Year ended 30 June
Normalised PBT	**2015**	**2014**	**% change**	**2015**
VAF				
– Retail SA	**699**	731	(4)	1 480
– Retail UK (MotoNovo)	**409**	332	23	455
– Corporate and commercial	**256**	213	20	385
Personal loans	**246**	242	2	505
Total WesBank	**1 610**	1 518	6	2 825

* *Refer to additional segment disclosure on page 68.*

Despite showing growth in new business volumes across all of its local retail lending portfolios, WesBank's credit appetite remains disciplined with systemic tightening continuing in higher risk segments. Overall production was up 11% with origination volumes up 17% in personal loans and 43% in MotoNovo (29% in GBP terms). Local retail VAF's performance continues to be impacted by the pressures facing consumers, with advances fairly flat.

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

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

NIR increased 9% mainly as a result of stronger inflows from insurance income in the MotoNovo portfolio as well as fee income on the back of new business growth.

Growth in local core operating costs increased 8%.

ADJUSTMENT TO STRATEGIC FRAMEWORK

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

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

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

Through its wholly owned subsidiary FREMA, FirstRand continues to grow in the territories on the African continent where it already has established a physical presence.

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

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

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

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

MANAGEMENT OF FINANCIAL RESOURCES

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

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

Given the high levels of uncertainty and volatility in funding markets, the group is exploring strategic options to protect its counterparty status. In addition, access to hard-currency funding will be key to the execution of the rest of Africa strategy and growing MotoNovo.

Balance sheet strength

Capital position

Current targeted ranges and actual ratios are summarised below.

%	CET1	Tier 1	Total
Regulatory minimum*	6.5	8.0	10.0
Targets	10.0 – 11.0	>12.0	>14.0
Actual**	**13.6**	**14.0**	**16.7**

* *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.

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

Liquidity position

Taking into account the liquidity risk introduced by its business activities, the bank's objective is to optimise its funding profile within structural and regulatory constraints to enable its franchises to operate in an efficient and sustainable manner. Liquidity buffers are actively managed via high quality liquid assets 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 for the bank of 74% at 31 December 2015, holding available liquidity of R124 billion.

Regulatory changes

On 18 November 2015, the SARB released a proposed directive related to the Net Stable Funding Ratio (NSFR). The SARB believes that the Basel Committee on Banking Supervision (BCBS) calibration does not reflect the actual stability of institutional funding in the SA context, given the significant barriers preventing liquidity from leaving the domestic financial system. It has, therefore, proposed a 35% available stable funding factor for institutional funding less than six months in tenor, compared to 0% under the BCBS framework. It is expected that this change will significantly assist the SA banking sector in meeting the NSFR requirements without severely impacting the economy. FirstRand expects to be fully compliant with NSFR requirements on the new calibration.

PROSPECTS

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

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

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

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:

- At 30 June 2015 it was anticipated that Discovery Limited (Discovery) would subscribe for preference shares in FirstRand Bank Limited to increase its participation in DiscoveryCard. As the cashflow occurred during the current period, Discovery's additional profit share has been recognised as an expense in the FCC (Group Treasury and other) segment.

BOARD CHANGES

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

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

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

In addition to the above:

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

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

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

CONDENSED INCOME STATEMENT – IFRS

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Net interest income before impairment of advances	**16 914**	14 812	14	30 229
Impairment of advances	**(2 658)**	(2 206)	20	(4 356)
Net interest income after impairment of advances	**14 256**	12 606	13	25 873
Non-interest revenue	**12 944**	14 713	(12)	29 216
Income from operations	**27 200**	27 319	–	55 089
Operating expenses	**(16 902)**	(16 946)	–	(33 498)
Income before tax	**10 298**	10 373	(1)	21 591
Indirect tax	**(352)**	(426)	(17)	(751)
Profit before tax	**9 946**	9 947	–	20 840
Income tax expense	**(2 639)**	(2 509)	5	(5 239)
Profit for the period	**7 307**	7 438	(2)	15 601
Attributable to				
Ordinary equityholders	**7 198**	7 336	(2)	15 394
NCNR preference shareholders	**109**	102	7	207
Profit for the period	**7 307**	7 438	(2)	15 601

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – IFRS

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Profit for the period	**7 307**	7 438	(2)	15 601
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**528**	(141)	(>100)	(271)
Gains/(losses) arising during the period	**717**	(368)	(>100)	(569)
Reclassification adjustments for amounts included in profit or loss	**16**	172	(91)	193
Deferred income tax	**(205)**	55	(>100)	105
Available-for-sale financial assets	**(759)**	150	(>100)	(35)
(Losses)/gains arising during the period	**(1 050)**	206	(>100)	(40)
Reclassification adjustments for amounts included in profit or loss	**2**	(5)	(>100)	(20)
Deferred income tax	**289**	(51)	(>100)	25
Exchange differences on translating foreign operations	**931**	141	>100	290
Gains arising during the period	**931**	141	>100	290
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(64)**	(12)	>100	1
(Losses)/gains arising during the period	**(89)**	(16)	>100	2
Deferred income tax	**25**	4	>100	(1)
Other comprehensive income/(loss) for the period	**636**	138	>100	(15)
Total comprehensive income for the period	**7 943**	7 576	5	15 586
Attributable to				
Ordinary equityholders	**7 834**	7 474	5	15 379
NCNR preference shareholders	**109**	102	7	207
Total comprehensive income for the period	**7 943**	7 576	5	15 586

CONDENSED STATEMENT OF FINANCIAL POSITION – IFRS

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
ASSETS			
Cash and cash equivalents	**46 268**	43 160	53 725
Derivative financial instruments	**68 213**	38 769	34 112
Commodities	**10 779**	6 271	7 354
Accounts receivable	**5 786**	3 839	4 301
Current tax asset	**1 219**	865	–
Advances	**709 504**	648 743	675 387
Amounts due by holding company and fellow subsidiary companies	**33 493**	26 976	27 318
Investment securities and other investments	**130 938**	95 635	133 543
Property and equipment	**13 045**	12 438	12 821
Intangible assets	**110**	91	71
Deferred income tax asset	**460**	39	1 202
Non-current assets and disposal groups held for sale	**–**	–	125
Total assets	**1 019 815**	876 826	949 959
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**6 033**	476	5 270
Derivative financial instruments	**81 893**	42 807	40 811
Creditors and accruals	**10 609**	9 192	12 166
Current tax liability	**–**	–	69
Deposits	**804 184**	723 696	779 703
Provisions	**317**	388	299
Employee liabilities	**6 437**	6 507	8 848
Other liabilities	**3 995**	4 320	3 977
Amounts due to holding company and fellow subsidiary companies	**13 823**	12 964	11 836
Tier 2 liabilities	**15 011**	9 868	11 983
Total liabilities	**942 302**	810 218	874 962
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	15 304	16 804
Reserves	**57 705**	48 300	55 189
Capital and reserves attributable to ordinary equityholders	**74 513**	63 608	71 997
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**77 513**	66 608	74 997
Total equity and liabilities	**1 019 815**	876 826	949 959

CONDENSED STATEMENT OF CASH FLOWS – IFRS

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Cash flows from operating activities			
Cash receipts from customers	**40 962**	36 937	74 575
Cash paid to customers, suppliers and employees	**(27 062)**	(22 978)	(46 198)
Dividends received	**1 250**	1 044	2 128
Dividends paid	**(5 427)**	(5 532)	(6 654)
Cash generated from operating activities	**9 723**	9 471	23 851
Increase in income-earning assets	**(26 013)**	(31 940)	(96 632)
Increase in deposits and other liabilities	**9 966**	20 722	83 000
Taxation paid	**(3 361)**	(3 379)	(6 663)
Net cash (utilised by)/generated from operating activities	**(9 685)**	(5 126)	3 556
Net cash outflow from investing activities	**(1 079)**	(1 922)	(3 212)
Net cash inflow/(outflow) from financing activities	**3 176**	(1 610)	1 539
Net (decrease)/increase in cash and cash equivalents	**(7 588)**	(8 658)	1 883
Cash and cash equivalents at the beginning of the period	**53 725**	51 788	51 788
Effect of exchange rate changes on cash and cash equivalents	**131**	30	54
Cash and cash equivalents at the end of the period	**46 268**	43 160	53 725
Mandatory reserve balances included above*	**18 618**	17 204	18 173

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

CONDENSED STATEMENT OF CHANGES IN EQUITY – IFRS

for the six months ended 31 December

	Ordinary share capital and ordinary equityholders' funds				
R million	**Share capital**	**Share premium**	**Share capital and share premium**	**Defined benefit post-employment reserve**	**Cash flow hedge reserve**
Balance as at 1 July 2014	4	15 304	**15 308**	(766)	461
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(12)	(141)
Balance as at 31 December 2014	4	15 304	**15 308**	(778)	320
Balance as at 1 July 2015	4	16 804	**16 808**	(765)	190
Movement in other reserves	–	–	**–**	–	–
Ordinary dividends	–	–	**–**	–	–
Preference dividends	–	–	**–**	–	–
Total comprehensive income for the period	–	–	**–**	(64)	528
Balance as at 31 December 2015	4	16 804	**16 808**	(829)	718

	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
	465	430	186	1 345	43 635	**45 756**	**3 000**	**64 064**
	(465)	–	–	–	965	**500**	**–**	**500**
	–	–	–	–	(5 430)	**(5 430)**	**–**	**(5 430)**
	–	–	–	–	–	**–**	**(102)**	**(102)**
	–	150	141	–	7 336	**7 474**	**102**	**7 576**
	–	580	327	1 345	46 506	**48 300**	**3 000**	**66 608**
	–	395	476	1 345	53 548	**55 189**	**3 000**	**74 997**
	–	–	–	–	–	**–**	**–**	**–**
	–	–	–	–	(5 318)	**(5 318)**	**–**	**(5 318)**
	–	–	–	–	–	**–**	**(109)**	**(109)**
	–	(759)	931	–	7 198	**7 834**	**109**	**7 943**
	–	(364)	1 407	1 345	55 428	**57 705**	**3 000**	**77 513**

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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 36.

KEY FINANCIAL RESULTS, RATIOS AND STATISTICS – NORMALISED

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Earnings performance				
Normalised earnings contribution by franchise	**7 712**	7 139	8	15 246
FNB	**5 339**	4 716	13	9 354
RMB	**1 429**	1 291	11	3 754
WesBank	**1 160**	1 121	3	2 064
FCC (including Group Treasury) and other	**(107)**	113	(>100)	281
NCNR preference dividend	**(109)**	(102)	7	(207)
Attributable earnings - IFRS (refer page 16)	**7 198**	7 336	(2)	15 394
Headline earnings	**7 196**	7 337	(2)	15 387
Normalised earnings	**7 712**	7 139	8	15 246
Normalised net asset value	**74 513**	63 608	17	71 997
Tangible normalised net asset value	**74 403**	63 517	17	71 926
Average normalised net asset value	**73 255**	62 336	18	66 531
Balance sheet				
Normalised total assets	**1 019 815**	876 826	16	949 959
Loans and advances (net of credit impairment)*	**744 876**	668 508	11	705 257
Ratios and key statistics				
ROE (%)	**21.1**	22.9		22.9
ROA (%)	**1.57**	1.65		1.69
Average gross loan-to-deposit ratio (%)	**93.3**	93.8		92.7
Diversity ratio (%)	**41.8**	41.7		42.5
Credit impairment charge	**2 933**	2 588	13	4 993
NPLs as % of advances	**2.31**	2.35		2.17
Credit loss ratio (%)	**0.79**	0.78		0.73
Specific coverage ratio (%)	**42.1**	41.5		41.0
Total impairment coverage ratio (%)	**83.8**	86.1		86.6
Performing book coverage ratio (%)	**0.99**	1.07		1.01
Cost-to-income ratio (%)	**55.4**	56.3		55.3
Effective tax rate (%)	**26.6**	25.1		25.1
Number of employees	**36 989**	34 077	9	36 420

* *Advances include R15 280 million of HQLA which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R20 249 million. These were reclassified from investment securities. December 2014 numbers have been restated accordingly.*

CONDENSED INCOME STATEMENT – NORMALISED

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Net interest income before impairment of advances*	**18 179**	16 900	8	33 913
Impairment of advances	**(2 933)**	(2 588)	13	(4 993)
Net interest income after impairment of advances	**15 246**	14 312	7	28 920
Non-interest revenue*	**13 066**	12 103	8	25 057
Income from operations	**28 312**	26 415	7	53 977
Operating expenses	**(17 299)**	(16 317)	6	(32 591)
Income before tax	**11 013**	10 098	9	21 386
Indirect tax	**(352)**	(426)	(17)	(751)
Profit before tax	**10 661**	9 672	10	20 635
Income tax expense	**(2 840)**	(2 431)	17	(5 182)
Profit for the period	**7 821**	7 241	8	15 453
NCNR preference shareholders	**(109)**	(102)	7	(207)
Normalised earnings attributable to ordinary equityholders of the bank	**7 712**	7 139	8	15 246

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

CONDENSED STATEMENT OF COMPREHENSIVE INCOME – NORMALISED

R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Profit for the period	**7 821**	7 241	8	15 453
Items that may subsequently be reclassified to profit or loss				
Cash flow hedges	**528**	(141)	(>100)	(271)
Gains/(losses) arising during the period	**717**	(368)	(>100)	(569)
Reclassification adjustments for amounts included in profit or loss	**16**	172	(91)	193
Deferred income tax	**(205)**	55	(>100)	105
Available-for-sale financial assets	**(759)**	150	(>100)	(35)
(Losses)/gains arising during the period	**(1 050)**	206	(>100)	(40)
Reclassification adjustments for amounts included in profit or loss	**2**	(5)	(>100)	(20)
Deferred income tax	**289**	(51)	(>100)	25
Exchange differences on translating foreign operations	**931**	141	>100	290
Gains arising during the period	**931**	141	>100	290
Items that may not subsequently be reclassified to profit or loss				
Remeasurements on defined benefit post-employment plans	**(11)**	42	(>100)	108
(Losses)/gains arising during the period	**(16)**	59	(>100)	151
Deferred income tax	**5**	(17)	(>100)	(43)
Other comprehensive income for the period	**689**	192	>100	92
Total comprehensive income for the period	**8 510**	7 433	14	15 545
Attributable to				
Ordinary equityholders	**8 401**	7 331	15	15 338
NCNR preference shareholders	**109**	102	7	207
Total comprehensive income for the period	**8 510**	7 433	14	15 545

CONDENSED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
ASSETS			
Cash and cash equivalents	**46 268**	43 160	53 725
Derivative financial instruments	**68 213**	38 769	34 112
Commodities	**10 779**	6 271	7 354
Accounts receivable	**5 786**	3 839	4 301
Current tax asset	**1 219**	865	–
Advances*	**744 876**	668 508	705 257
Amounts due by holding company and fellow subsidiary companies	**33 493**	26 976	27 318
Investment securities and other investments*	**95 566**	75 870	103 673
Property and equipment	**13 045**	12 438	12 821
Intangible assets	**110**	91	71
Deferred income tax asset	**460**	39	1 202
Non-current assets and disposal groups held for sale	**–**	–	125
Total assets	**1 019 815**	876 826	949 959
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**6 033**	476	5 270
Derivative financial instruments	**81 893**	42 807	40 811
Creditors and accruals	**10 609**	9 192	12 166
Current tax liability	**–**	–	69
Deposits	**804 184**	723 696	779 703
Provisions	**317**	388	299
Employee liabilities	**6 437**	6 507	8 848
Other liabilities	**3 995**	4 320	3 977
Amounts due to holding company and fellow subsidiary companies	**13 823**	12 964	11 836
Tier 2 liabilities	**15 011**	9 868	11 983
Total liabilities	**942 302**	810 218	874 962
Equity			
Ordinary shares	**4**	4	4
Share premium	**16 804**	15 304	16 804
Reserves	**57 705**	48 300	55 189
Capital and reserves attributable to ordinary equityholders	**74 513**	63 608	71 997
NCNR preference shares	**3 000**	3 000	3 000
Total equity	**77 513**	66 608	74 997
Total equity and liabilities	**1 019 815**	876 826	949 959

* *Advances include R15 280 million of HQLA which are under the control of the Group Treasurer, as well as corporate bonds not qualifying as HQLA and securitisation notes of R20 249 million. These were reclassified from investment securities. December 2014 numbers have been restated accordingly.*

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the six months ended 31 December 2015

R million	December 2015 Normalised	IAS 19 adjustment	Margin on securitised assets	Economic hedges
Net interest income before impairment of advances	**18 179**	–	(520)	389
Impairment of advances	**(2 933)**	–	–	–
Net interest income after impairment of advances	**15 246**	–	(520)	389
Non-interest revenue	**13 066**	–	520	(389)
Income from operations	**28 312**	–	–	–
Operating expenses	**(17 299)**	73	–	–
Income before tax	**11 013**	73	–	–
Indirect tax	**(352)**	–	–	–
Profit before tax	**10 661**	73	–	–
Income tax expense	**(2 840)**	(20)	–	–
Profit for the period	**7 821**	53	–	–
Attributable to				
NCNR preference shareholders	**(109)**	–	–	–
Ordinary equityholders	**7 712**	53	–	–
Headline and normalised earnings adjustments	**–**	(53)	–	–
Normalised earnings	**7 712**	–	–	–

Fair value annuity income (lending)	USD liquidity funding	TRS adjustment	Headline earnings	IFRS
(1 271)	137	–	–	**16 914**
275	–	–	–	**(2 658)**
(996)	137	–	–	**14 256**
996	(137)	(1 114)	2	**12 944**
–	–	(1 114)	2	**27 200**
–	–	324	–	**(16 902)**
–	–	(790)	2	**10 298**
–	–	–	–	**(352)**
–	–	(790)	2	**9 946**
–	–	221	–	**(2 639)**
–	–	(569)	2	**7 307**
–	–	–	–	**(109)**
–	–	(569)	2	**7 198**
–	–	569	(2)	**514**
–	–	–	–	**7 712**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the six months ended 31 December 2014

R million	December 2014 Normalised	IAS 19 adjustment	Margin on securitised assets	Economic hedges	
Net interest income before impairment of advances	16 900	–	(567)	(106)	
Impairment of advances	(2 588)	–	–	–	
Net interest income after impairment of advances	14 312	–	(567)	(106)	
Non-interest revenue	12 103	–	567	106	
Income from operations	26 415	–	–	–	
Operating expenses	(16 317)	75	–	–	
Income before tax	10 098	75	–	–	
Indirect tax	(426)	–	–	–	
Profit before tax	9 672	75	–	–	
Income tax expense	(2 431)	(21)	–	–	
Profit for the period	7 241	54	–	–	
Attributable to					
NCNR preference shareholders	(102)	–	–	–	
Ordinary equityholders	7 139	54	–	–	
Headline and normalised earnings adjustments	–	(54)	–	–	
Normalised earnings	7 139	–	–	–	

