FIRSTRAND

owner-manager culture

innovation

entrepreneurship

franchise value

'17

ANNUAL FINANCIAL STATEMENTS

FIRSTRAND

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

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

summary risk and capital management report

A 01 – 34

A summary risk and capital management report

RISK MANAGEMENT APPROACH

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

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

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

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

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

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

Core risk competencies

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

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

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

FRANCHISE ACTIVITIES AND RESULTANT RISKS

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

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

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

** *Value-added products and services.*

RISK PROFILE

The following table provides a high-level overview of FirstRand's risk profile in relation to the its risk appetite. Refer to page A06 for a detailed discussion of the group's risk appetite.

Normalised ROE 23.4% 2016: 24.0% Long-term target **18% – 22%** **Normalised earnings growth** +7% 2016: +7% Long-term target **Nominal GDP plus >0% – 3%**	The quality of the group's operating franchises' growth strategies and disciplined allocation of financial resources has over time enabled the group to deliver on its earnings growth and return targets.	*The CFO's report provides an overview of the group's financial position and performance for the year ended 30 June 2017.*
Capital adequacy 17.1% 2016: 16.9% Target **>14%** **Tier 1** 14.9% 2016: 14.6% Target **>12%** **CET1** 14.3% 2016: 13.9% Target **10% – 11%** **Leverage ratio** 8.6% 2016: 8.4% Target **>5%**	FirstRand has maintained its strong capital position and continues to focus on loss-absorbing capital. The group continues to actively manage capital composition given the grandfathering and redemption of old-style Tier 2 instruments. To this end, the group has issued R2.3 billion Basel III-compliant Tier 2 instruments in the domestic market during the year. This results in a more efficient composition which is closely aligned with the group's internal targets. The Basel III leverage ratio is a supplementary measure to the risk-based capital ratio and greater emphasis has been placed on monitoring the interplay between capital and leverage. FirstRand has maintained a leverage ratio above the group's internal targets.	*For a detailed analysis of capital adequacy and leverage refer to page A14 of this report.*

Note: Capital and leverage ratios include unappropriated profits.

Liquidity coverage ratio 97% 2016: 96% Minimum requirement 80% (2016: 70%)	Liquidity buffers are actively managed via high quality, highly liquid assets that are available as protection against unexpected events or market disruptions. The group exceeds the 80% minimum liquidity coverage ratio (LCR) as set out by the BCBS with an LCR measurement of 97%. The group's high quality liquid asset (HQLA) holdings amounted to R167 billion.	*For a detailed analysis of funding and liquidity risk refer to page A22 of this report.*

Normalised NPLs		
2.41% 2016: 2.45%	Group credit loss rates increased as expected, impacted by a more challenging macroeconomic environment. Performance is acceptable and within risk appetite. Credit origination strategies are aligned to the group's macroeconomic outlook.	*For a detailed analysis of credit risk refer to page A15 of this report.*
Normalised credit loss ratio		
0.91% 2016: 0.86% Long-run average **100 – 110 bps**		

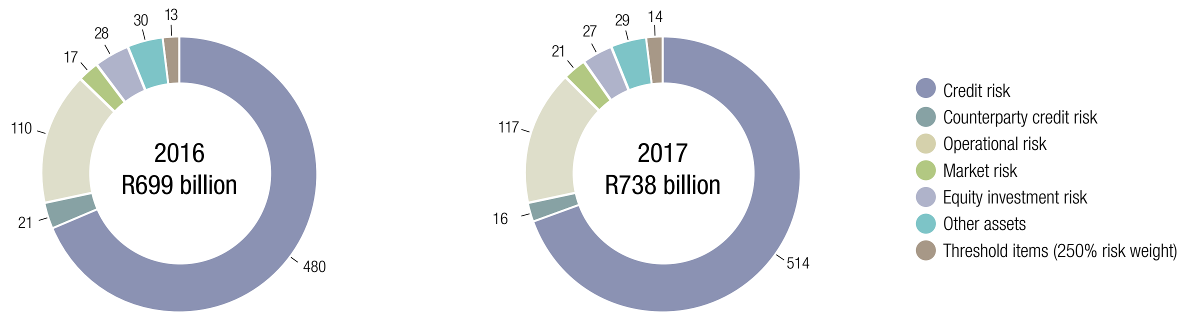
Market risk 10-day ETL		
R350 million 2016: R307 million	The interest rate risk asset class represents the most significant market risk in the trading book exposure at June 2017. The group's market risk profile remained within risk appetite.	*For a detailed analysis of market risk in the trading book refer to page A24 of this report.*