Fair value annuity income (lending)	USD liquidity funding	TRS adjustment	Headline earnings	IFRS
(1 430)	15	–	–	14 812
382	–	–	–	(2 206)
(1 048)	15	–	–	12 606
1 048	(15)	905	(1)	14 713
–	–	905	(1)	27 319
–	–	(704)	–	(16 946)
–	–	201	(1)	10 373
–	–	–	–	(426)
–	–	201	(1)	9 947
–	–	(57)	–	(2 509)
–	–	144	(1)	7 438
–	–	–	–	(102)
–	–	144	(1)	7 336
–	–	(144)	1	(197)
–	–	–	–	7 139

RECONCILIATION OF NORMALISED TO IFRS CONDENSED INCOME STATEMENT

for the year ended 30 June 2015

R million	June 2015 Normalised	IAS 19 adjustment	Margin on securitised assets	Economic hedges
Net interest income before impairment of advances	33 913	–	(807)	(265)
Impairment of advances	(4 993)	–	–	–
Net interest income after impairment of advances	28 920	–	(807)	(265)
Non-interest revenue	25 057	–	807	265
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 period	15 453	107	–	–
Attributable to				
NCNR preference shareholders	(207)	–	–	–
Ordinary equityholders	15 246	107	–	–
Headline and normalised earnings adjustments	–	(107)	–	–
Normalised earnings	15 246	–	–	–

Fair value annuity income (lending)	USD liquidity funding	TRS adjustment	Headline earnings	IFRS
(2 816)	204	–	–	30 229
637	–	–	–	(4 356)
(2 179)	204	–	–	25 873
2 179	(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 CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 December 2015

R million	Normalised	Reallocation of credit investments	IFRS
ASSETS			
Cash and cash equivalents	**46 268**	–	**46 268**
Derivative financial instruments	**68 213**	–	**68 213**
Commodities	**10 779**	–	**10 779**
Accounts receivable	**5 786**	–	**5 786**
Current tax asset	**1 219**	–	**1 219**
Advances	**744 876**	(35 372)	**709 504**
Amounts due by holding company and fellow subsidiary companies	**33 493**	–	**33 493**
Investment securities and other investments	**95 566**	35 372	**130 938**
Property and equipment	**13 045**	–	**13 045**
Intangible assets	**110**	–	**110**
Deferred income tax asset	**460**	–	**460**
Non-current assets and disposal groups held for sale	**–**	–	**–**
Total assets	**1 019 815**	–	**1 019 815**
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	**6 033**	–	**6 033**
Derivative financial instruments	**81 893**	–	**81 893**
Creditors and accruals	**10 609**	–	**10 609**
Current tax liability	**–**	–	**–**
Deposits	**804 184**	–	**804 184**
Provisions	**317**	–	**317**
Employee liabilities	**6 437**	–	**6 437**
Other liabilities	**3 995**	–	**3 995**
Amounts due to holding company and fellow subsidiary companies	**13 823**	–	**13 823**
Tier 2 liabilities	**15 011**	–	**15 011**
Total liabilities	**942 302**	–	**942 302**
Equity			
Ordinary shares	**4**	–	**4**
Share premium	**16 804**	–	**16 804**
Reserves	**57 705**	–	**57 705**
Capital and reserves attributable to ordinary equityholders	**74 513**	–	**74 513**
NCNR preference shares	**3 000**	–	**3 000**
Total equity	**77 513**	–	**77 513**
Total equity and liabilities	**1 019 815**	–	**1 019 815**

RECONCILIATION OF NORMALISED TO IFRS CONDENSED STATEMENT OF FINANCIAL POSITION

as at 31 December 2014

R million	Normalised	Reallocation of credit investments	IFRS
ASSETS			
Cash and cash equivalents	43 160	–	43 160
Derivative financial instruments	38 769	–	38 769
Commodities	6 271	–	6 271
Accounts receivable	3 839	–	3 839
Current tax asset	865	–	865
Advances	668 508	(19 765)	648 743
Amounts due by holding company and fellow subsidiary companies	26 976	–	26 976
Investment securities and other investments	75 870	19 765	95 635
Property and equipment	12 438	–	12 438
Intangible assets	91	–	91
Deferred income tax asset	39	–	39
Non-current assets and disposal groups held for sale	–	–	–
Total assets	876 826	–	876 826
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	476	–	476
Derivative financial instruments	42 807	–	42 807
Creditors and accruals	9 192	–	9 192
Current tax liability	–	–	–
Deposits	723 696	–	723 696
Provisions	388	–	388
Employee liabilities	6 507	–	6 507
Other liabilities	4 320	–	4 320
Amounts due to holding company and fellow subsidiary companies	12 964	–	12 964
Tier 2 liabilities	9 868	–	9 868
Total liabilities	810 218	–	810 218
Equity			
Ordinary shares	4	–	4
Share premium	15 304	–	15 304
Reserves	48 300	–	48 300
Capital and reserves attributable to ordinary equityholders	63 608	–	63 608
NCNR preference shares	3 000	–	3 000
Total equity	66 608	–	66 608
Total equity and liabilities	876 826	–	876 826

RECONCILIATION OF NORMALISED TO IFRS CONDENSED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

R million	Normalised	Reallocation of credit investments	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
Current tax asset	–	–	–
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
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

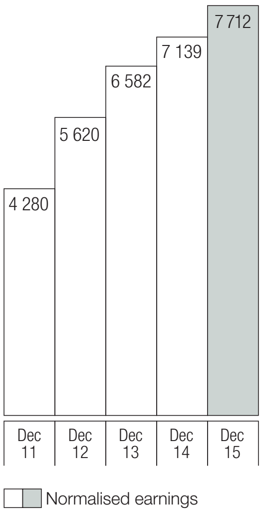
FLOW OF FUNDS ANALYSIS – NORMALISED

R million	December 2015 vs June 2015 6-month movement	December 2014 vs June 2014 6-month movement	June 2015 vs June 2014 12-month movement
Sources of funds			
Capital account movement (including profit and reserves)	**2 516**	2 544	10 933
Working capital movement	**(10 026)**	(3 271)	(674)
Short trading positions and derivative financial instruments	**7 744**	(3 879)	3 576
Investments	**(3 688)**	557	(889)
Deposits and long-term liabilities	**27 509**	28 904	87 026
Total	**24 055**	24 855	99 972
Application of funds			
Advances	**(39 619)**	(46 396)	(83 145)
Cash and cash equivalents	**7 457**	8 628	(1 937)
Investment securities and other investments	**8 107**	12 913	(14 890)
Total	**(24 055)**	(24 855)	(99 972)

OVERVIEW OF RESULTS

EARNINGS PERFORMANCE

NORMALISED EARNINGS – UP 8%
R million
CAGR 16%



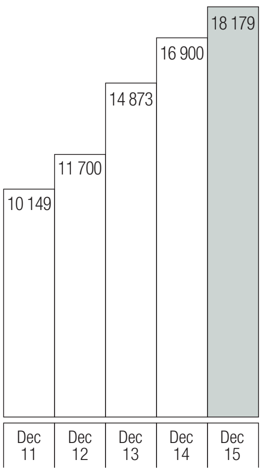
Note: 2012 to 2015 figures have been prepared in terms of IFRS 10 and 11, and the revised IAS 19.

NET INTEREST INCOME (BEFORE IMPAIRMENT OF ADVANCES) – UP 8%

NET INTEREST INCOME

R million

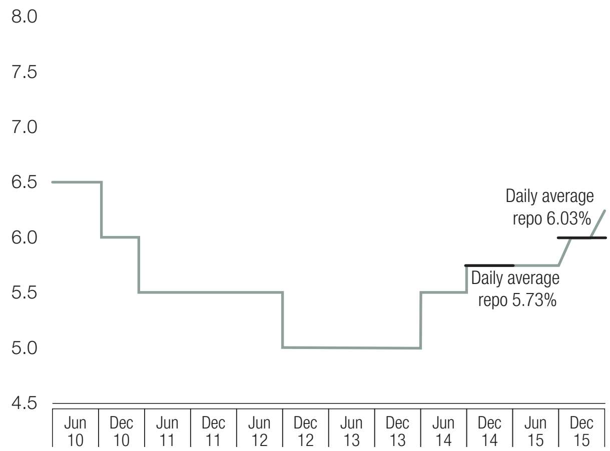
CAGR 16%



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

REPO RATE

%



Note: R150 billion = average endowment book for the period. Rates were higher by 30 bps on average in the current period, which translates into a positive endowment impact of approximately R227 million.

MARGIN CASCADE TABLE

Percentage of average interest-earning banking assets	%
December 2014 normalised margin*	**5.13**
Capital and deposit endowment	**0.08**
Advances	**0.03**
– Change in balance sheet mix	**0.14**
– Asset pricing**	**(0.11)**
Liabilities	**(0.12)**
– Change in balance sheet mix (deposits)	**0.05**
– Term funding cost	**(0.14)**
– Deposit pricing	**(0.03)**
Group Treasury and other movements	**(0.17)**
– MTM vs accrual on term issuance in professional funding	**(0.07)**
– Increase in HQLA	**(0.15)**
– Other accounting mismatches and interest rate risk hedges	**0.05**
December 2015 normalised margin	**4.95**

* *The 2014 margin has been restated by 10 bps to include corporate bonds not qualifying as HQLA. The December 2015 margin includes the impact of non-qualifying HQLA corporate bonds and HQLA, as these have been reclassified from fair value investment securities into interest-earning assets. This is due to the 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

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
FNB	**10 411**	8 903	17	18 555
Retail	**6 934**	5 975	16	12 430
– Residential mortgages	**1 873**	1 715	9	3 548
– Card	**1 076**	868	24	1 856
– Personal loans	**1 230**	1 085	13	2 232
– Retail other	**2 755**	2 307	19	4 794
Commercial	**3 473**	2 925	19	6 121
FNB Africa	**4**	3	33	4
RMB	**2 637**	2 621	1	5 225
Investment banking	**1 866**	1 995	(6)	3 939
Corporate banking	**771**	626	23	1 286
WesBank	**4 484**	4 147	8	8 088
FCC (including Group Treasury) and other*	**647**	1 229	(47)	2 045
Net interest income – bank activities	**18 179**	16 900	8	33 913

* *Includes aggregation adjustments.*

Key drivers

- Positive endowment effect from the 25 bps increases in the repo rate in July and November 2015 (an average increase of 30 bps for the reporting period).
- Higher capital levels further underpinned NII growth.
- Strong advances and deposit growth of 11% respectively, boosted NII.
- An increase in certain asset margins in FNB. Repricing benefits in card, retail overdrafts and retail and commercial mortgages were to some extent offset by lower margins in commercial overdrafts and term loans, and FNB loans.
- WesBank's retail SA VAF margins decreased slightly, as a result of the higher funding and liquidity costs as well as continued migration from fixed- to floating-rate business.
- Investment banking advances margins were negatively impacted by higher term funding and liquidity costs as well as competitive pricing pressure.
- Negative period-on-period mark-to-market movements of R264 million on fair value term funding instruments due to movements in the domestic yield curve – these movements will reverse over the duration of the underlying instruments, however, these are long-dated instruments.
- An increase of R72 million in the dollar funding carry costs relating to excess dollar liquidity, primarily affected by the slowdown in funding of operational assets during the year.
- R162 million negative mark-to-market movement in the non-hedge accounted interest rate risk management hedge positions, impacted by the severe market dislocations in December 2015. These will pull to par in future periods.
- With the LCR becoming a prudential regulatory requirement from 1 January 2015, higher holdings of HQLA resulted in lower interest margins in the bank.

AVERAGE BALANCE SHEET

		Six months ended 31 December					
		2015			**2014**		
R million	Notes	**Average balance†,‡**	**Interest income/ (expense)**	**Average rate %**	**Average balance**	**Interest income/ (expense)**	**Average rate %**
INTEREST-EARNING ASSETS							
Average prime rate				**9.53**			9.23
Balances with central banks		**18 506**	**–**		16 742	–	
Cash and cash equivalents		**14 533**	**228**	**3.11**	16 494	188	2.26
Liquid assets portfolio		**84 058**	**3 305**	**7.80**	52 834	1 990	7.47
Loans and advances to customers	1	**611 379**	**31 587**	**10.25**	567 237	28 550	9.98
Interest-earning assets		**728 476**	**35 120**	**9.56**	653 307	30 728	9.33
INTEREST-BEARING LIABILITIES							
Average JIBAR				**6.23**			5.99
Deposits due to customers	2	**(425 771)**	**(8 547)**	**3.98**	(386 961)	(7 445)	3.82
Group Treasury funding*		**(264 151)**	**(8 195)**	**6.15**	(239 757)	(7 226)	5.98
Interest-bearing liabilities		**(689 922)**	**(16 742)**	**4.81**	(626 718)	(14 671)	4.64
ENDOWMENT AND TRADING BOOK							
Other assets**		**186 021**	**(199)**	**(0.21)**	130 494	843	1.28
Other liabilities#		**(147 026)**		**–**	(90 389)		–
NCNR preference shareholders		**(3 000)**	**–**	**–**	(3 000)	–	–
Equity		**(74 549)**	**–**	**–**	(63 694)	–	–
Endowment and trading book		**(38 554)**	**(199)**	**1.02**	(26 589)	843	(6.29)
Total interest-bearing liabilities, endowment and trading book		**(728 476)**	**(16 941)**	**4.61**	(653 307)	(13 828)	4.20
Net interest margin on average interest-earning assets		**728 476**	**18 179**	**4.95**	653 307	16 900	5.13

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

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

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

Includes trading liabilities.

† *Includes level 1 HQLA.*

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

NOTE 1 – MARGIN ANALYSIS ON LOANS AND ADVANCES TO CUSTOMERS

	Six months ended 31 December			
	2015		2014#	
R million	Average balance	Average margin %	Average balance	Average margin %
Average prime rate (RSA)		**9.53**		9.23
Advances				
Retail – secured	**305 611**	**2.70**	282 274	2.77
Residential mortgages	**183 006**	**1.80**	172 790	1.77
Vehicle asset finance*	**122 605**	**4.04**	109 484	4.36
Retail – unsecured	**58 966**	**12.40**	49 503	12.44
Card	**20 443**	**9.31**	16 746	9.00
Personal loans	**25 106**	**16.98**	22 212	17.09
– FNB loans	**14 653**	**15.09**	12 801	15.22
– WesBank loans	**10 453**	**19.63**	9 411	19.64
Overdrafts	**13 417**	**8.56**	10 545	8.08
Corporate and commercial	**246 802**	**2.28**	235 460	2.47
FNB commercial	**58 768**	**3.58**	49 843	3.70
– Mortgages	**16 274**	**2.60**	14 002	2.41
– Overdrafts	**24 250**	**4.53**	20 436	4.92
– Term loans	**18 244**	**3.20**	15 405	3.25
WesBank corporate	**37 323**	**2.66**	37 734	2.85
RMB investment banking**	**121 756**	**1.61**	122 995	2.03
RMB corporate banking	**28 955**	**1.98**	24 888	1.60
Total advances	**611 379**	**3.47**	567 237	3.49

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

* *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 product pricing, including any regulatory costs for all significant business activities on- and off-balance sheet, thereby aligning liquidity risk-taking incentives of individual business units with the liquidity risk exposure this activity creates for the bank as a whole.

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

NOTE 2 – MARGIN ANALYSIS ON DEPOSITS DUE TO CUSTOMERS

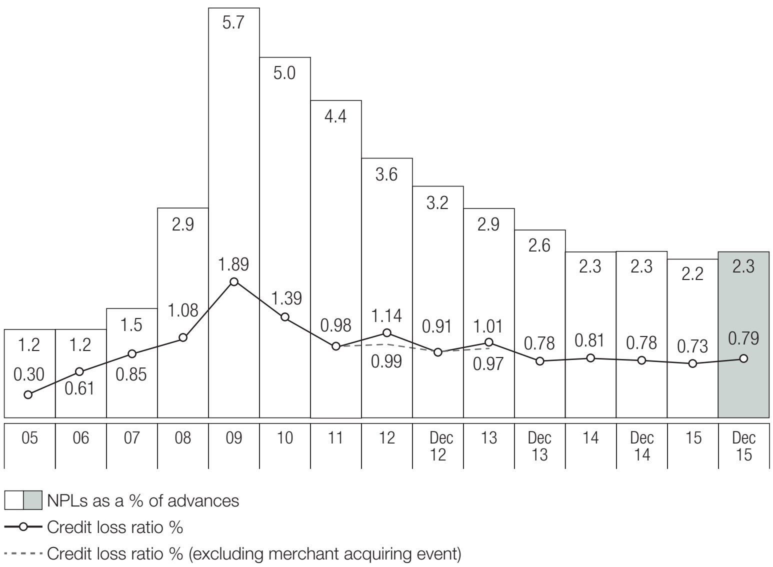
	Six months ended 31 December			
	2015		**2014***	
R million	**Average balance**	**Average margin %**	**Average balance**	**Average margin %**
Average prime rate (RSA)		**9.53**		9.23
Deposits				
Retail	**151 219**	**2.92**	131 437	2.83
Current and savings	**52 908**	**5.93**	47 038	5.43
Call	**2 734**	**2.99**	2 931	2.75
Money market	**33 814**	**1.58**	27 700	1.64
Term	**61 763**	**1.09**	53 768	1.17
Commercial	**157 441**	**2.72**	139 446	2.53
Current and savings	**59 765**	**5.24**	53 245	4.85
Call	**38 447**	**1.38**	34 314	1.25
Money market	**20 932**	**2.10**	19 103	1.94
Term	**38 297**	**0.47**	32 784	0.51
Corporate and investment banking	**117 111**	**0.91**	116 078	0.72
Current and savings	**54 976**	**1.38**	47 003	1.24
Call	**30 264**	**0.73**	35 351	0.46
Term	**31 871**	**0.28**	33 724	0.20
Total deposits	**425 771**	**2.30**	386 961	2.09

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

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

CREDIT HIGHLIGHTS

NPLs AND IMPAIRMENT HISTORY



R million	Six months ended 31 December 2015	Six months ended 31 December 2014	% change	Year ended 30 June 2015
Total gross advances – including credit-related assets*	**759 556**	682 299	11	718 771
NPLs – including credit-related assets	**17 522**	16 021	9	15 603
NPLs as a % of advances – including credit-related assets	**2.31**	2.35		2.17
Impairment charge – including credit-related assets	**2 933**	2 588	13	4 993
Impairment charge as a % of average advances – including credit-related assets	**0.79**	0.78		0.73
Total impairments*	**14 680**	13 791	6	13 514
– Portfolio impairments	**7 311**	7 148	2	7 109
– Specific impairments	**7 369**	6 643	11	6 405
Implied loss given default (coverage)**	**42.1**	41.5		41.0
Total impairments coverage ratio#	**83.8**	86.1		86.6
Performing book coverage ratio†	**0.99**	1.07		1.01

* *Includes cumulative credit fair value adjustments.*

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

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

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

Credit impairments increased 13%. The credit impairment ratio, however, increased marginally from 78 bps (June 2015: 73 bps) to 79 bps.