Equity investment risk exposure as % of Tier 1		
10.1% 2016: 10.5%	The year was characterised by some realisations and new investments added to the private equity portfolio. The quality of the investment portfolio remains acceptable and within risk appetite.	*For a detailed analysis of equity investment risk refer to page A29 of this report.*

NII sensitivity downward 200 bps		
-R2.1 billion 2016: -R2.3 billion	Assuming no change in the balance sheet and management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12-month NII of R2 066 million. A similar increase in interest rates would result in an increase in projected 12-month NII of R1 366 million. The group's average endowment book was R192 billion for the year.	*For a detailed analysis of interest rate risk in the banking book refer to page A26 of this report.*
NII sensitivity upward 200 bps		
R1.4 billion 2016: R1.9 billion		

Risk weighted assets (RWA) analysis

R billion



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

CURRENT AND EMERGING CHALLENGES

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

SOUTH AFRICA AND THE REST OF AFRICA

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

GLOBAL LANDSCAPE

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

RESPONSES

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

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

FINANCIAL RESOURCE MANAGEMENT

FirstRand is expected, at a defined confidence level, to deliver on its commitments to its stakeholders. The management of financial resources, defined as capital, funding, liquidity and risk capacity is critical to the achievement of FirstRand's stated growth and return targets, and is driven by the group's overall risk appetite.

Forecast growth in earnings and balance sheet risk weighted assets is based on the group's macroeconomic outlook and evaluated against available financial resources, considering the requirements of capital providers and regulators. The expected outcomes and constraints are then stress tested and the group sets financial and prudential targets through different business cycles and scenarios to enable FirstRand to deliver on its commitments to stakeholders at a defined confidence level. These stress scenarios include further sovereign downgrades below investment grade on a local currency basis.

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

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

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

RISK APPETITE

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

Risk appetite statement

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

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

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

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

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

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

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

Process for determining risk appetite

Risk capacity

EARNINGS	CAPITAL

Filters

Strategic objectives and growth, return and volatility targets

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

Risk appetite

QUANTITATIVE MEASURES

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

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

QUALITATIVE PRINCIPLES

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

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

APPLICATION OF THE RISK/REWARD FRAMEWORK

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

RISK GOVERNANCE

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

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

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

The primary board committee overseeing risk matters across the group is the FirstRand risk, capital management and compliance (RCC) committee. It has delegated responsibility for a number of specialist topics to various subcommittees. Additional risk, audit and compliance committees exist in each franchise, the governance structures of which align closely with that of the group, as illustrated in the risk governance structure on page A10.

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

Lines of risk control

FIRST LINE OF CONTROL

RISK OWNERSHIP

Risk inherent in business activities

Head of business
Reports to franchise CEO

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

Franchise executive committees

Strategic executive committee (Stratco)

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

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

SECOND LINE OF CONTROL

RISK CONTROL

Risk identification, measurement, control and independent oversight and monitoring