Overall NPLs increased 9% year-on-year, but 12% since June 2015, reflecting a combination of strong book growth in card, FNB loans, other retail and WesBank loans as well as the deteriorating macro environment. The ongoing downturn in the commodity cycle negatively impacted NPLs in the corporate and commercial portfolio, resulting in a 22% increase year-on-year, although increasing 41% since June 2015, largely due to business rescue counter migrating to NPL status in the period.

The total coverage ratio reduced to 83.8% from 86.6% at June 2015 (December 2014: 86.1%), given the higher advances growth and the change in NPL mix, although both specific and portfolio impairments increased. Increased portfolio impairments were driven by strong book growth in WesBank personal loans and card, and in RMB, by the adverse commodity cycle (oil and gas, and mining and metals sectors). The performing book coverage ratio of 99 bps reduced from the prior year of 107 bps (June 2015: 101 bps). This was largely as a result of the partial central overlay release given the previously identified risk manifesting with the NPL formation increasing in some of the underlying franchises and products over the last 12 months resulting in higher specific impairments.

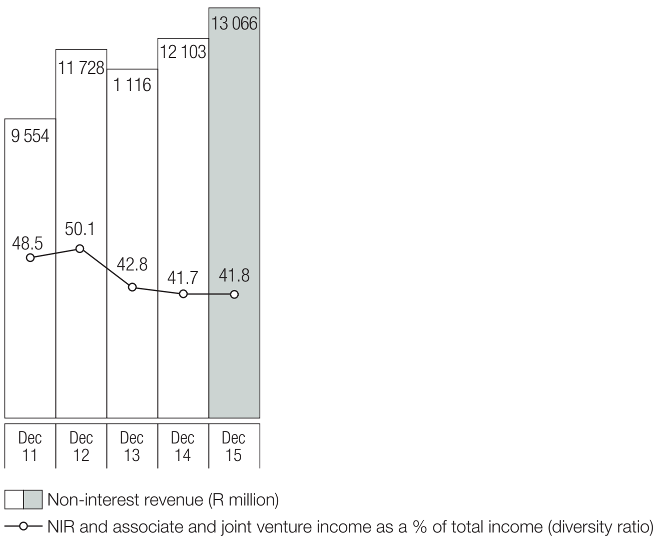
Key drivers

- Retail NPLs improved to 3.10% of advances (December 2014: 3.29%; June 2015: 3.21%), impacted by:
  - A 16% reduction in residential mortgage NPLs to 2.30% of advances (December 2014: 2.88%; June 2015: 2.54%), reflecting continued resilient cure rates of defaulted accounts and constrained levels of new inflows, disciplined origination strategies and effective workout strategies.
  - A marginal increase of 3% in FNB loans NPLs, benefiting from a further unwind in NPLs in mass loans and an increase of 12% in consumer NPLs, reflecting more conservative origination strategies and tightening credit criteria.
  - Higher NPLs in card (+64%), SA retail VAF (+19%) and WesBank loans (+29%) driven primarily by the increase in debt review restructured accounts, a large majority of which are performing, strong book growth and the worsening credit cycle.
- NPLs in RMB's Investment Banking division increased 48%, primarily driven by the impact of the adverse commodity cycle on certain counters in the mining and metal sector.
- Post write-off recoveries remained robust at R932 million (December 2014: R933 million; June 2015: R1.83 billion), driven by card, the unsecured retail lending portfolios (personal loans) and VAF.

NON-INTEREST REVENUE – UP 8%

NON-INTEREST REVENUE AND DIVERSITY RATIO

NIR CAGR 8%



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

ANALYSIS OF NON-INTEREST REVENUE

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2015**	**2014**	**% change**	**2015**
Fee and commission income	1	**10 423**	10 227	2	20 009
Markets, client and structuring, and other fair value income	2	**1 199**	712	68	2 522
Investment income		**44**	44	–	74
Other non-interest revenue	3	**1 400**	1 120	25	2 452
Total non-interest revenue		**13 066**	12 103	8	25 057

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

Fee and commission income growth was satisfactory given these factors, benefiting from robust volumes reflecting the specific ongoing strategies to grow electronic transaction volumes. Fee and commission income represents 80% of total NIR. NIR was also impacted by lower absolute transactional fees as a result of e-migration and regulatory pressures.

NOTE 1 – FEE AND COMMISSION INCOME – UP 2%

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Bank commissions and fee income	**10 551**	10 427	1	20 292
– Card commissions	**1 514**	1 845	(18)	3 342
– Cash deposit fees	**897**	896	–	1 724
– Commissions on bills, drafts and cheques	**915**	805	14	1 727
– Bank charges	**7 225**	6 881	5	13 499
Knowledge-based fees	**545**	408	34	976
Management and fiduciary fees	**350**	287	22	577
Insurance income	**556**	510	9	1 045
Other non-bank commission*	**303**	270	12	513
Gross fee and commission income	**12 305**	11 902	3	23 403
Fee and commission expenditure	**(1 882)**	(1 675)	12	(3 394)
Total fee and commission income	**10 423**	10 227	2	20 009

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

Key drivers

- FNB grew NIR 3%, and transactional fee and commission income 2%, in spite of a period-on-period reduction of >R300 million (19%) in interchange fees (decreasing card commissions) and an increase of 22% in allocated rewards, benefiting from continued robust growth of 11% in transaction volumes, increased product cross-sell and up-sell, and an increase in the customer base in targeted segments (Premium +14%) and strong insurance revenues. Absolute growth in fee income was curtailed by the continued strategy to migrate customers to electronic channels.
- Electronic volumes increased 13%, while manual volumes were flat, in line with strategy.

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

- WesBank's NIR growth of 9% was driven by satisfactory new business volumes of 11% given the constrained macro environment, increasing insurance as well as a strong performance from MotoNovo.
- Knowledge-based fees growth was strong driven by solid levels of M&A advisory income as well as high levels of structuring fees due to strong deal flow in specifically developed market cross-border activity with some notable significant deals concluded during the period.
- The bank's management and fiduciary fee income growth of 22% was underpinned by growth in assets under advice and management fees from associates.

NOTE 2 – MARKETS, CLIENT AND STRUCTURING, AND OTHER FAIR VALUE INCOME – UP 68%

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Client*	**521**	460	13	1 623
Markets*	**561**	272	>100	769
Other	**117**	(20)	(>100)	130
Total	**1 199**	712	68	2 522

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

Key drivers

- Flow trading and residual risk activities remained resilient, as a result of increased volatility and volumes specifically in the foreign exchange space, although the fixed-income business experienced mixed results given the significant rate volatility experienced in December 2015. Trading conditions in SA remained muted on the back of increased competition and compressed margins.
- The markets business was positively impacted by the upward move in the soft commodity prices as well as the upward move in the gold price and demand from the Indian market.
- The bank's net TRS fair value income decreased R11 million during the period, impacted by the lower number of shares hedged, the reduction in FirstRand's share price and the vesting of the majority of the equity-settled schemes during the previous financial year (resulting in increased volatility in the share-based payment expense).

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

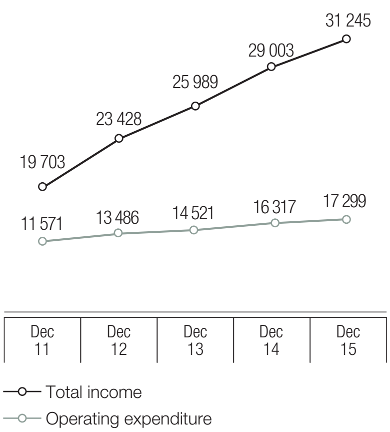
Other NIR includes rental income, with the most significant rental income being the WesBank fixed maintenance rental income, and smart box and speedpoint rental.

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.

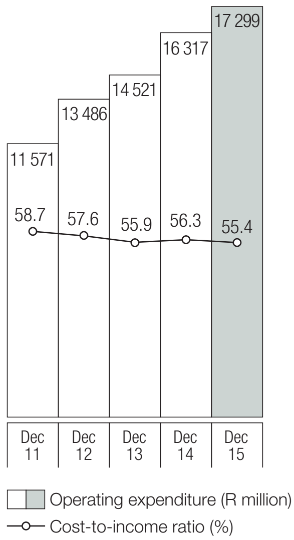
OPERATING EXPENSES – UP 6%

OPERATING JAWS

R million



OPERATING EFFICIENCY



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

OPERATING EXPENSES

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Staff expenditure	**10 153**	9 570	6	19 169
– Direct staff expenditure	**6 401**	5 768	11	11 558
– Other staff-related expenditure	**3 752**	3 802	(1)	7 611
Depreciation	**947**	820	15	1 717
Amortisation of other intangible assets	**16**	23	(30)	50
Advertising and marketing	**519**	525	(1)	1 044
Insurance	**108**	106	2	209
Lease charges	**580**	533	9	1 093
Professional fees	**755**	665	14	1 259
Audit fees	**144**	95	52	244
Computer expenses	**800**	675	19	1 388
Maintenance	**486**	437	11	871
Telecommunications	**126**	132	(5)	264
Cooperation agreements and joint ventures	**455**	470	(3)	871
Property	**383**	400	(4)	763
Business travel	**179**	165	8	319
Other expenditure	**1 648**	1 701	(3)	3 330
Total operating expenses	**17 299**	16 317	6	32 591

Key drivers

- Cost growth moderated to 6% from 12% in the comparative period, reflecting the impact of lower variable costs associated with income generation and lower share-based payment expenses given the negative movement in FirstRand's share price during the period, although ongoing investment in capacity and expansion initiatives as well as the negative impact of the rand depreciating against international currencies period-on-period negatively impacted absolute growth.

Description	% change	Reasons
Direct staff costs	11	Unionised increases in excess of 9% and a 9% increase in the staff complement across the bank and converting temporary staff to permanent in South Africa, which accounted for approximately 6% of the increase in staff numbers.
Other staff-related expenditure	(1)	Directly related to moderating levels of profitability growth and lower IFRS 2 share-based payment expenses during the year.

- Increase of 15% in depreciation was impacted by new premises commissioned over the previous two financial years, increased level of investment in infrastructure, e.g. ATMs/ADTs, as well as in the electronic platforms.
- 14% growth in professional fees and 19% growth in computer expenses reflect increased spend on development, implementation and improvement projects related to various electronic platforms, additional compliance-related projects, as well as the partial impact of rand depreciation.
- The increase in audit fees relate partly to additional non-audit service spend relating to IFRS 9 implementation as well as other bank projects, which increased 76%.
- Increase in maintenance expenses relate to recent associated maintenance costs.

DIRECT TAXATION – UP 17%

Key drivers

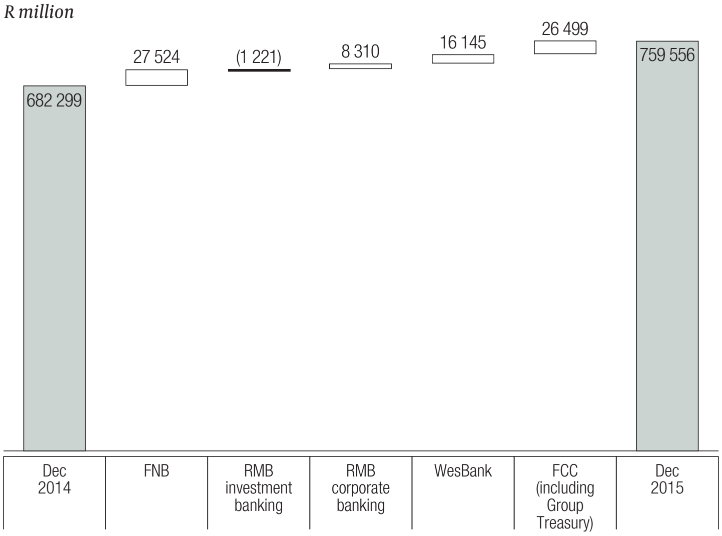
- A change in income mix, with strong growth in NII and standard-rate taxable NIR, e.g. fee and commission income.
- Increased profitability year-on-year.

CONDENSED STATEMENT OF FINANCIAL POSITION – NORMALISED

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
ASSETS				
Derivative financial instruments	**68 213**	38 769	76	34 112
Advances	**744 876**	668 508	11	705 257
Investment securities and other investments	**95 566**	75 870	26	103 673
Other assets	**111 160**	93 679	19	106 917
Total assets	**1 019 815**	876 826	16	949 959
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions and derivative financial instruments	**87 926**	43 283	>100	46 081
Deposits	**804 184**	723 696	11	779 703
Other liabilities	**50 192**	43 239	16	49 178
Total liabilities	**942 302**	810 218	16	874 962
Total equity	**77 513**	66 608	16	74 997
Total equity and liabilities	**1 019 815**	876 826	16	949 959

ADVANCES – UP 11%

GROSS ADVANCES BY FRANCHISE
R million



ADVANCES

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
Normalised gross advances	**759 556**	682 299	11	718 771
Normalised impairment of advances	**(14 680)**	(13 791)	6	(13 514)
Normalised net advances	**744 876**	668 508	11	705 257

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

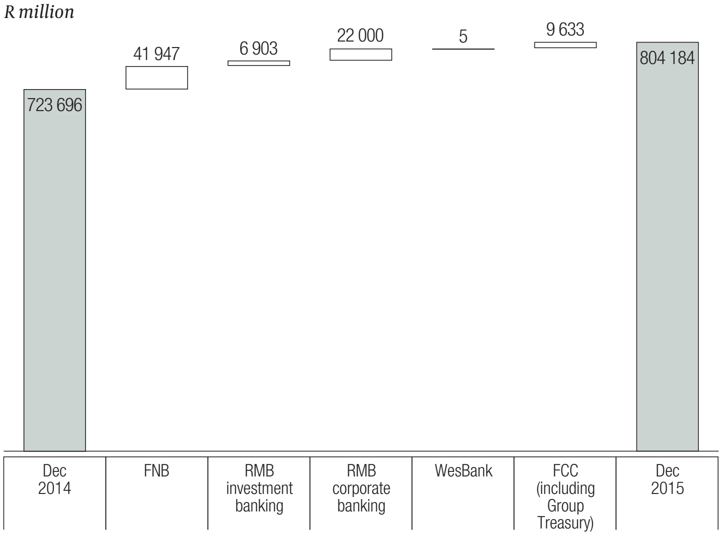
Growth rates have moderated across certain retail portfolios compared to the financial year ended 30 June 2015 due to reduced risk appetite and the macro environment. The adverse commodity cycle has contributed to a significant decrease in corporate portfolio growth rates over the last 12 to 18 months.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

Portfolio/product	% change	Key drivers
FNB retail	**8**	
Residential mortgages	5	• Continued strong growth of 14% in secured affordable housing, on the back of client demand. • 5% growth in FNB HomeLoans, with growth marginally below nominal house price inflation.
Card	20	• Underpinned by targeted client acquisition, increased client migration as well as increased limits and utilisation, primarily in the Premium segment.
Personal loans	19	• Growth remained resilient for the period under review although origination appetite turned more conservative in the latter portion of the reporting period, with mass market term loans growing 3%.
Retail other	23	• Growth driven by increases in transactional banking accounts (primarily overdrafts), although moderating on a period-on-period basis, reflecting lower risk appetite, slowing customer acquisition and more competitive pressures.
FNB commercial	**18**	• Reflecting targeted new client acquisition in the business segment, resulting in growth of 22% in agricultural, 19% commercial property finance and 18% in leveraged finance advances.
RMB CIB core advances (excluding repos and HQLA)	**2**	• Marginal growth from SA core advances book, reflecting the constrained macro environment and competitive pressures. Cross-border growth was down in USD terms given reduced risk appetite due to the tough commodity cycle. The introduction of the LCR with effect from 1 January 2015 and the resultant creation of HQLA further impacted on absolute growth.
WesBank	**10**	• Strong growth of 43% (29% in GBP terms) in new business volumes in MotoNovo, driven by increased volumes, new products and increased geographical footprint. • Overall growth in local advances was negatively impacted by slower new business volumes of 1% in SA Retail VAF, reflecting the negative period-on-period new vehicle sales in South Africa, and a slow down in WesBank loans given a reduction in risk appetite in light of the macro environment. • Corporate new business volumes contracted 3%, reflecting the difficult macro environment.

DEPOSITS – UP 11%

GROSS DEPOSITS BY FRANCHISE

R million



Client deposits grew 13% with institutional funding, including term and structures issuances, increasing 7%.

Key drivers

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

GROWTH IN DEPOSIT BALANCES:

Product	%
Current accounts	**13**
Savings and transmission accounts	**9**
Fixed deposits	**21**
Notice accounts	**12**

- RMB corporate banking grew deposits 25%, driven by client acquisition, which led to an increase in both transactional and operational deposit balances, as well as new product innovation, which resulted in strong gains in certain products.
- Group Treasury deposits grew 4%, impacted by foreign currency funding and structured issuances in the domestic market. Absolute growth was affected by the by the rand depreciation during the year.

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SEGMENT REPORT

SEGMENT REPORT

for the six months ended 31 December 2015

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	1 873	1 076	1 230	2 755	**6 934**	3 473	4	**10 411**
Impairment of advances	(160)	(220)	(439)	(347)	**(1 166)**	(194)	(1)	**(1 361)**
Net interest income after impairment of advances	1 713	856	791	2 408	**5 768**	3 279	3	**9 050**
Non-interest revenue	167	793	436	4 309	**5 705**	3 216	320	**9 241**
Income from operations	1 880	1 649	1 227	6 717	**11 473**	6 495	323	**18 291**
Operating expenses	(873)	(977)	(559)	(4 096)	**(6 505)**	(3 633)	(489)	**(10 627)**
Income before tax	1 007	672	668	2 621	**4 968**	2 862	(166)	**7 664**
Indirect tax	(8)	(23)	(9)	(189)	**(229)**	(17)	(1)	**(247)**
Profit for the period before tax	999	649	659	2 432	**4 739**	2 845	(167)	**7 417**
Income tax expense	(280)	(182)	(185)	(681)	**(1 328)**	(797)	47	**(2 078)**
Profit for the period	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**
Attributable to								
Ordinary equityholders	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**
Attributable earnings to ordinary shareholders	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	719	467	474	1 751	**3 411**	2 048	(120)	**5 339**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 68.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
1 866	771	**2 637**	**4 484**	647	**18 179**	(1 265)	**16 914**
(453)	(35)	**(488)**	**(1 249)**	165	**(2 933)**	275	**(2 658)**
1 413	736	**2 149**	**3 235**	812	**15 246**	(990)	**14 256**
2 396	752	**3 148**	**1 250**	(573)	**13 066**	(122)	**12 944**
3 809	1 488	**5 297**	**4 485**	239	**28 312**	(1 112)	**27 200**
(2 371)	(886)	**(3 257)**	**(2 754)**	(661)	**(17 299)**	397	**(16 902)**
1 438	602	**2 040**	**1 731**	(422)	**11 013**	(715)	**10 298**
(52)	(4)	**(56)**	**(121)**	72	**(352)**	–	**(352)**
1 386	598	**1 984**	**1 610**	(350)	**10 661**	(715)	**9 946**
(388)	(167)	**(555)**	**(450)**	243	**(2 840)**	201	**(2 639)**
998	431	**1 429**	**1 160**	(107)	**7 821**	(514)	**7 307**
998	431	**1 429**	**1 160**	(216)	**7 712**	(514)	**7 198**
–	–	**–**	**–**	109	**109**	–	**109**
998	431	**1 429**	**1 160**	(107)	**7 821**	(514)	**7 307**
998	431	**1 429**	**1 160**	(216)	**7 712**	(514)	**7 198**
–	–	**–**	**–**	–	**–**	(2)	**(2)**
998	431	**1 429**	**1 160**	(216)	**7 712**	(516)	**7 196**
–	–	**–**	**–**	–	**–**	569	**569**
–	–	**–**	**–**	–	**–**	(53)	**(53)**
998	431	**1 429**	**1 160**	(216)	**7 712**	–	**7 712**

R million	FNB							
	Retail							
	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa**	**Total FNB**
Cost-to-income ratio (%)	42.8	52.3	33.6	58.0	**51.5**	54.3	>100	**54.1**
Diversity ratio (%)	8.2	42.4	26.2	61.0	**45.1**	48.1	98.8	**47.0**
Credit loss ratio (%)	0.18	2.18	6.04	5.34	**1.01**	0.64	0.37	**0.94**
NPLs as a percentage of advances (%)	2.30	2.54	4.66	4.01	**2.58**	2.37	15.77	**2.56**
Income statement includes								
Depreciation	(3)	(2)	(4)	(660)	**(669)**	(14)	(2)	**(685)**
Amortisation	–	–	–	(2)	**(2)**	–	–	**(2)**
Impairment charges	–	–	–	7	**7**	–	–	**7**
Statement of financial position includes								
Advances (after ISP – before impairments)	184 641	20 854	15 206	13 690	**234 391**	62 149	634	**297 174**
– Normal advances	184 641	20 854	15 206	13 690	**234 391**	62 149	634	**297 174**
– Credit related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	4 253	530	709	549	**6 041**	1 472	100	**7 613**
Total deposits (including non-recourse deposits)	158	1 606	1	168 698	**170 463**	169 366	760	**340 589**
Total assets	183 396	20 156	14 050	33 513	**251 115**	61 758	889	**313 762**
Total liabilities*	183 169	19 826	13 752	28 492	**245 239**	60 096	1 065	**306 400**
Capital expenditure	1	1	1	761	**764**	24	7	**795**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

\# *Refer to additional segmental disclosure on page 68.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
55.6	58.2	**56.3**	**48.0**	>100	**55.4**	–	**56.6**
56.2	49.4	**54.4**	**21.8**	(>100)	**41.8**	–	**43.4**
0.43	0.18	**0.39**	**1.45**	(0.04)	**0.79**	–	**0.76**
1.78	0.30	**1.52**	**3.39**	–	**2.31**	–	**2.43**
(34)	(1)	**(35)**	**(213)**	(14)	**(947)**	–	**(947)**
(3)	–	**(3)**	**(9)**	(2)	**(16)**	–	**(16)**
–	–	**–**	**–**	–	**7**	–	**7**
210 629	43 897	**254 526**	**177 828**	30 028	**759 556**	(39 231)	**720 325**
201 526	43 897	**245 423**	**177 828**	3 602	**724 027**	(3 702)	**720 325**
9 103	–	**9 103**	**–**	26 426	**35 529**	(35 529)	**–**
3 740	133	**3 873**	**6 036**	–	**17 522**	(50)	**17 472**
91 155	111 261	**202 416**	**55**	261 124	**804 184**	–	**804 184**
355 790	46 463	**402 253**	**177 537**	126 263	**1 019 815**	–	**1 019 815**
354 756	45 771	**400 527**	**175 872**	59 503	**942 302**	–	**942 302**
29	1	**30**	**663**	7	**1 495**	–	**1 495**

SEGMENT REPORT

for the six months ended 31 December 2014

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	1 715	868	1 085	2 307	**5 975**	2 925	3	**8 903**
Impairment of advances	(55)	(16)	(415)	(493)	**(979)**	(154)	(20)	**(1 153)**
Net interest income after impairment of advances	1 660	852	670	1 814	**4 996**	2 771	(17)	**7 750**
Non-interest revenue	153	765	358	4 429	**5 705**	3 060	244	**9 009**
Income from operations	1 813	1 617	1 028	6 243	**10 701**	5 831	227	**16 759**
Operating expenses	(833)	(895)	(450)	(4 065)	**(6 243)**	(3 327)	(397)	**(9 967)**
Income before tax	980	722	578	2 178	**4 458**	2 504	(170)	**6 792**
Indirect tax	(18)	(19)	(9)	(178)	**(224)**	(18)	(1)	**(243)**
Profit for the period before tax	962	703	569	2 000	**4 234**	2 486	(171)	**6 549**
Income tax expense	(269)	(197)	(159)	(560)	**(1 185)**	(696)	48	**(1 833)**
Profit for the period	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**
Attributable to								
Ordinary equityholders	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**
Attributable earnings to ordinary equityholders	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	693	506	410	1 440	**3 049**	1 790	(123)	**4 716**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 68.*

	RMB							
	Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
	1 995	626	**2 621**	**4 147**	1 229	**16 900**	(2 088)	**14 812**
	(378)	(78)	**(456)**	**(1 129)**	150	**(2 588)**	382	**(2 206)**
	1 617	548	**2 165**	**3 018**	1 379	**14 312**	(1 706)	**12 606**
	1 708	797	**2 505**	**1 149**	(560)	**12 103**	2 610	**14 713**
	3 325	1 345	**4 670**	**4 167**	819	**26 415**	904	**27 319**
	(2 025)	(833)	**(2 858)**	**(2 540)**	(952)	**(16 317)**	(629)	**(16 946)**
	1 300	512	**1 812**	**1 627**	(133)	**10 098**	275	**10 373**
	(37)	20	**(17)**	**(109)**	(57)	**(426)**	–	**(426)**
	1 263	532	**1 795**	**1 518**	(190)	**9 672**	275	**9 947**
	(355)	(149)	**(504)**	**(397)**	303	**(2 431)**	(78)	**(2 509)**
	908	383	**1 291**	**1 121**	113	**7 241**	197	**7 438**
	908	383	**1 291**	**1 121**	11	**7 139**	197	**7 336**
	–	–	**–**	**–**	102	**102**	–	**102**
	908	383	**1 291**	**1 121**	113	**7 241**	197	**7 438**
	908	383	**1 291**	**1 121**	11	**7 139**	197	**7 336**
	–	–	**–**	**–**	–	**–**	1	**1**
	908	383	**1 291**	**1 121**	11	**7 139**	198	**7 337**
	–	–	**–**	**–**	–	**–**	(144)	**(144)**
	–	–	**–**	**–**	–	**–**	(54)	**(54)**
	908	383	**1 291**	**1 121**	11	**7 139**	–	**7 139**

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 (%)	44.6	54.8	31.2	60.3	**53.5**	55.6	>100	**55.6**
Diversity ratio (%)	8.2	46.8	24.8	65.8	**48.8**	51.1	98.8	**50.3**
Credit loss ratio (%)	0.06	0.19	6.55	9.57	**0.92**	0.60	12.52	**0.87**
NPLs as a percentage of advances (%)	2.88	1.87	5.39	4.71	**3.04**	2.42	23.87	**2.95**
Income statement includes								
Depreciation	(3)	(3)	(1)	(545)	**(552)**	(10)	(1)	**(563)**
Amortisation	–	–	–	(3)	**(3)**	–	–	**(3)**
Impairment charges	–	–	–	(2)	**(2)**	–	–	**(2)**
Statement of financial position includes								
Advances (after ISP – before impairments)	175 097	17 356	12 831	11 143	**216 427**	52 825	398	**269 650**
– Normal advances	175 097	17 356	12 831	11 143	**216 427**	52 825	398	**269 650**
– Credit related assets	–	–	–	–	**–**	–	–	**–**
NPLs net of ISP	5 037	324	691	525	**6 577**	1 278	95	**7 950**
Total deposits (including non-recourse deposits)	152	1 490	1	148 031	**149 674**	148 638	330	**298 642**
Total assets	173 790	16 835	11 741	28 981	**231 347**	52 194	439	**283 980**
Total liabilities*	173 536	16 422	11 484	24 623	**226 065**	50 740	609	**277 414**
Capital expenditure	–	2	–	1 560	**1 562**	20	–	**1 582**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

\# *Refer to additional segmental disclosure on page 68.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
54.7	58.5	**55.8**	**48.0**	>100	**56.3**	–	**57.4**
46.1	56.0	**48.9**	**21.7**	(83.74)	**41.7**	–	**49.8**
0.37	0.47	**0.39**	**1.42**	(0.05)	**0.78**	–	**0.68**
1.19	0.94	**1.16**	**3.22**	–	**2.35**	–	**2.43**
(34)	(1)	**(35)**	**(210)**	(12)	**(820)**	–	**(820)**
(4)	–	**(4)**	**(15)**	(1)	**(23)**	–	**(23)**
–	–	**–**	**–**	–	**(2)**	–	**(2)**
211 850	35 587	**247 437**	**161 683**	3 529	**682 299**	(23 488)	**658 811**
193 155	35 587	**228 742**	**161 683**	2 420	**662 495**	(3 684)	**658 811**
18 695	–	**18 695**	**–**	1 109	**19 804**	(19 804)	**–**
2 531	336	**2 867**	**5 204**	–	**16 021**	–	**16 021**
84 252	89 261	**173 513**	**50**	251 491	**723 696**	–	**723 696**
309 882	38 059	**347 941**	**161 647**	83 258	**876 826**	–	**876 826**
309 062	37 336	**346 398**	**160 423**	25 983	**810 218**	–	**810 218**
136	1	**137**	**537**	5	**2 261**	–	**2 261**

SEGMENT REPORT

for the year ended 30 June 2015

	FNB							
	Retail							
R million	Residential mortgages	Card	Personal loans	Retail other	**Retail**	Commercial	FNB Africa*	**Total FNB**
Net interest income before impairment of advances	3 548	1 856	2 232	4 794	**12 430**	6 121	4	**18 555**
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	4 051	**10 670**	5 811	1	**16 482**
Non-interest revenue	305	1 436	757	8 511	**11 009**	5 987	501	**17 497**
Income from operations	3 742	3 101	2 274	12 562	**21 679**	11 798	502	**33 979**
Operating expenses	(1 689)	(1 772)	(916)	(8 626)	**(13 003)**	(6 724)	(824)	**(20 551)**
Income before tax	2 053	1 329	1 358	3 936	**8 676**	5 074	(322)	**13 428**
Indirect tax	(35)	(44)	(18)	(303)	**(400)**	(35)	(1)	**(436)**
Profit for the period before tax	2 018	1 285	1 340	3 633	**8 276**	5 039	(323)	**12 992**
Income tax expense	(565)	(360)	(375)	(1 017)	**(2 317)**	(1 411)	90	**(3 638)**
Profit for the period	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**
Attributable to								
Ordinary equityholders	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**
NCNR preference shareholders	–	–	–	–	**–**	–	–	**–**
Profit for the period	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**
Attributable earnings to ordinary equityholders	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**
Headline earnings adjustments	–	–	–	–	**–**	–	–	**–**
Headline earnings	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**
TRS adjustment	–	–	–	–	**–**	–	–	**–**
IAS 19 adjustment	–	–	–	–	**–**	–	–	**–**
Normalised earnings	1 453	925	965	2 616	**5 959**	3 628	(233)	**9 354**

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

* *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

** *Refer to additional segmental disclosure on page 68.*

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank****	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
3 939	1 286	**5 225**	**8 088**	2 045	**33 913**	(3 684)	**30 229**
(596)	(177)	**(773)**	**(2 413)**	266	**(4 993)**	637	**(4 356)**
3 343	1 109	**4 452**	**5 675**	2 311	**28 920**	(3 047)	**25 873**
5 336	1 510	**6 846**	**2 395**	(1 681)	**25 057**	4 159	**29 216**
8 679	2 619	**11 298**	**8 070**	630	**53 977**	1 112	**55 089**
(4 412)	(1 611)	**(6 023)**	**(5 006)**	(1 011)	**(32 591)**	(907)	**(33 498)**
4 267	1 008	**5 275**	**3 064**	(381)	**21 386**	205	**21 591**
(73)	16	**(57)**	**(239)**	(19)	**(751)**	–	**(751)**
4 194	1 024	**5 218**	**2 825**	(400)	**20 635**	205	**20 840**
(1 176)	(288)	**(1 464)**	**(761)**	681	**(5 182)**	(57)	**(5 239)**
3 018	736	**3 754**	**2 064**	281	**15 453**	148	**15 601**
3 018	736	**3 754**	**2 064**	74	**15 246**	148	**15 394**
–	–	**–**	**–**	207	**207**	–	**207**
3 018	736	**3 754**	**2 064**	281	**15 453**	148	**15 601**
3 018	736	**3 754**	**2 064**	74	**15 246**	148	**15 394**
–	–	**–**	**–**	–	**–**	(7)	**(7)**
3 018	736	**3 754**	**2 064**	74	**15 246**	141	**15 387**
–	–	**–**	**–**	–	**–**	(34)	**(34)**
–	–	**–**	**–**	–	**–**	(107)	**(107)**
3 018	736	**3 754**	**2 064**	74	**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 (%)	43.8	53.8	30.6	64.8	**55.5**	55.5	>100	**57.0**
Diversity ratio (%)	7.9	43.6	25.3	64.0	**47.0**	49.4	99.2	**48.5**
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 charge	–	–	–	(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	30 480	**241 152**	57 787	579	**299 518**
Total liabilities*	178 393	18 171	12 120	22 118	**230 802**	54 803	903	**286 508**
Capital expenditure	–	3	7	2 640	**2 650**	32	23	**2 705**

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

* *Total liabilities are net of interdivisional balances.*

** *FNB Africa results reported above relate to head office costs and FNB's activities in India. Earnings of the African subsidiaries form part of FREMA (see simplified group structure on page 129) and are not reported in bank.*

Refer to additional segmental disclosure on page 68.

RMB							
Investment banking	Corporate banking	**Total RMB**	**WesBank#**	FCC (including Group Treasury) and other	**FRB – normalised**	Normalised and headline earnings adjustments	**FRB – IFRS**
47.6	57.6	**49.9**	**47.8**	>100	**55.3**	–	**56.4**
57.5	54.0	**56.7**	**22.8**	(>100)	**42.5**	–	**49.1**
0.29	0.56	**0.33**	**1.49**	(0.04)	**0.73**	–	**0.66**
0.92	1.06	**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)**
208 624	33 192	**241 816**	**166 897**	25 516	**718 771**	(33 294)	**685 477**
197 468	33 192	**230 660**	**166 897**	6 594	**688 693**	(3 216)	**685 477**
11 156	–	**11 156**	**–**	18 922	**30 078**	(30 078)	**–**
1 925	352	**2 277**	**5 768**	–	**15 603**	(50)	**15 553**
94 076	98 083	**192 159**	**53**	275 871	**779 703**	–	**779 703**
316 633	36 081	**352 714**	**166 345**	131 382	**949 959**	–	**949 959**
313 381	34 764	**348 145**	**163 586**	76 723	**874 962**	–	**874 962**
172	3	**175**	**826**	6	**3 712**	–	**3 712**

ADDITIONAL SEGMENTAL DISCLOSURE – WESBANK

	Six months ended 31 December 2015				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	**2 110**	**761**	**509**	**1 104**	**4 484**
Impairment of advances	**(628)**	**(137)**	**(31)**	**(453)**	**(1 249)**
Normalised profit before tax	**699**	**409**	**256**	**246**	**1 610**
Normalised earnings	**504**	**294**	**184**	**178**	**1 160**
Advances	**96 748**	**28 450**	**41 365**	**11 265**	**177 828**
– Normal advances	**96 748**	**28 450**	**41 365**	**11 265**	**177 828**
– Securitised advances	**–**	**–**	**–**	**–**	**–**
NPLs	**4 332**	**115**	**576**	**1 013**	**6 036**
Advances margin (%)	**3.79**	**5.11**	**2.66**	**19.63**	**4.69**
NPLs (%)	**4.48**	**0.40**	**1.39**	**8.99**	**3.39**
Credit loss ratio (%)	**1.30**	**1.11**	**0.15**	**8.34**	**1.45**

	Six months ended 31 December 2014				
	VAF				
	Retail				
R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
NII before impairment of advances	2 072	551	528	996	4 147
Impairment of advances	(507)	(60)	(175)	(387)	(1 129)
Normalised profit before tax	731	332	213	242	1 518
Normalised earnings	526	239	182	174	1 121
Advances	97 539	11 690	42 631	9 823	161 683
– Normal advances	97 539	11 690	42 631	9 823	161 683
– Securitised advances	–	–	–	–	–
NPLs	3 627	63	728	786	5 204
Advances margin (%)	3.75	9.91	2.85	19.64	4.92
NPLs (%)	3.72	0.54	1.71	8.00	3.22
Credit loss ratio (%)	1.05	0.96	0.86	8.16	1.42

R million	South Africa	MotoNovo (UK)	Corporate and commercial	Personal loans	Total WesBank
	Year ended 30 June 2015				
	VAF				
	Retail				
NII before impairment of advances	4 082	933	1 035	2 038	8 088
Impairment of advances	(1 217)	(163)	(204)	(829)	(2 413)
Normalised profit before tax	1 480	455	385	505	2 825
Normalised earnings	1 066	328	306	364	2 064
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

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BALANCE SHEET ANALYSIS

ECONOMIC VIEW OF THE BALANCE SHEET

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

When assessing the underlying risk in the balance sheet, the bank's asset profile is dominated by a balanced advances portfolio, which constitutes 80% of total assets. The composition of the net advances portfolio consists of retail secured (41%), retail unsecured (8%), corporate and commercial (49%) and FNB Africa and other (2%). Total NPLs were R17.5 billion (2.31% as a percentage of advances) with a credit loss ratio of 0.79% and 90% of advances were rated B or better.

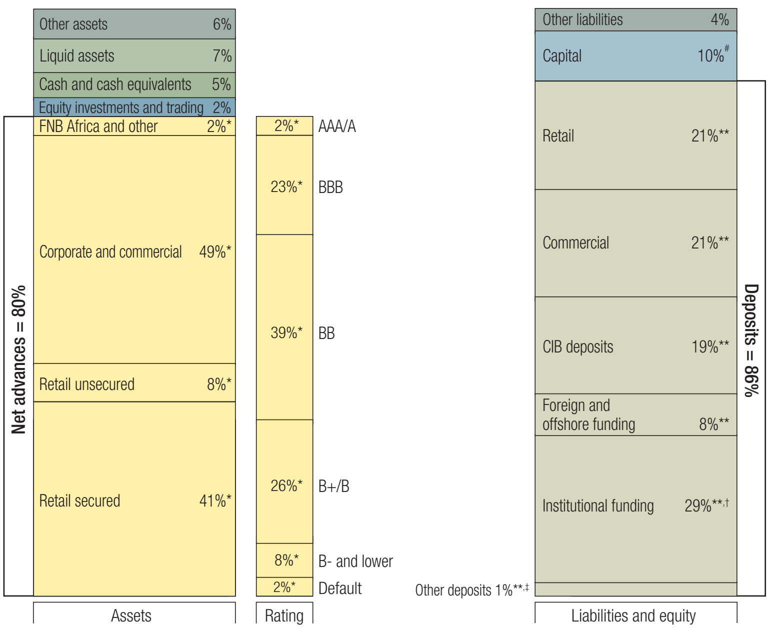
Cash and cash equivalents, and liquid assets represent 5% and 7% respectively of total assets. Only a small portion of assets relates to the investment and trading businesses. Market risk arising from trading activities has remained low.