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

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

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

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

BOARD

↑

RCC committee

↑

Specialised risk committees | **Franchise risk committees**

↑

Franchise CROs
Report to franchise CEOs and group CRO

THIRD LINE OF CONTROL

INDEPENDENT ASSURANCE

Adequacy and effectiveness of internal control, governance and risk management

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

External advisors

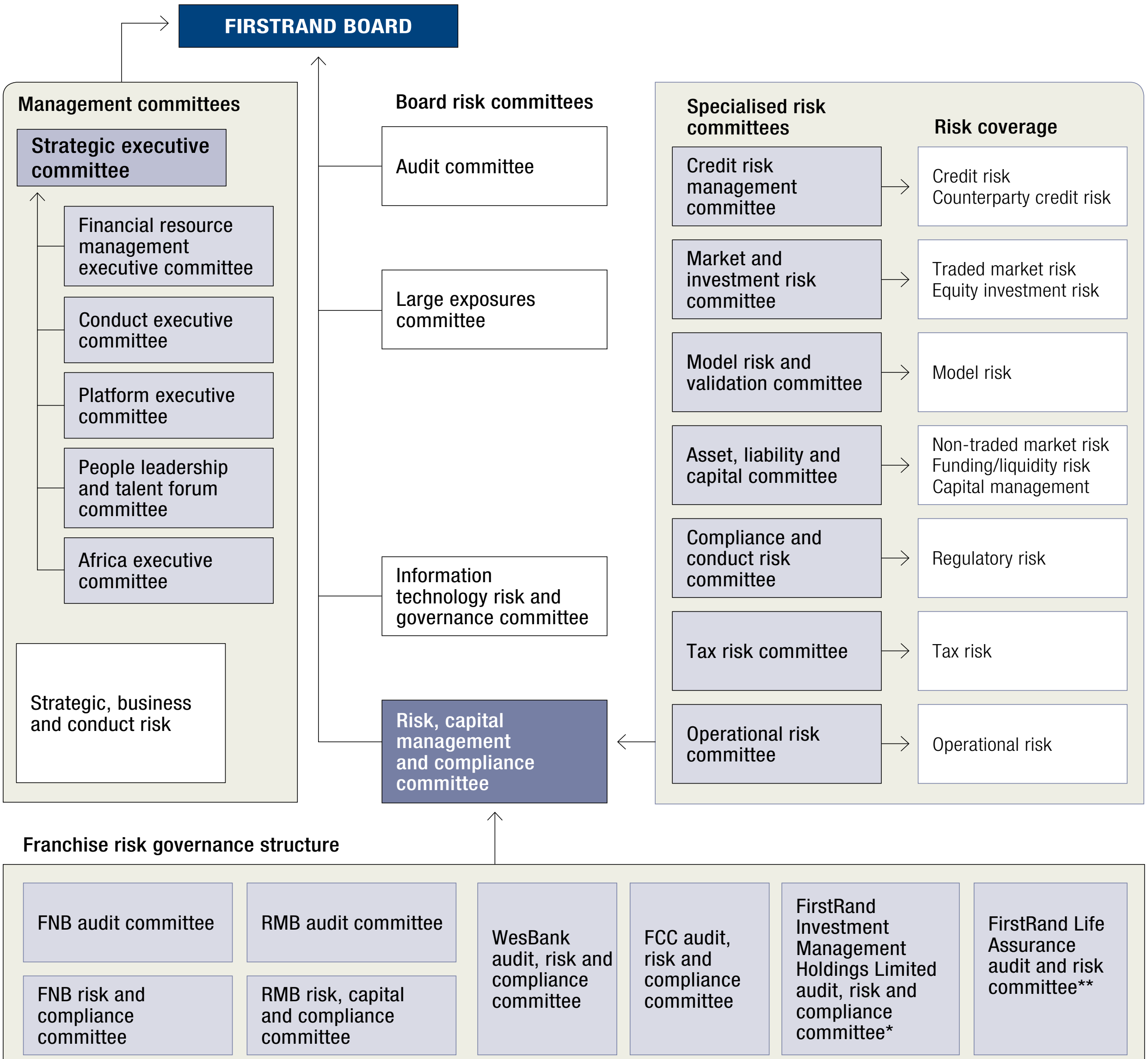
Audit committee

↑

Franchise audit committees

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

Risk governance structure



* *Represents the governance committee of Ashburton Investments.*

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

DISCLOSURE OF KEY RISKS

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

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

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

Financial and insurance risks

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

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

Non-financial risks

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

CAPITAL MANAGEMENT

INTRODUCTION AND OBJECTIVES

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

CAPITAL ADEQUACY AND PLANNING

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

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

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

Composition of capital analysis

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

Leverage position

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

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

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

CREDIT RISK

INTRODUCTION AND OBJECTIVES

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

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

Credit risk management objectives are two-fold:

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

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

CREDIT RISK PROFILE* (AUDITED)

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

* *These metrics are on an IFRS basis.*

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

IFRS 9 UPDATE

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

The group has developed and/or amended the applicable credit and accounting policies to incorporate the new requirements of IFRS 9. In addition, group-wide definitions, such as the definition of default and significant increase in credit risk, have been finalised to ensure consistent application of key terms in model development across the group. This will ensure that movement of customer accounts through impairment stages is applied consistently.

The group will be adopting the PD/LGD approach for the calculation of expected credit losses (ECL) for material advances and a simplified approach for less material balances such as certain exposures to the rest of Africa and non-advances e.g. accounts receivable. The ECL will be based on a probability-weighted average of three macroeconomic scenarios incorporating a base scenario, upside scenario and downside scenario weighted by the probability of likelihood of occurrence. Appropriate ECL models have been developed, including accompanying PD, LGD and EAD models. All required models are being developed within the group, and are validated independently both internally (ERM) and externally by the group's external auditors. These are accompanied by the appropriate policy frameworks, which have incorporated minimum required standards and industry best practice.

Where possible, existing methodology used in the regulatory models has been adopted for the development of IFRS 9 models, e.g. portfolio segmentation and correlation. In addition, where similar models exist for the calculation of regulatory capital, these models have been leveraged for IFRS 9, e.g. through-the-cycle PDs have been adjusted to point-in-time PDs using forward-looking macroeconomic information.

Existing governance frameworks will be utilised for the governance of IFRS 9-related processes. Overall, no significant changes are anticipated in the governance processes related to impairments. Where necessary, these have been amended to incorporate elements not presently catered for in existing frameworks. One such amendment is the governance process to ensure the independence of forward-looking macroeconomic information which is incorporated into the ECL models.

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

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

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

Mapping of FR grades to rating agency scales

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

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

RATING PROCESS

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

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

PORTFOLIO	MODEL TYPE	MODEL DESCRIPTIONS
Commercial portfolios (FNB commercial) Exposures to SME corporate and retail clients. Products include loan facilities, contingent products and term lending products.	PD	• **SME corporate** – counterparties are scored using financial statement information in addition to other internal risk drivers, the output of which is calibrated to internal historical default data. • **SME retail** – the SME retail portfolio is segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status. PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• **SME corporate** – recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data and Basel guidelines. • **SME retail** – LGD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
	EAD	• **SME corporate** – portfolio-level credit conversion factors are estimated on the basis of the group's internal historical experience and benchmarked against international studies. • **SME retail** – EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
Residential mortgages (FNB HomeLoans, One Account, FNB housing finance and wealth (RMB Private Bank and FNB Private Clients)) Exposures to individuals for the financing of residential properties.	PD	• Portfolios/products are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• LGD estimates are based on subsegmentation with reference to collateral or product type, time in default and post-default payment behaviour. Final estimates are based on associated analyses and modelling of historical internal loss data.
	EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.