The bank's funding profile continues to reflect the structural funding issues associated with the South African banking sector, however, the group has continued to reduce its reliance on institutional funding and has further improved the term profile of institutional funding from a weighted average remaining term of 12 months in 2009 to 33 months at 31 December 2015 (December 2014: 28 months).

The bank's capital ratios remained strong with the CET1 ratio 13.6%, Tier 1 ratio 14.0% and total capital adequacy ratio 16.7%. Gearing reduced to 13.4 times (December 2014: 13.9 times).

ECONOMIC VIEW OF THE BALANCE SHEET

%



* *As a proportion of loans and advances.*

** *As a proportion of deposit franchise.*

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

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

‡ *Consists of liabilities relating to conduits and securitisation.*

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

CAPITAL

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

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

PERIOD UNDER REVIEW

The capital planning process ensures that the total capital adequacy and CET1 ratios remain within or above targets across economic and business cycles. Capital is managed on a forward-looking basis and the 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 leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring leverage for the bank.

The bank comfortably operated above its capital and leverage targets during the period under review. The table below summarises the bank's capital and leverage ratios at 31 December 2015.

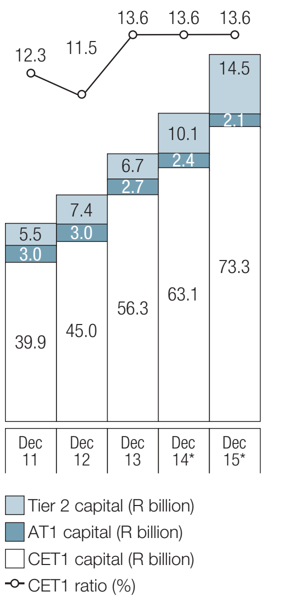
CAPITAL ADEQUACY AND LEVERAGE POSITION

	Capital			Leverage
%	**CET1**	**Tier 1**	**Total**	**Total**
Regulatory minimum*	6.5	8.0	10.0	4.0
Targets	10.0 – 11.0	>12.0	>14.0	>5.0
Actual				
FRB excluding foreign branches				
Excluding unappropriated profits	12.4	12.8	15.2	6.2
Including unappropriated profits	13.8	14.2	16.6	6.9
FRB including foreign branches				
Excluding unappropriated profits	12.3	12.7	15.4	6.4
Including unappropriated profits	13.6	14.0	16.7	7.1

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

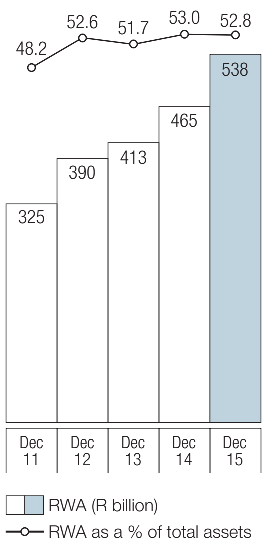
The graphs below show the historical overview of capital adequacy and RWA for FirstRand Bank including foreign branches.

CAPITAL ADEQUACY



* *Includes unappropriated profits.*

RWA HISTORY

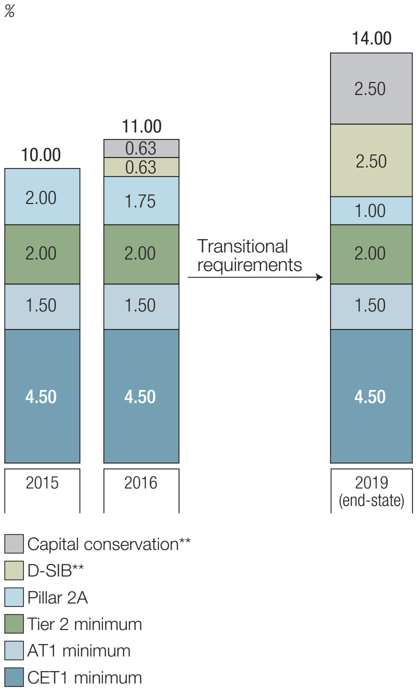


The bank aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

REGULATORY UPDATE

Effective 1 January 2016, the SARB minimum capital requirement has been adjusted for the capital conservation buffer, add-on for domestic systemically important banks (D-SIB) and the countercyclical buffer. Currently the SARB has not implemented any countercyclical buffer requirement for South African exposures. The capital conservation buffer and add-on for D-SIBs will be phased in over the next four years, as illustrated in the graph below.

TRANSITIONAL MINIMUM REQUIREMENTS*



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

** *Pillar 2A and D-SIB met with CET1, Tier 1 and total capital. Capital conservation buffer met solely with CET1 capital.*

The bank's internal targets have been aligned to the end-state minimum requirements and are subject to ongoing review. No changes have been made to the current targets during the period under review.

The BCBS issued various consultative documents, including revisions to the RWA framework and capital floors. These papers are at different stages of testing, finalisation and implementation, and the actual impact on banks remains unclear. The bank continues to participate in the BCBS quantitative impact studies to assess and incorporate, where relevant, the effect of these standards.

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

COMPOSITION OF CAPITAL

Supply of capital

The tables below summarise the bank's qualifying capital components.

COMPOSITION OF CAPITAL ANALYSIS*

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Excluding unappropriated profits			
CET1	**66 034**	60 236	65 876
Tier 1	**68 134**	62 636	67 976
Total qualifying capital	**82 639**	72 766	79 594
Including unappropriated profits			
CET1	**73 334**	63 109	71 289
Tier 1	**75 434**	65 509	73 389
Total qualifying capital	**89 939**	75 639	85 007

* *FRB including foreign branches.*

Movement		
CET1	**AT1**	**Tier 2**
↑	↓	↑
Internal capital generation through earnings.	Additional 10% haircut on non-compliant Basel III NCNR preference shares.	Issuance of Basel III compliant Tier 2 instruments totalling R4.3 billion (March 2015: R2 billion and July 2015: R2.3 billion) partly offset by the additional 10% haircut on non-compliant Basel III Tier 2 instruments.

DEMAND FOR CAPITAL

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

RWA ANALYSIS*

	As at 31 December		As at 30 June	
R million	**2015**	**2014**	**2015**	**Key drivers**
Credit risk	**397 304**	343 288	370 561	organic growth, model recalibrations and regulatory refinement.
Counterparty credit risk	**19 276**	10 957	15 591	withdrawal of CVA exemption for ZAR and local counterparty OTC derivatives.
Operational risk	**80 292**	74 947	77 302	recalibration of risk scenarios and higher capital floor add-on due to increased gross income under the standardised approach.
Market risk	**13 894**	12 676	11 523	volume and mark-to-market movements.
Equity investment risk	**5 135**	5 667	5 409	disposals of investments and fair value adjustments.
Other assets**	**22 126**	17 043	21 992	increase in assets subject to 250% risk weighting; and increase in property and equipment and other assets.
Total RWA	**538 027**	**464 578**	**502 378**	

* *FRB including foreign branches.*

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

Directive 3/2015 (capital) and directive 4/2014 (leverage) requires the following additional common disclosures in line with Regulation 43 of the Regulations relating to Banks:

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

Refer to www.firstrand.co.za for further detail.

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

FUNDING AND LIQUIDITY

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

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

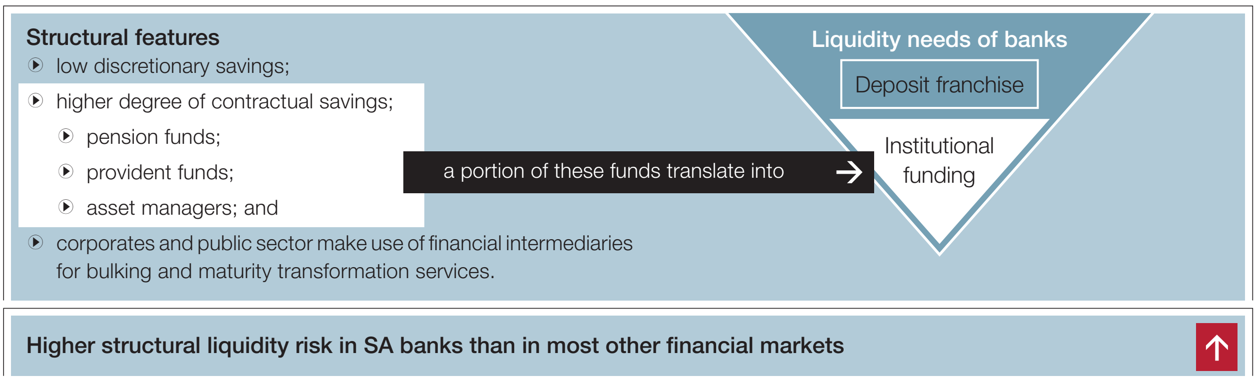
Compliance with the Basel III LCR influences the group's funding strategy, in particular as it seeks to restore correct risk-adjusted pricing. The group is actively building its deposit franchise through innovative and competitive products and pricing, while also improving the risk profile of its institutional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

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

At 31 December 2015, the bank exceeded the 60% minimum LCR requirement with a LCR of 74%. The bank's available sources of liquidity per the LCR were R124 billion.

FUNDING MANAGEMENT

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



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.

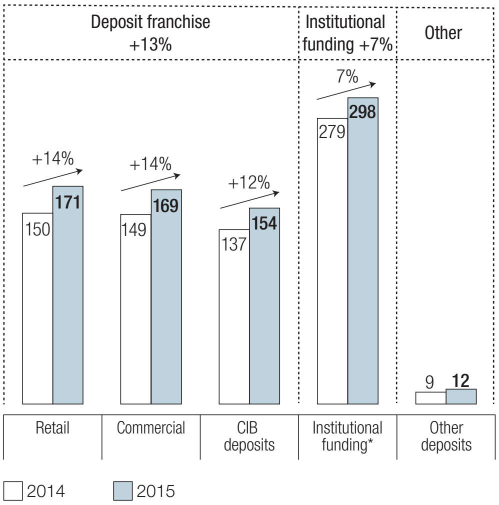
During the period under review there was an increased demand for liquidity by banks as a consequence of the money supply constraints introduced by the LCR and the central bank's open market operations. These factors combined significantly impacted liquidity conditions. In light of the structural features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

The group manages its funding structure by source, counterparty type, product, currency and market. The deposit franchise represents the most efficient source of funding and comprised 67% of bank funding liabilities at 31 December 2015. The group continues to focus on growing its deposit franchise across all segments with increasing emphasis on savings and investment products. Progress has been made in developing suitable products to attract a greater proportion of clients' available liquidity with improved risk-adjusted pricing for source and behaviour. To fund operations, the group accesses domestic money markets daily and, from time-to-time, capital markets. The group has frequently issued various capital and funding instruments in the capital markets on an auction and reverse enquiry basis with strong support from investors, both domestically and internationally.

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

FIRSTRAND BANK FUNDING BY SEGMENT

R billion



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

Funds transfer pricing

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

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

Funding measurement and activity

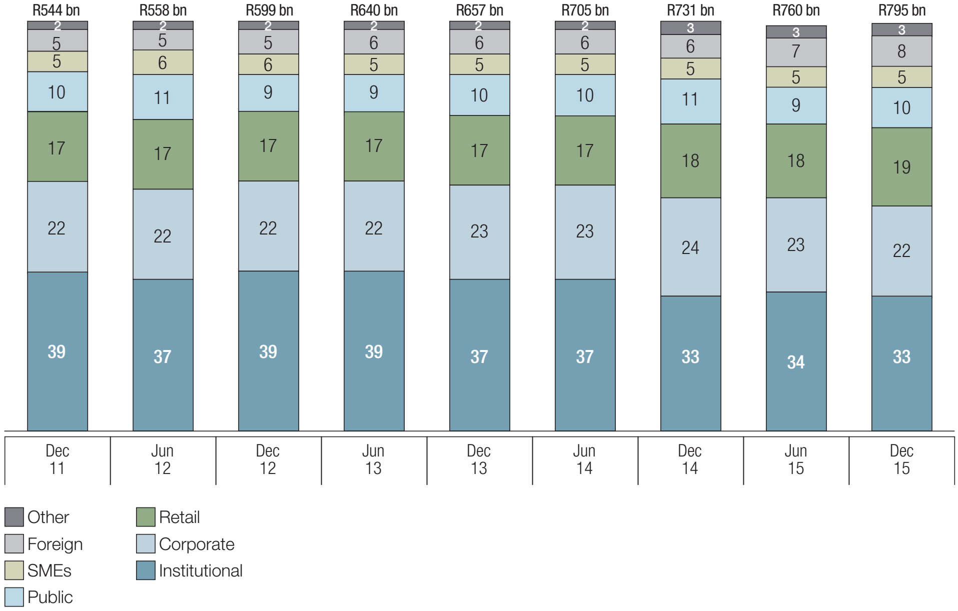
FRB, FirstRand's wholly-owned subsidiary and debt issuer, generates a larger proportion of its funding from deposits compared to the South African aggregate, however, its funding profile also reflects the structural features described previously. The table below provides an analysis of FRB's funding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

FIRSTRAND BANK'S FUNDING SOURCES

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

FIRSTRAND BANK'S FUNDING SOURCES

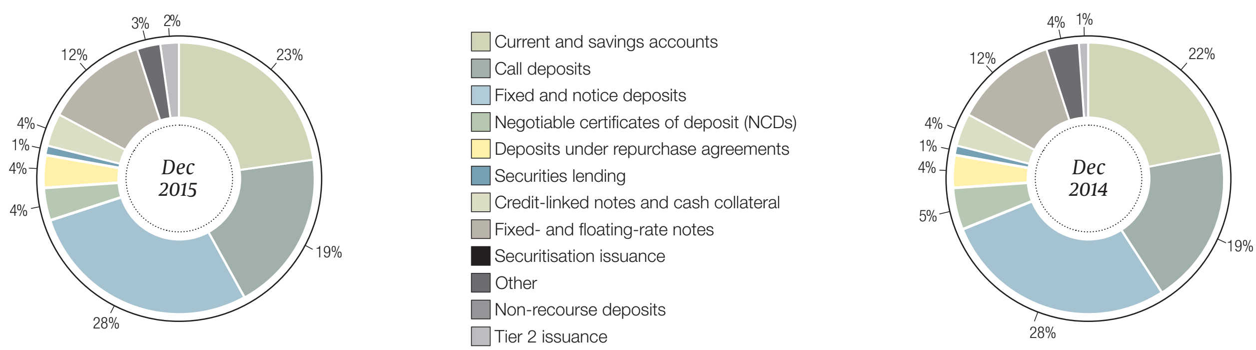
%



Source: SARB BA900 returns.

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

BANK'S FUNDING ANALYSIS BY INSTRUMENT TYPE

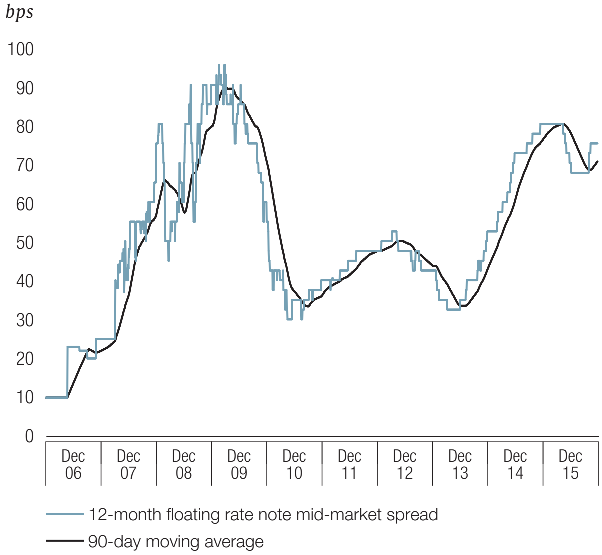


The group's aim is to fund the balance sheet in the most efficient manner, taking into account the liquidity risk management framework, as well as regulatory and rating agency requirements.

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

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

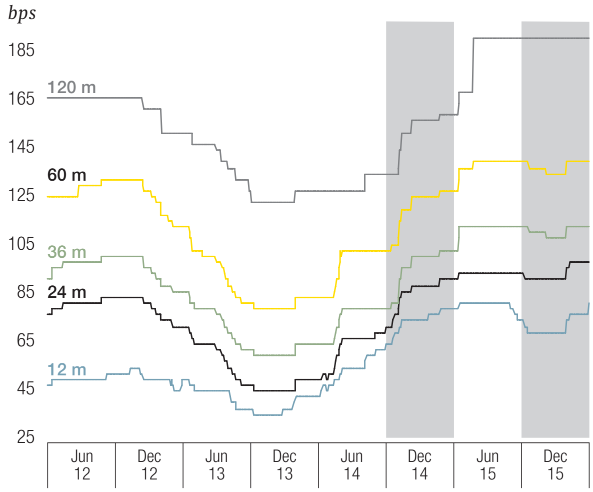
12-MONTH LIQUIDITY SPREAD



Source: Bloomberg (RMBP screen) and Reuters.

The following graph shows that long-term funding spreads remain elevated from a historical perspective and still appear to be reflecting a high liquidity premium. The liquidity spreads in the money market observed in instruments with maturities less than 12 months in particular are extremely high, at levels last seen during the financial crisis in 2008. The group is consistently able to raise funds in capital markets in line with its funding curve, which it views as an important test as the group's asset origination is linked to its funding curve.