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

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

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

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

CREDIT RISK EXPOSURES

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

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

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

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

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

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

FUNDING AND LIQUIDITY RISK

INTRODUCTION AND OBJECTIVES

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

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

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

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

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

LIQUIDITY RISK PROFILE

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

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

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

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

MARKET RISK IN THE TRADING BOOK

INTRODUCTION AND OBJECTIVES

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

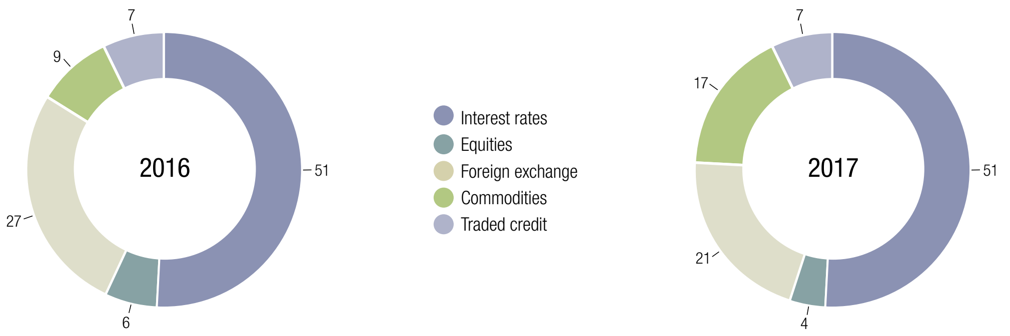
The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant businesses in RMB function as the centres of expertise with respect to all market risk-related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

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

MARKET RISK IN THE TRADING BOOK PROFILE

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

%



YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

NON-TRADED MARKET RISK

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

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

Interest rate risk in the banking book

INTRODUCTION AND OBJECTIVES

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

IRRBB PROFILE

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

Projected NII sensitivity to interests rate movements (audited)

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

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

FirstRand Bank (South Africa)

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

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

Foreign operations

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

Sensitivity analysis

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

Structural foreign exchange risk

INTRODUCTION AND OBJECTIVES

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

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

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

STRUCTURAL FOREIGN EXCHANGE PROFILE

Net structural foreign exposures (audited)

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

Year under review and focus areas

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

ASSESSMENT AND MANAGEMENT

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

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

EQUITY INVESTMENT RISK

INTRODUCTION AND OBJECTIVES

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

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

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

EQUITY INVESTMENT RISK PROFILE

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

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

INSURANCE RISK

INTRODUCTION AND OBJECTIVES

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

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

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

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

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

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

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

OPERATIONAL RISK

INTRODUCTION AND OBJECTIVES

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

The principal operational risks currently facing the group are:

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

REGULATORY RISK

INTRODUCTION AND OBJECTIVES

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

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

YEAR UNDER REVIEW AND FOCUS AREAS

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

ASSESSMENT AND MANAGEMENT

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

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

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

PUBLIC POLICY AND REGULATORY AFFAIRS OFFICE

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

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

five year review and corporate governance

B 03 – 18

B five year review and corporate governance

FIVE YEAR REVIEW

R million	2013	2014	2015*	2016*	2017	Compound growth %
Statement of financial position						
Total assets	865 732	945 535	1 059 266	1 149 277	**1 217 707**	9
Average assets	815 630	905 634	1 002 401	1 104 272	**1 183 492**	10
Advances	601 065	685 926	779 171	851 405	**893 106**	10
Average advances	564 172	643 496	732 549	815 288	**872 256**	12
Impairment and fair value of credit of advances	9 433	10 385	14 373	16 157	**16 540**	15
NPLs	17 231	16 281	17 501	21 282	**21 905**	6
Gross advances before impairments	610 498	696 311	793 544	867 562	**909 646**	10
Deposits	697 035	768 234	865 616	920 074	**983 529**	9
Capital and reserves attributable to equityholders of the group	76 137	85 033	95 297	104 264	**113 403**	10
Treasury shares	1 253	1 076	-	43	**32**	(60)
Ordinary dividends	6 198	8 669	10 724	12 608	**13 294**	21
Total equity before dividends and treasury shares	83 588	94 778	106 021	116 915	**126 729**	11
Total ordinary equity	71 618	80 514	90 778	99 745	**108 884**	11
Assets under administration	996 608	1 150 845	1 308 630	1 428 356	**1 518 934**	11
Income statement						
Net interest income before impairment of advances	24 769	29 878	35 621	42 041	**44 917**	16
Impairment and fair value of credit of advances	(4 807)	(5 252)	(5 787)	(7 159)	**(8 054)**	14
Non-interest revenue	30 734	36 150	38 058	36 934	**40 922**	7
Share of profit of associates and joint ventures after tax	824	927	1 539	1 456	**1 038**	6
Operating expenses	(30 804)	(35 448)	(38 692)	(41 657)	**(44 585)**	10
Earnings attributable to ordinary equityholders	14 785	18 440	21 623	22 563	**24 572**	14
Headline earnings	15 327	18 671	21 141	22 387	**23 762**	12
Earnings per share (cents)						
- Basic	269.7	336.2	390.1	402.4	**438.2**	13
- Diluted	266.4	332.7	390.1	402.4	**438.2**	13
Headline earnings per share (cents)						
- Basic	279.6	340.4	381.4	399.2	**423.7**	11
- Diluted	276.2	336.8	381.4	399.2	**423.7**	11

** Reclassifications of prior year numbers.*

FIVE YEAR REVIEW continued

R million	2013	2014	2015	2016	**2017**	Compound growth %
Dividend per share (cents)	136.0	174.0	210.0	226.0	**255.0**	17
Dividend cover based on headline earnings	2.1	2.0	1.8	1.8	**1.7**	
NCNR preference dividends per share (cents)						
- February	320.3	320.3	348.5	366.5	**395.6**	5
- August	320.3	341.1	363.9	394.7	**393.6**	5
Net asset value per ordinary share (cents)	1 305.4	1 467.9	1 619.2	1 778.5	**1 941.2**	10
Shares in issue (millions)	5 637.9	5 637.9	5 609.5	5 609.5	**5 609.5**	-
Weighted average number of shares in issue (millions)	5 482.5	5 485.3	5 543.6	5 607.7	**5 608.0**	1
Diluted weighted average number of shares in issue (millions)	5 550.0	5 543.0	5 543.6	5 607.7	**5 608.0**	-

FIVE YEAR REVIEW continued

R million	2013	2014	2015#	2016#	2017	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	23.0	24.5	24.7	23.5	**22.8**	
Price earnings ratio based on headline earnings (times)	10.3	12.0	14.0	11.2	**11.1**	
Price-to-book ratio (times)	2.2	2.8	3.3	2.5	**2.4**	
Market capitalisation (R million)	163 106	229 746	299 098	251 529	**264 487**	13
Closing share price (cents)	2 893	4 075	5 332	4 484	**4 715**	13
Cost-to-income ratio (%)	54.7	52.9	51.4	51.8	**51.3**	
Credit loss ratio (%)	0.9	0.8	0.8	0.9	**0.9**	
NPLs as a % of gross advances (%)	2.82	2.34	2.21	2.45	**2.41**	
Non-interest income as a % of total income (%)	54.6	54.0	52.6	47.7	**48.3**	
Return on average total assets based headline earnings (%)	1.9	2.1	2.1	2.0	**2.0**	
Interest margin on average advances (%)	4.4	4.6	5.0	5.2	**5.1**	
Exchange rates						
Rand/USD						
- Closing	10.01	10.63	12.14	14.66	**13.10**	
- Average	8.84	10.38	11.45	14.51	**13.58**	
Rand/GBP						
- Closing	15.22	18.17	19.12	19.67	**17.00**	
- Average	13.86	16.89	18.02	21.47	**17.21**	
Statement of financial position (USD)*						
Total assets	86 487	88 950	87 254	78 395	**92 955**	2
Advances	60 046	64 527	64 182	58 077	**68 176**	3
Deposits	69 634	72 270	71 295	62 761	**75 079**	2
Total equity	7 606	7 999	7 850	7 112	**8 657**	3
Assets under administration	99 561	108 029	107 589	97 432	**115 949**	4
Income statement (USD)**						
Earnings attributable to ordinary equityholders	1 673	1 776	1 888	1 555	**1 809**	2
Headline earnings	1 734	1 799	1 846	1 543	**1 750**	-
Statement of financial position (GBP)*						
Total assets	56 881	52 038	55 401	58 428	**71 630**	6
Advances	39 492	37 750	40 752	43 284	**52 536**	7
Deposits	45 797	42 280	45 268	46 775	**57 855**	6
Total equity	5 002	4 680	4 984	5 301	**6 671**	7
Assets under administration	65 480	63 338	68 443	72 616	**89 349**	8
Income statement (GBP)**						
Earnings attributable to ordinary equityholders	1 067	1 092	1 200	1 051	**1 428**	8
Headline earnings	1 106	1 105	1 173	1 043	**1 381**	6