LONG-TERM FUNDING SPREADS

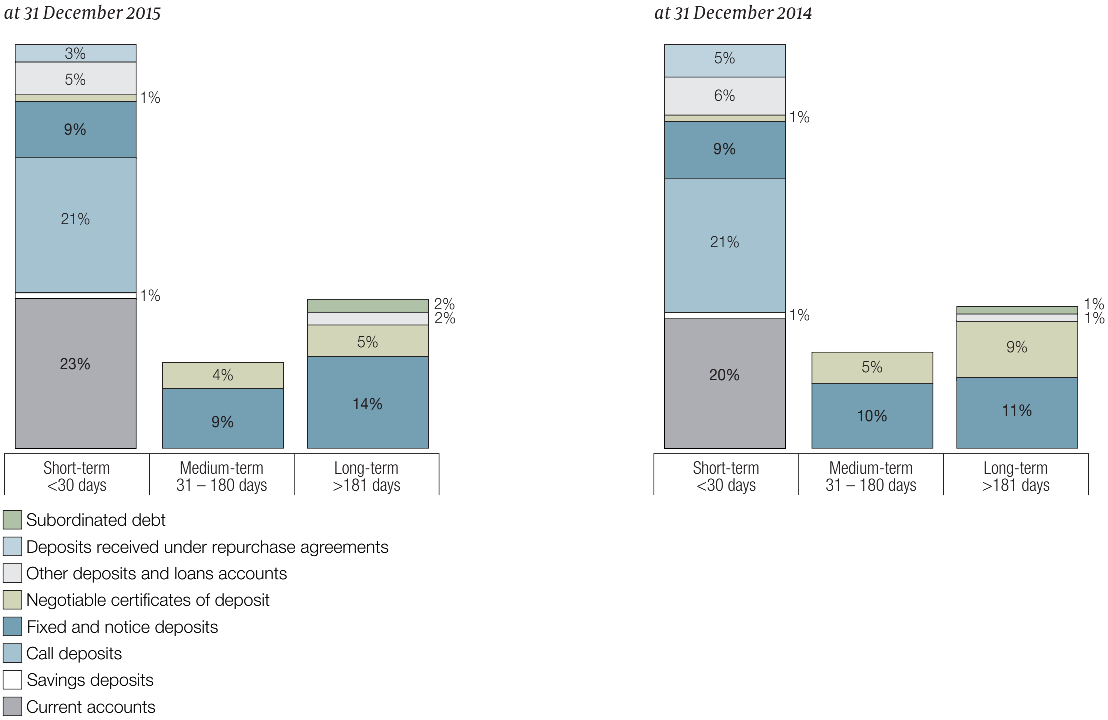


Source: Bloomberg (RMBP screen) and Reuters.

As a result of the 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.

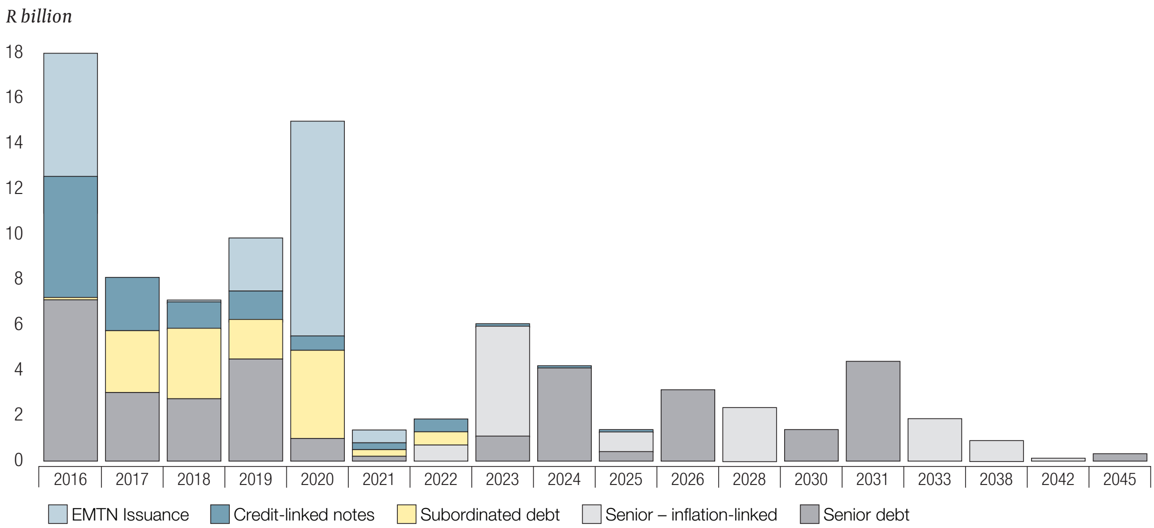
The following chart illustrates a breakdown of the bank's funding liabilities by instrument and term.

THE BANK'S FUNDING LIABILITIES BY INSTRUMENT TYPE AND TERM



The maturity profile of all issued capital market 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

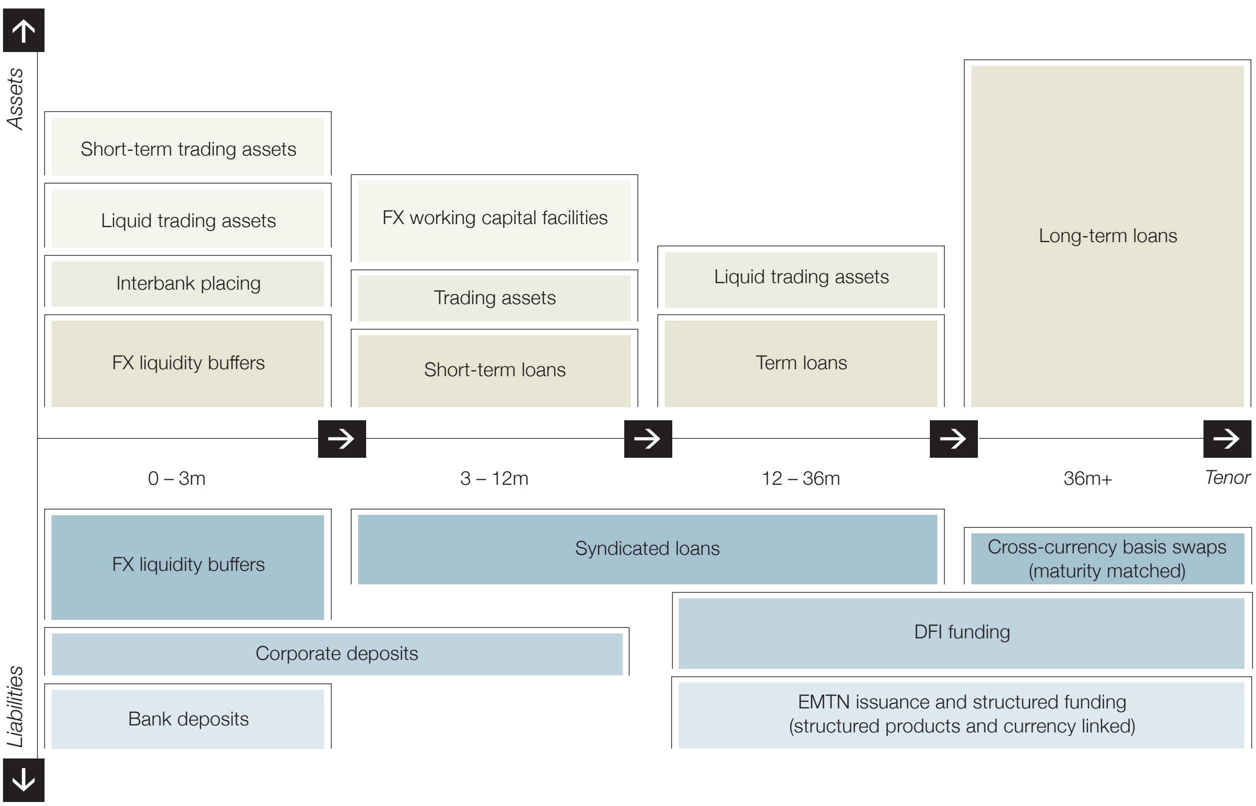
Given that the group continues to grow its businesses in the rest of Africa and India, and given the size of MotoNovo in the UK, the active management of foreign currency liquidity risk continues to be a strategic focus area. The group seeks to avoid exposing itself to undue liquidity risk and to maintain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

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

Philosophy on foreign currency external debt

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

GRAPHICAL REPRESENTATION OF THE FOREIGN CURRENCY BALANCE SHEET



REGULATORY UPDATE

1 Basel III

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

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

On 18 November 2015, the SARB released a proposed directive related to the NSFR. The SARB believes that the BCBS calibration does not reflect the actual stability of institutional funding in the SA context, given the significant barriers preventing liquidity from leaving the domestic financial system. It has, therefore, proposed a 35% available stable funding factor for institutional funding less than six months in tenor, compared to 0% under the BCBS framework. It is expected that this change will significantly assist the SA banking sector in meeting the NSFR requirements without severely impacting the economy.

2 Liquidity coverage ratio

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

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

3 Disclosure requirements

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

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

4 Net stable funding ratio

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

5 Resolution framework

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

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

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

LIQUIDITY RISK POSITION

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

FIRSTRAND BANK'S LIQUID ASSET COMPOSITION

	Marketable assets	Basel III view after haircut				Management view after haircuts	
	December 2015*	**Level 1**	**Level 2**	**December 2015***	**June 2015****	**December 2015**	**June 2015**
Cash and deposits with central banks	**27**	27	–	**27**	26	**27**	26
Government bonds and bills	**66**	66	–	**66**	82	**66**	82
Other liquid assets	**47**		31	**31**	6	**36**	17
Total	**140**	93	31	**124**	114	**129**	125

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

** *Values have been restated to align to LCR HQLA reporting. Haircuts on the government bond portfolio have also been removed and aligned to Basel III HQLA.*

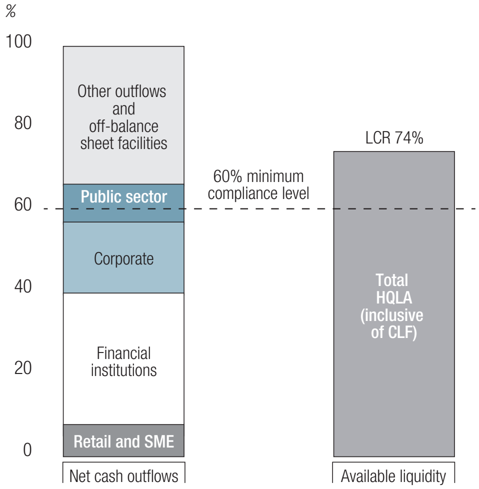
Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The quantum and composition of the available sources of liquidity are defined by the behavioural funding liquidity at risk and the market liquidity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

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

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

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

FIRSTRAND BANK LCR



Directive 6/2014 and directive 11/2014 require 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 trends in the wider economy.

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

CREDIT HIGHLIGHTS AT A GLANCE

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

		Six months ended 31 December			Year ended 30 June
R million	Notes	**2015**	**2014**	**% change**	**2015**
Total gross advances – including credit-related assets*	1	**759 556**	682 299	11	718 771
NPLs – including credit-related assets	2	**17 522**	16 021	9	15 603
NPLs as a % of advances – including credit-related assets		**2.31**	2.35		2.17
Impairment charge – including credit-related assets	3	**2 933**	2 588	13	4 993
Impairment charge as a % of average advances – including credit-related assets		**0.79**	0.78		0.73
Total impairments*	4	**14 680**	13 791	6	13 514
– Portfolio impairments		**7 311**	7 148	2	7 109
– Specific impairments		**7 369**	6 643	11	6 405
Implied loss given default (coverage)**	4	**42.1**	41.5		41.0
Total impairments coverage ratio#		**83.8**	86.1		86.6
Performing book coverage ratio†		**0.99**	1.07		1.01

* *Includes cumulative credit fair value adjustments.*

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

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

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

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 859 million (December 2014: R3 723 million; June 2015: R3 424 million); and
- IFRS credit impairments in the statement of comprehensive income were adjusted to include the credit fair value adjustment impact of R275 million (December 2014: R382 million; June 2015: R637 million). Under IFRS, these are accounted for in NIR.

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

NOTE 1: ANALYSIS OF ADVANCES

SEGMENTAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December			% com-	As at 30 June
R million	2015	2014	% change	position	2015
Retail	**370 854**	335 479	11	49	353 021
Retail – secured	**309 839**	284 326	9	41	296 890
Residential mortgages	**184 641**	175 097	5	24	180 208
VAF	**125 198**	109 229	15	17	116 682
– SA	**96 748**	97 539	(1)	13	95 759
– MotoNovo (UK)	**28 450**	11 690	>100	4	20 923
Retail – unsecured	**61 015**	51 153	19	8	56 131
Card	**20 854**	17 356	20	3	19 488
Personal loans	**26 471**	22 654	17	3	24 328
– FNB	**15 206**	12 831	19	2	13 856
– WesBank	**11 265**	9 823	15	1	10 472
Retail other	**13 690**	11 143	23	2	12 315
Corporate and commercial	**373 320**	342 893	9	49	349 285
FNB commercial	**62 149**	52 825	18	8	58 232
WesBank corporate	**41 365**	42 631	(3)	5	39 743
RMB investment banking	**210 629**	211 850	(1)	28	208 624
RMB corporate banking	**43 897**	35 587	23	6	33 192
HQLA corporate advances*	**15 280**	–	–	2	9 494
FNB Africa**	**634**	398	59	–	443
FCC (including Group Treasury)	**14 748**	3 529	>100	2	16 022
Securitisation notes	**9 879**	–	–	1	7 301
Other	**4 869**	3 529	38	1	8 721
Total advances	**759 556**	682 299	11	100	718 771
Of which:					
Accrual book	**529 561**	473 552	12	70	507 608
Fair value book#	**229 995**	208 747	10	30	211 163

* *Managed by the Group Treasurer.*
** *Includes FNB's activities in India.*
\# *Including advances classified as available-for-sale.*

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

	Advances				
	As at 31 December			% com-	As at 30 June
R million	2015	2014	% change	position	2015
Corporate and investment banking advances	**254 526**	247 437	3	100	241 816
Less: assets under agreements to resell	**(39 439)**	(35 837)	10	(15)	(35 600)
Corporate and investment banking advances net of assets under agreements to resell	**215 087**	211 600	2	85	206 216

SECTOR AND GEOGRAPHICAL ANALYSIS OF ADVANCES

	Advances				
	As at 31 December				As at 30 June
R million	**2015**	**2014**	**% change**	**% composition**	**2015**
Gross advances	**760 998**	683 832	11	100	720 142
Less: interest in suspense	**(1 442)**	(1 533)	(6)	–	(1 371)
Advances net of interest in suspense	**759 556**	682 299	11	100	718 771
Sector analysis					
Agriculture	**26 115**	23 043	13	3	25 216
Banks	**10 886**	10 105	8	1	16 651
Financial institutions	**92 763**	86 272	8	12	83 746
Building and property development	**36 064**	29 938	20	5	33 012
Government, Land Bank and public authorities	**19 303**	17 688	9	3	17 610
Individuals	**359 434**	334 566	7	47	341 998
Manufacturing and commerce	**90 807**	83 834	8	12	87 451
Mining	**22 650**	22 405	1	3	23 715
Transport and communication	**19 623**	18 515	6	3	16 806
Other services	**81 911**	55 933	46	11	72 566
Total advances	**759 556**	682 299	11	100	718 771
Geographic analysis					
South Africa	**686 632**	630 453	9	91	647 514
Other Africa	**29 853**	25 118	19	4	29 801
UK	**32 883**	14 467	>100	4	29 553
Other Europe	**5 689**	5 147	11	1	5 153
North America	**693**	2 297	(70)	–	308
South America	**1 068**	–	–	–	718
Australasia	**1**	2	(50)	–	2
Asia	**2 737**	4 815	(43)	–	5 722
Total advances	**759 556**	682 299	11	100	718 771

NOTE 2: ANALYSIS OF NPLs

SEGMENTAL ANALYSIS OF NPLs

	NPLs					NPLs as a % of advances		
	As at 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	2015	2014		2015	2015	2015	2014	2015
Retail	**11 501**	11 053	4	**66**	11 318	**3.10**	3.29	3.21
Retail – secured	**8 700**	8 727	–	**50**	8 823	**2.81**	3.07	2.97
Residential mortgages	**4 253**	5 037	(16)	**24**	4 585	**2.30**	2.88	2.54
VAF	**4 447**	3 690	21	**26**	4 238	**3.55**	3.38	3.63
– SA	**4 332**	3 627	19	**25**	4 163	**4.48**	3.72	4.35
– MotoNovo (UK)	**115**	63	83	**1**	75	**0.40**	0.54	0.36
Retail – unsecured	**2 801**	2 326	20	**16**	2 495	**4.59**	4.55	4.44
Card	**530**	324	64	**3**	407	**2.54**	1.87	2.09
Personal loans	**1 722**	1 477	17	**10**	1 583	**6.51**	6.52	6.51
– FNB	**709**	691	3	**4**	680	**4.66**	5.39	4.91
– WesBank	**1 013**	786	29	**6**	903	**8.99**	8.00	8.62
Retail other	**549**	525	5	**3**	505	**4.01**	4.71	4.10
Corporate and commercial	**5 921**	4 873	22	**33**	4 205	**1.59**	1.42	1.20
FNB commercial	**1 472**	1 278	15	**8**	1 301	**2.37**	2.42	2.23
WesBank corporate	**576**	728	(21)	**3**	627	**1.39**	1.71	1.58
RMB investment banking	**3 740**	2 531	48	**21**	1 925	**1.78**	1.19	0.92
RMB corporate banking	**133**	336	(60)	**1**	352	**0.30**	0.94	1.06
HQLA corporate advances*	**–**	–	–	**–**	–	**–**	–	–
FNB Africa**	**100**	95	5	**1**	80	**15.77**	23.87	18.06
FCC (including Group Treasury)	**–**	–	–	**–**	–	**–**	–	–
Securitisation notes	**–**	–	–	**–**	–	**–**	–	–
Other	**–**	–	–	**–**	–	**–**	–	–
Total NPLs	**17 522**	16 021	9	**100**	15 603	**2.31**	2.35	2.17
Of which:								
Accrual book	**14 379**	13 489	7	**82**	13 726	**2.72**	2.85	2.70
Fair value book	**3 143**	2 532	24	**18**	1 877	**1.37**	1.21	0.89

* *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 31 December		% change	% composition	As at 30 June	As at 31 December		As at 30 June
R million	**2015**	**2014**		**2015**	**2015**	**2015**	**2014**	**2015**
Sector analysis								
Agriculture	**278**	156	78	**1**	220	**1.06**	0.68	0.87
Financial services	**86**	268	(68)	**–**	97	**0.09**	0.31	0.12
Building and property development	**1 355**	1 797	(25)	**8**	1 391	**3.76**	6.00	4.21
Government, Land Bank and public authorities	**8**	27	(70)	**–**	9	**0.04**	0.15	0.05
Individuals	**11 159**	10 928	2	**64**	10 992	**3.10**	3.27	3.21
Manufacturing and commerce	**849**	1 201	(29)	**5**	1 021	**0.93**	1.43	1.17
Mining	**2 639**	665	>100	**15**	811	**11.65**	2.97	3.42
Transport and communication	**119**	210	(43)	**1**	125	**0.61**	1.13	0.74
Other services	**1 029**	769	34	**6**	937	**1.26**	1.37	1.29
Total NPLs	**17 522**	16 021	9	**100**	15 603	**2.31**	2.35	2.17
Geographic analysis								
South Africa	**15 865**	15 238	4	**90**	14 726	**2.31**	2.42	2.27
Other Africa	**846**	625	35	**5**	674	**2.83**	2.49	2.26
UK	**115**	63	83	**1**	75	**0.35**	0.44	0.25
Other Europe	**63**	–	–	**–**	48	**1.11**	–	0.93
North America	**389**	–	–	**2**	–	**56.13**	–	–
South America	**145**	–	–	**1**	–	**13.58**	–	–
Asia	**99**	95	4	**1**	80	**3.62**	1.97	1.40
Total NPLs	**17 522**	16 021	9	**100**	15 603	**2.31**	2.35	2.17

SECURITY AND RECOVERABLE AMOUNTS BY PORTFOLIO

	As at 31 December						As at 30 June		
	2015			2014			2015		
R million	NPLs	Security held and expected recoveries	Specific impairment#	NPLs	Security held and expected recoveries	Specific impairment#	NPLs	Security held and expected recoveries	Specific impairment#
Retail	**11 501**	**7 180**	**4 321**	11 053	7 285	3 768	11 318	7 349	3 969
Retail – secured	**8 700**	**6 247**	**2 453**	8 727	6 546	2 181	8 823	6 523	2 300
Residential mortgages	**4 253**	**3 319**	**934**	5 037	4 017	1 020	4 585	3 662	923
VAF	**4 447**	**2 928**	**1 519**	3 690	2 529	1 161	4 238	2 861	1 377
– SA	**4 332**	**2 882**	**1 450**	3 627	2 513	1 114	4 163	2 833	1 330
– MotoNovo (UK)	**115**	**46**	**69**	63	16	47	75	28	47
Retail – unsecured	**2 801**	**933**	**1 868**	2 326	739	1 587	2 495	826	1 669
Card	**530**	**146**	**384**	324	87	237	407	111	296
Personal loans	**1 722**	**665**	**1 057**	1 477	527	950	1 583	601	982
– FNB	**709**	**174**	**535**	691	140	551	680	175	505
– WesBank	**1 013**	**491**	**522**	786	387	399	903	426	477
Retail other	**549**	**122**	**427**	525	125	400	505	114	391
Corporate and commercial	**5 921**	**2 949**	**2 972**	4 873	2 061	2 812	4 205	1 831	2 374
FNB commercial	**1 472**	**596**	**876**	1 278	473	805	1 301	549	752
WesBank corporate	**576**	**224**	**352**	728	293	435	627	254	373
RMB investment banking	**3 740**	**2 066**	**1 674**	2 531	1 052	1 479	1 925	759	1 166
RMB corporate banking	**133**	**63**	**70**	336	243	93	352	269	83
HQLA corporate advances*	**–**	**–**	**–**	–	–	–	–	–	–
FNB Africa**	**100**	**24**	**76**	95	32	63	80	18	62
FCC (including Group Treasury)	**–**	**–**	**–**	–	–	–	–	–	–
Securitisation notes	**–**	**–**	**–**	–	–	–	–	–	–
Other	**–**	**–**	**–**	–	–	–	–	–	–
Total	**17 522**	**10 153**	**7 369**	16 021	9 378	6 643	15 603	9 198	6 405

* *Managed by the Group Treasurer.*

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

Specific impairment include cumulative credit fair value adjustments on NPLs.

NOTE 3: INCOME STATEMENT CREDIT IMPAIRMENTS

The bad debt charge increased to 79 bps at December 2015 from 78 bps at December 2014.

INCOME STATEMENT IMPAIRMENTS

	Total impairment charge				As a % of average advances			
	Six months ended 31 December			Year ended 30 June	Six months ended 31 December		Year ended 30 June	Six months ended 30 June
R million	**2015**	**2014**	**% change**	**2015**	**2015**	**2014**	**2015**	**2015**
Retail	**2 384**	1 933	23	3 969	**1.32**	1.17	1.17	1.18
Retail – secured	**925**	622	49	1 491	**0.61**	0.44	0.52	0.60
Residential mortgages	**160**	55	>100	111	**0.18**	0.06	0.06	0.06
VAF	**765**	567	35	1 380	**1.27**	1.04	1.22	1.44
– SA	**628**	507	24	1 217	**1.30**	1.05	1.27	1.47
– MotoNovo (UK)	**137**	60	>100	163	**1.11**	0.96	0.96	1.26
Retail – unsecured	**1 459**	1 311	11	2 478	**4.98**	5.35	4.81	4.35
Card	**220**	16	>100	191	**2.18**	0.19	1.08	1.90
Personal loans	**892**	802	11	1 544	**7.02**	7.24	6.71	6.32
– FNB	**439**	415	6	715	**6.04**	6.55	5.42	4.50
– WesBank	**453**	387	17	829	**8.34**	8.16	8.45	8.71
Retail other	**347**	493	(30)	743	**5.34**	9.57	6.82	4.26
Corporate and commercial	**713**	785	(9)	1 287	**0.39**	0.48	0.39	0.29
FNB commercial	**194**	154	26	310	**0.64**	0.60	0.57	0.56
WesBank corporate	**31**	175	(82)	204	**0.15**	0.86	0.52	0.14
RMB investment banking	**453**	378	20	596	**0.43**	0.37	0.29	0.21
RMB corporate banking	**35**	78	(55)	177	**0.18**	0.47	0.56	0.58
HQLA corporate advances*	**–**	–	–	–	**–**	–	–	–
FNB Africa**	**1**	20	(95)	3	**0.37**	12.52	0.88	(8.09)
FCC (including Group Treasury)#	**(165)**	(150)	10	(266)	**(0.04)**	(0.05)	(0.04)	(0.03)
Securitisation notes	**–**	–	–	–	**–**	–	–	–
Other	**(165)**	(150)	10	(266)	**(0.04)**	(0.05)	(0.04)	(0.03)
Total impairment charge	**2 933**	2 588	13	4 993	**0.79**	0.78	0.73	0.69
Of which:								
Portfolio impairment charge	**149**	654	(77)	318	**0.04**	0.20	0.05	(0.09)
Specific impairment charge	**2 784**	1 934	44	4 675	**0.75**	0.58	0.68	0.78

* *Managed by the Group Treasurer.*

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

Percentages calculated on total average advances.

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 NPL coverage ratio is 42.1% (December 2014: 41.5%; June 2015: 41.0%).

IMPLIED LOSS GIVEN DEFAULT AND TOTAL IMPAIRMENT COVERAGE RATIOS

	Balance sheet impairments				Coverage ratios (% of NPLs)		
	As at 31 December		%	As at 30 June	As at 31 December		As at 30 June
R million	2015	2014	change	2015	2015	2014	2015
Specific impairments*							
Retail	**4 321**	3 768	15	3 969	**37.6**	34.1	35.1
Retail – secured	**2 453**	2 181	12	2 300	**28.2**	25.0	26.1
Residential mortgages	**934**	1 020	(8)	923	**22.0**	20.3	20.1
VAF**	**1 519**	1 161	31	1 377	**34.2**	31.5	32.5
– SA	**1 450**	1 114	30	1 330	**33.5**	30.7	31.9
– MotoNovo (UK)	**69**	47	47	47	**60.0**	74.6	62.7
Retail – unsecured	**1 868**	1 587	18	1 669	**66.7**	68.2	66.9
Card	**384**	237	62	296	**72.5**	73.1	72.7
Personal loans	**1 057**	950	11	982	**61.4**	64.3	62.0
– FNB	**535**	551	(3)	505	**75.5**	79.7	74.3
– WesBank	**522**	399	31	477	**51.5**	50.8	52.8
Retail other	**427**	400	7	391	**77.8**	76.2	77.4
Corporate and commercial	**2 972**	2 812	6	2 374	**50.2**	57.7	56.5
FNB commercial	**876**	805	9	752	**59.5**	63.0	57.8
WesBank corporate	**352**	435	(19)	373	**61.1**	59.8	59.5
RMB investment banking	**1 674**	1 479	13	1 166	**44.8**	58.4	60.6
RMB corporate banking	**70**	93	(25)	83	**52.6**	27.7	23.6
HQLA corporate advances#	**–**	–	–	-	**–**	–	–
FNB Africa†	**76**	63	21	62	**76.0**	66.3	77.5
FCC (including Group Treasury)	**–**	–	–	–	**–**	–	–
Securitisation notes	**–**	–	–	–	**–**	–	–
Other	**–**	–	–	–	**–**	–	–
Total specific impairments/implied loss given default‡	**7 369**	6 643	11	6 405	**42.1**	41.5	41.0
Portfolio impairments^	**7 311**	7 148	2	7 109	**41.7**	44.6	45.6
Total impairments/total impairment coverage ratio~	**14 680**	13 791	6	13 514	**83.8**	86.1	86.6

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

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

Managed by the Group Treasurer.

† *Includes FNB's activities in India.*

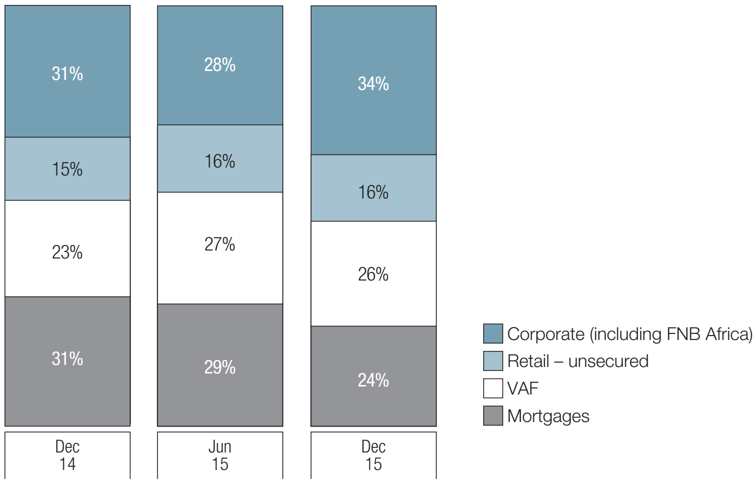
‡ *Amortised cost specific impairments and credit fair value adjustments as a percentage of NPLs.*

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

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

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

NPL DISTRIBUTION



RECONCILIATION OF IMPAIRMENTS

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

BALANCE SHEET IMPAIRMENTS AND CREDIT FAIR VALUE ADJUSTMENTS

	Amortised cost book			Fair value book			Total book		
	As at 31 December		As at 30 June	As at 31 December		As at 30 June	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**	**2015**	**2014**	**2015**	**2015**	**2014**	**2015**
Non-performing book	**5 874**	5 165	5 239	**1 495**	1 478	1 166	**7 369**	6 643	6 405
Performing book	**4 947**	4 903	4 851	**2 364**	2 245	2 258	**7 311**	7 148	7 109
Total impairments	**10 821**	10 068	10 090	**3 859**	3 723	3 424	**14 680**	13 791	13 514

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

BALANCE SHEET SPECIFIC IMPAIRMENTS – AMORTISED COST

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
Opening balance	**5 239**	4 995	5	4 995
Reclassifications and transfers	**(7)**	34	(>100)	50
Acquisitions	**6**	8	(25)	12
Exchange rate difference	**26**	2	(>100)	7
Unwinding and discounted present value on NPLs	**(43)**	(44)	(2)	(81)
Bad debts written off	**(2 868)**	(2 584)	11	(5 586)
Net new impairments created	**3 521**	2 754	28	5 842
Closing balance	**5 874**	5 165	14	5 239

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.

INCOME STATEMENT IMPAIRMENTS

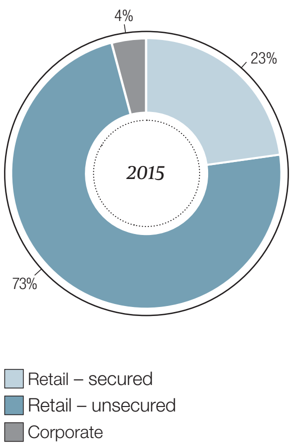
The following table provides an analysis of the income statement impact of amortised cost impairments and credit fair value adjustments.

	Six months ended 31 December			Year ended 30 June
R million	**2015**	**2014**	**% change**	**2015**
Specific impairment charge	**3 521**	2 754	28	5 842
Recoveries of bad debts written off	**(932)**	(933)	–	(1 826)
Net specific impairment charge (amortised cost)	**2 589**	1 821	42	4 016
Portfolio impairment charge (amortised cost)	**69**	385	(82)	340
Credit fair value adjustments	**275**	382	(28)	637
– Non-performing book	**195**	113	73	659
– Performing book	**80**	269	(70)	(22)
Total impairments	**2 933**	2 588	13	4 993

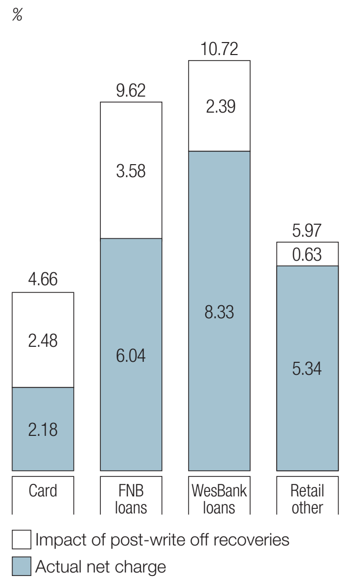
IMPACT OF POST WRITE-OFF RECOVERIES

- Post write-off recoveries amounted to R932 million, primarily emanating from the unsecured retail lending portfolio.
- Impairment charges were significantly reduced by post write-off recoveries for FNB card and FNB loans.

POST WRITE-OFF RECOVERIES SPLIT



RETAIL CREDIT LOSS RATIOS AND RECOVERIES



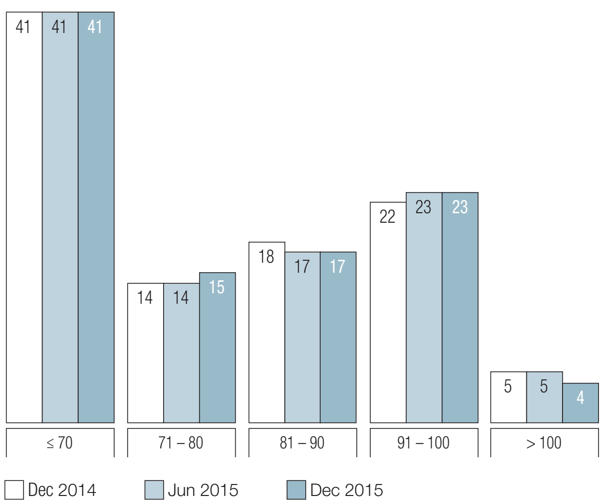
RISK ANALYSES

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

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

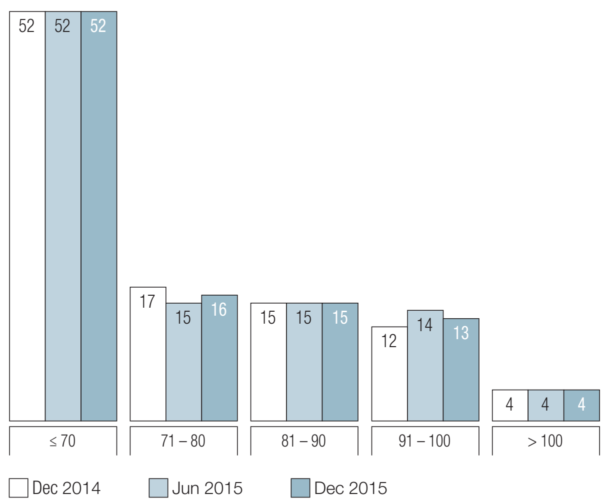
RESIDENTIAL MORTGAGES BALANCE-TO-ORIGINAL VALUE

%



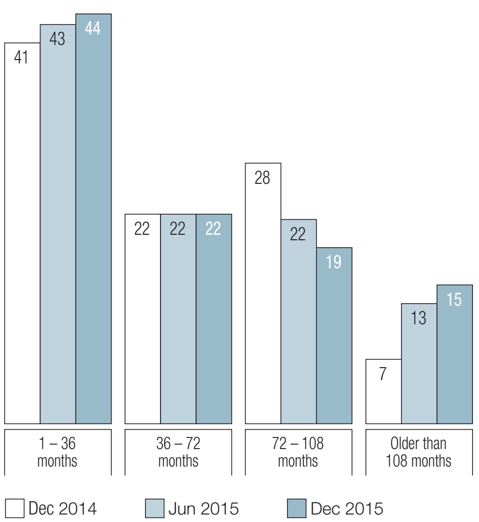
RESIDENTIAL MORTGAGES BALANCE-TO-MARKET VALUE

%



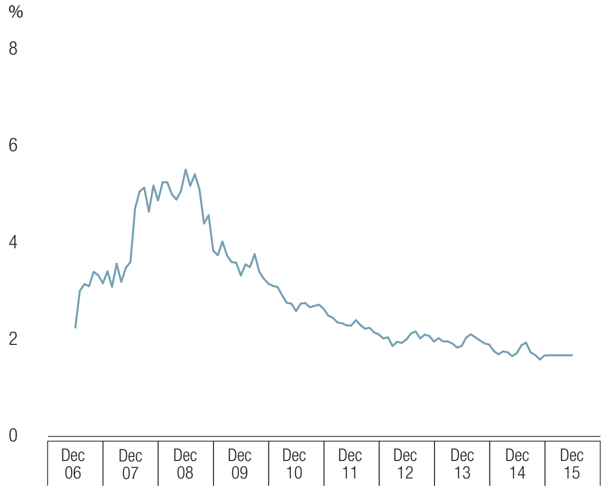
RESIDENTIAL MORTGAGES AGE DISTRIBUTION

%



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.

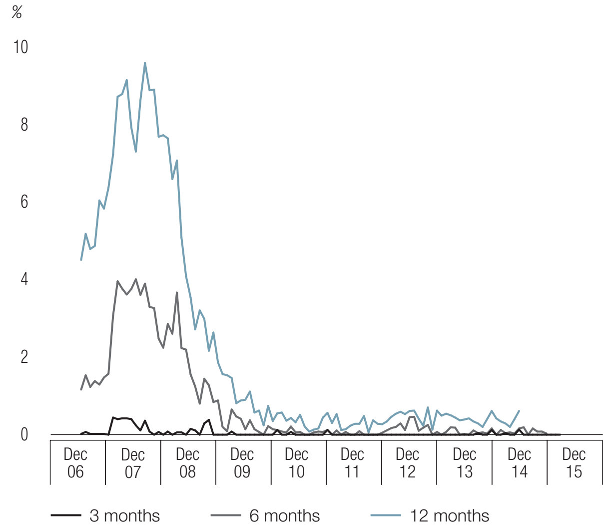
FNB HOMELOANS ARREARS



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

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

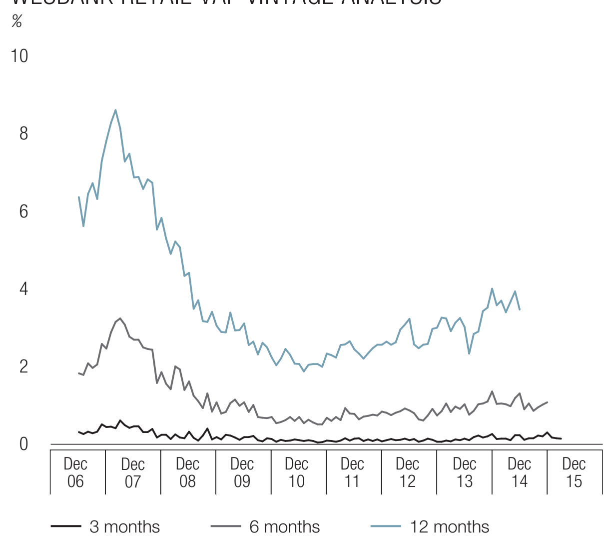
FNB HOMELOANS VINTAGE ANALYSIS



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

As expected, default rates in the domestic retail VAF portfolio are gradually increasing. The uptick in VAF vintages is due, in part, to strong new business volumes in recent years as well as increased debt review applications. The 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

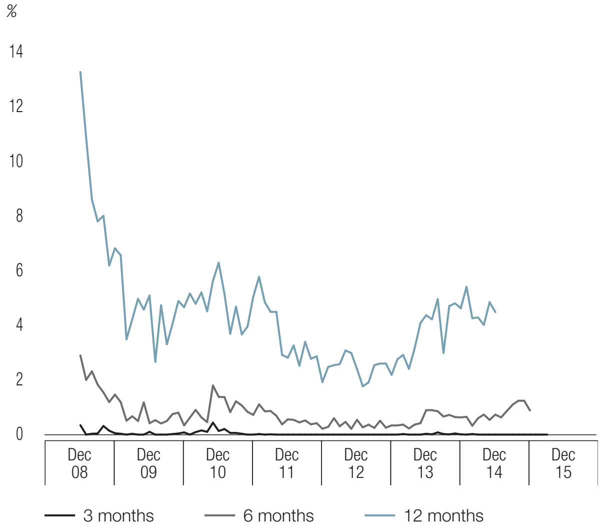


FNB card default rates remain at low levels, even on a through-the-cycle basis. There was a minor increase in risk appetite from October 2013, which resulted in more business written in the lower-end consumer segment at slightly higher default rates. This was reviewed and adjusted downwards again in 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.

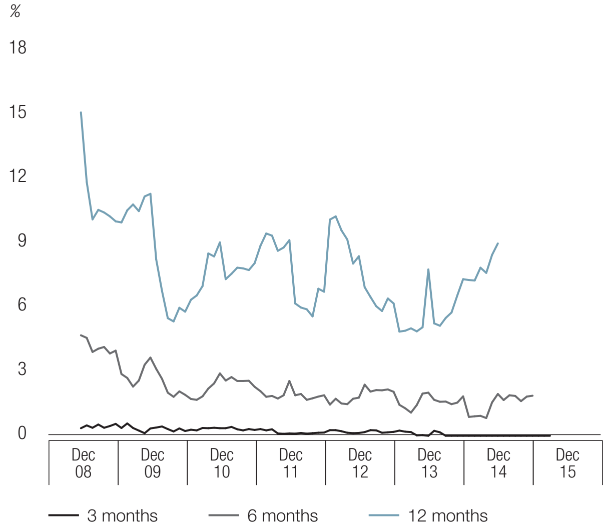
The default experience of the FNB and WesBank personal loans portfolios is within risk appetite.

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

FNB CARD VINTAGE ANALYSIS



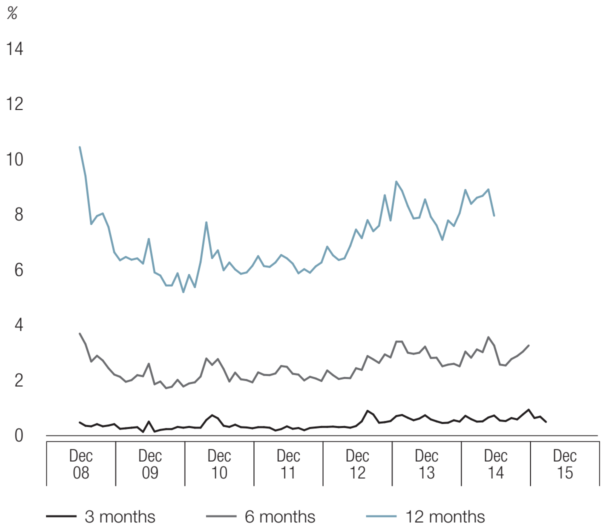
FNB PERSONAL LOANS VINTAGE ANALYSIS



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

WESBANK PERSONAL LOANS VINTAGE ANALYSIS



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SUPPLEMENTARY INFORMATION

FAIR VALUE MEASUREMENTS

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.

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.

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 122, 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 risk when making appropriate valuation adjustments.

Levels of fair value hierarchy

Level 1

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

Level 2

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

Level 3

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Loans and advances to customers					
Investment banking book	Level 3	Discounted cash flows	The bank has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. The future cash flows are discounted using a market-related interest rate. To calculate the fair value of credit the 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. the discounted cash flow is used for listed bonds. This will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. The future cash flows are discounted using a market-related interest rate. Where the valuation techniques incorporate unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves	Credit inputs
Unlisted bonds	Level 2 and level 3	Discounted cash flows	Unlisted bonds are valued similarly to advances measured at fair value. The future cash flows are discounted using a market-related interest rate adjusted for credit inputs, over the contractual period.	Market interest rates and curves	Credit inputs

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

Instrument	Fair value hierarchy level	Valuation technique	Description of valuation technique and main assumptions	Observable inputs	Significant unobservable inputs of level 3 items
Investment securities and other investments continued					
Unlisted equities	Level 2 and level 3	Price earnings (P/E) model	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Market transactions	Growth rates and P/E ratios
Negotiable certificates of deposit	Level 2	Discounted cash flows	Future cash flows are discounted using a market-related interest rate. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves	Not applicable
Treasury bills	Level 2	BESA bond pricing model	The BESA bond pricing model uses the BESA mark-to-market bond yield.	Market interest rates and curves	Not applicable
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

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

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

FAIR VALUE HIERARCHY AND MEASUREMENTS continued

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

	As at 31 December 2015			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	**11**	**68 198**	**4**	**68 213**
Advances*	**–**	**41 090**	**149 674**	**190 764**
Investment securities and other investments	**55 217**	**38 816**	**36 796**	**130 829**
Amounts due by holding company and fellow subsidiaries	**–**	**625**	**–**	**625**
Total financial assets measured at fair value	**55 228**	**148 729**	**186 474**	**390 431**
Liabilities				
Recurring fair value measurements				
Short trading positions	**5 968**	**65**	**–**	**6 033**
Derivative financial instruments	**131**	**81 759**	**4**	**81 894**
Deposits	**2 292**	**96 464**	**1 057**	**99 813**
Other liabilities	**–**	**3 352**	**–**	**3 352**
Amounts due to holding company and fellow subsidiaries	**–**	**426**	**–**	**426**
Total financial liabilities measured at fair value	**8 391**	**182 066**	**1 061**	**191 518**

	As at 31 December 2014			
R million	**Level 1**	**Level 2**	**Level 3**	**Total fair value**
Assets				
Recurring fair value measurements				
Derivative financial instruments	18	38 744	6	38 768
Advances*	–	36 546	148 713	185 259
Investment securities and other investments	51 270	30 528	13 363	95 161
Amounts due by holding company and fellow subsidiaries	–	362	–	362
Total financial assets measured at fair value	51 288	106 180	162 082	319 550
Liabilities				
Recurring fair value measurements				
Short trading positions	475	1	–	476
Derivative financial instruments	133	42 662	11	42 806
Deposits	1 569	89 599	1 169	92 337
Other liabilities	–	3 349	–	3 349
Amounts due to holding company and fellow subsidiaries	–	219	–	219
Total financial liabilities measured at fair value	2 177	135 830	1 180	139 187

* *Although the fair value of credit is not significant period-on-period it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the 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.*

R million	Level 1	Level 2	Level 3	Total fair value
	As at 30 June 2015			
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
Amounts due by holding company and fellow subsidiaries	–	295	–	295
Total financial assets measured at fair value	65 409	114 346	182 459	362 214
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 to holding company and fellow subsidiaries	–	135	–	135
Total financial liabilities measured at fair value	7 528	137 829	1 187	146 544

* *Although the fair value of credit is not significant period-on-period it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the 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.

	As at 31 December 2015		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	**–**	**(2 821)**	There were no transfers into level 1.
Level 2	**–**	**–**	There were no transfers in or out of level 2.
Level 3	**2 821**	**–**	Corporate bonds to the value of R2 821 million were transferred into level 3. Due to the market for these bonds becoming less active, the fair value is determined using a valuation technique that makes use of unobservable inputs for credit. The fair value measurement of these bonds are, therefore, now categorised within level 3 of the fair value hierarchy.
Total transfers	**2 821**	**(2 821)**	

	As at 31 December 2014		
R million	**Transfers in**	**Transfers out**	**Reasons for transfers in**
Level 1	–	–	There were no transfers in or out of level 1.
Level 2	1	(353)	The transfer into level 2 related to the lifting of a trading suspension on the investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	353	(1)	Investment securities to the value of R353 million were transferred into level 3 out of level 2 as these investment securities were delisted from an exchange.
Total transfers	354	(354)	

R million	As at 30 June 2015		
	Transfers in	**Transfers out**	**Reasons for transfers in**
Level 1	–	–	There were no transfers in or out of level 1.
Level 2	6	(4 709)	The transfers into level 2 relates to advances for which the significant inputs into the fair value calculation became observable.
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 interest rate and foreign exchange and unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	4 715	(4 715)	

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS

Changes in level 3 instruments with recurring fair value measurements

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

	As at 31 December 2015		
R million	**Fair value on 30 June 2015**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	**5**	**(2)**	**–**
Advances	**153 777**	**4 132**	**–**
Investment securities and other investments	**28 677**	**1 030**	**(28)**
Total financial assets measured at fair value in level 3	**182 459**	**5 160**	**(28)**
Liabilities			
Derivative financial instruments	**5**	**(2)**	**–**
Deposits	**1 182**	**25**	**–**
Total financial liabilities measured at fair value in level 3	**1 187**	**23**	**–**

	As at 31 December 2014		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	1	5	–
Advances	146 064	3 453	–
Investment securities and other investments	5 518	240	55
Total financial assets measured at fair value in level 3	151 583	3 698	55
Liabilities			
Derivative financial instruments	5	6	–
Deposits	952	10	–
Total financial liabilities measured at fair value in level 3	957	16	–

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

	As at 31 December 2015				
	Purchases, sales, issues and settlements	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2015**
	–	**–**	**–**	**1**	**4**
	(10 658)	**–**	**–**	**2 423**	**149 674**
	4 187	**2 821**	**–**	**109**	**36 796**
	(6 471)	**2 821**	**–**	**2 533**	**186 474**
	–	**–**	**–**	**1**	**4**
	(150)	**–**	**–**	**–**	**1 057**
	(150)	**–**	**–**	**1**	**1 061**

	As at 31 December 2014				
	Purchases, sales, issues and settlements	**Transfers into level 3**	**Transfer out of level 3**	**Exchange rate differences**	**Fair value on 31 December 2014**
	–	–	–	–	6
	(1 701)	–	(1)	898	148 713
	7 197	353	–	–	13 363
	5 496	353	(1)	898	162 082
	–	–	–	–	11
	207	–	–	–	1 169
	207	–	–	–	1 180

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

Changes in level 3 instruments with recurring fair value measurements continued

	As at 30 June 2015		
R million	**Fair value on 30 June 2014**	**Gains/losses recognised in profit or loss**	**Gains/losses recognised in other comprehensive income**
Assets			
Derivative financial instruments	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	–

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

	As at 30 June 2015				
	Purchases, sales, issues and settlements	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

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL 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 and losses presented below include changes in the fair value related to both observable and unobservable inputs.

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

	Six months ended 31 December 2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	**(2)**	**–**	**(2)**
Advances*	**3 916**	**–**	**3 916**
Investment securities and other investments	**846**	**(28)**	**818**
Total	**4 760**	**(28)**	**4 732**
Liabilities			
Derivative financial instruments	**(2)**	**–**	**(2)**
Deposits	**(22)**	**–**	**(22)**
Total	**(24)**	**–**	**(24)**

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

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

	As at 31 December 2014		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	5	–	5
Advances*	2 814	–	2 814
Investment securities and other investments	167	55	222
Total	2 986	55	3 041
Liabilities			
Derivative financial instruments	10	–	10
Deposits	(10)	–	(10)
Total	–	–	–

	As at 30 June 2015		
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	**Total gains/losses**
Assets			
Derivative financial instruments	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)
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 as a result of losses, sales and settlements. Decreases in the value of liabilities may be as a result of gains and settlements.

ADDITIONAL DISCLOSURES FOR LEVEL 3 FINANCIAL INSTRUMENTS continued

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

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

			As at 31 December 2015		
				Reasonably possible alternative fair value	
R million	**Significant unobservable inputs**	**Reasonably possible changes to significant unobservable inputs**	**Fair value**	**Using more positive assumptions**	**Using more negative assumptions**
Assets					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**4**	**4**	**3**
Advances	**Credit**	**Credit migration matrix***	**149 674**	**151 059**	**148 079**
Investment securities and other investments	**Credit, growth rates and P/E ratios of unlisted investments**	**Unobservable inputs are increased and decreased by 10%**	**36 796**	**37 290**	**36 461**
Total financial assets measured at fair value in level 3			**186 474**	**188 353**	**184 543**
Liabilities					
Derivative financial instruments	**Volatilities**	**Volatilities are increased and decreased by 10%**	**4**	**3**	**4**
Deposits	**Credit risk of the cash collateral leg of credit-linked notes**	**Credit migration matrix****	**1 057**	**952**	**1 163**
Total financial liabilities measured at fair value in level 3			**1 061**	**955**	**1 167**

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

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

	As at 31 December 2014			As at 30 June 2015		
		Reasonably possible alternative fair value			Reasonably possible alternative fair value	
	Fair value	Using more positive assumptions	Using more negative assumptions	Fair value	Using more positive assumptions	Using more negative assumptions
	6	7	6	5	6	5
	148 713	151 294	148 723	153 777	154 411	151 871
	13 363	14 693	11 996	28 677	29 004	28 360
	162 082	165 994	160 725	182 459	183 421	180 236
	11	11	12	5	4	5
	1 169	1 051	1 285	1 182	1 064	1 301
	1 180	1 062	1 297	1 187	1 068	1 306

OTHER FAIR VALUE MEASUREMENTS

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

	As at 31 December 2015		As at 31 December 2014		As at 30 June 2015	
R million	**Carrying value**	**Total fair value**	**Carrying value**	**Total fair value**	**Carrying value**	**Total fair value**
Assets						
Advances	**518 740**	**522 594**	463 484	463 039	480 931	483 816
Investment securities and other investments	**109**	**109**	472	472	192	192
Total financial assets at amortised cost	**518 849**	**522 703**	463 956	463 511	481 123	484 008
Liabilities						
Deposits	**704 371**	**702 083**	631 360	632 831	682 723	682 482
Other liabilities	**605**	**601**	970	970	629	625
Tier 2 liabilities	**15 011**	**15 148**	9 868	10 134	11 983	12 188
Total financial liabilities at amortised cost	**719 987**	**717 832**	642 198	643 935	695 335	695 295

Day 1 profit or loss

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

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

	As at 31 December		As at 30 June
R million	**2015**	**2014**	**2015**
Balance at 1 July	**6**	11	11
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(3)**	(3)	(5)
Balance at end of reporting period	**3**	8	6

CONTINGENCIES AND COMMITMENTS

	As at 31 December			As at 30 June
R million	**2015**	**2014**	**% change**	**2015**
Contingencies				
Guarantees	**32 521**	31 232	4	33 319
Letters of credit	**7 103**	8 442	(16)	5 494
Total contingencies	**39 624**	39 674	–	38 813
Capital commitments				
Contracted capital commitments	**654**	621	5	731
Capital expenditure authorised not yet contracted	**3 046**	1 153	>100	4 047
Total capital commitments	**3 700**	1 774	>100	4 778
Other commitments				
Irrevocable commitments	**107 072**	76 780	39	80 044
Operating lease and other commitments	**3 894**	2 003	94	2 131
Total other commitments	**110 966**	78 783	41	82 175
Total contingencies and commitments	**154 290**	120 231	28	125 766

COMPANY INFORMATION

DIRECTORS

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

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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	FRB16	ZAG000127622
	FirstRand Bank Limited	FRB17	ZAG000127630
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563
	FirstRand Bank Limited	FRJ20	ZAG000109596
	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

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541
	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRS139	ZAG000128646
	FirstRand Bank Limited	FRS140	ZAG000129842
	FirstRand Bank Limited	FRS141	ZAG000130048
	FirstRand Bank Limited	FRS142	ZAG000130782
	FirstRand Bank Limited	FRS143	ZAG000130790
	FirstRand Bank Limited	FRS144	ZAG000131483
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX30	ZAG000124264
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
Credit-linked notes	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570
	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

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826
	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873

LISTED DEBT INSTRUMENTS

JSE continued

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC232	ZAG000127994
	FirstRand Bank Limited	FRC233	ZAG000128752
	FirstRand Bank Limited	FRC234	ZAG000130816
	FirstRand Bank Limited	FRC235	ZAG000132390
	FirstRand Bank Limited	FRD003	ZAG000114067
	FirstRand Bank Limited	FRD013	ZAG000128695
Investment security index contracts	Rand Merchant Bank	RMBI06	ZAG000056722
	Rand Merchant Bank	RMBI07	ZAG000057910
	Rand Merchant Bank	RMBI08	ZAG000072265
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

London Stock Exchange (LSE)

European medium term note (EMTN) programme

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

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

SIMPLIFIED GROUP STRUCTURE

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FIRSTRAND BANK LIMITED	FIRSTRAND EMA (PTY) LTD (FREMA)	FIRSTRAND INVESTMENT HOLDINGS (PTY) LTD (FRIHL)	ASHBURTON INVESTMENTS HOLDINGS LIMITED	FIRSTRAND INSURANCE HOLDINGS (PTY) LTD
Banking	**Africa and emerging markets**	**Other activities**	**Investment management**	**Insurance**
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	**81%** MotoVantage		
FirstRand Bank Dubai[3]	**100%** RMB Nigeria	**100%** FirstRand International – Guernsey		
FirstRand Bank Shanghai[3]	**100%** FirstRand International – Mauritius	**100%** RMB Australia Holdings		

1. Division
2. Branch
3. Representative office

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

** Trading as FNB Channel Islands.

Structure shows effective consolidated shareholding

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

CREDIT RATINGS

FIRSTRAND BANK LIMITED

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

CREDIT RATINGS AS AT 7 MARCH 2015

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

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

SOUTH AFRICA

Sovereign rating

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

Moody's

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

S&P

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

DEFINITIONS

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Total qualifying capital and reserves divided by RWA.
Common Equity Tier 1 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.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The bank believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
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 AT 1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus general provisions for entities on the standardised approach less specified regulatory deductions.
TLAC	Total loss absorbing capacity.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.

STUDIO 5

FIRSTRAND BANK

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