** The statement of financial position is converted using the closing rates as disclosed.*
***The income statement is converted using the average rate as disclosed.*
 # Reclassification of prior year numbers.

CORPORATE GOVERNANCE

ECONOMIC IMPACT

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

BOARD SKILLS AND EXPERIENCE

As at 30 June 2017, FirstRand had a unitary board of 20 members, 3 are executive directors, 14 are non-executive directors, 9 of whom are independent.

NON-EXECUTIVE CHAIRMAN

Lauritz Lanser (Laurie) Dippenaar (68)
MCom, CA(SA)
Appointed July 1992

Laurie graduated from Pretoria University, qualified as a chartered accountant with Aiken & Carter (now KPMG) and spent three years at the Industrial Development Corporation before becoming a co-founder of Rand Consolidated Investments in 1977. Rand Consolidated Investments acquired control of Rand Merchant Bank in 1985 and he became an executive director. He was appointed managing director of Rand Merchant Bank in 1988 which position he held until 1992 when RMB Holdings acquired a controlling interest in Momentum Life Assurers (MLA).

He served as executive chairman of MLA from 1992 until the formation of FirstRand in 1998. He was appointed as the first CEO of FirstRand and held this position until the end of 2005 when he assumed a non-executive role. He was elected to the position of chairman of FirstRand in November 2008.

FirstRand – *committee memberships*
- Directors' affairs and governance
- Remuneration
- First National Bank*
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited and RMB Holdings Limited

EXECUTIVE DIRECTORS

CHIEF EXECUTIVE OFFICER

Johan Petrus (Johan) Burger (58)

BCom (Hons), CA(SA)
Appointed January 2009

Johan joined Rand Merchant Bank in 1986, where he performed a number of roles before being appointed financial director in 1995. Following the formation of FirstRand Limited in 1998, he was appointed financial director of the FirstRand banking group and in 2002 was appointed CFO of the FirstRand group. In addition to his role as group CFO, Johan was appointed as group COO in 2009 and deputy CEO in October 2013. He was appointed as CEO in October 2015.

Prior to joining FirstRand, Johan completed his articles with Coopers & Lybrand (now PwC) and qualified as a chartered accountant in 1984.Johan graduated from University of Johannesburg (formerly RAU) with a BCom (Hons) (Accounting) in 1983.

FirstRand – *committee memberships*

- Audit – *ex officio*
- Large exposures
- Remuneration – *ex officio*
- Risk, capital management and compliance – *ex officio*
- Social, ethics and transformation – *ex officio*
- First National Bank* - chairman
- Rand Merchant Bank* - chairman
- WesBank*

**Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited and RMB Holdings Limited

DEPUTY CHIEF EXECUTIVE OFFICER

Alan Patrick Pullinger (51)

MCom, CA(SA), CFA
Appointed October 2015

Alan graduated from the University of the Witwatersrand in 1991 and qualified as a chartered accountant after serving articles at Deloitte & Touche. He spent five years with Deloitte & Touche and was appointed to the partnership in 1996.

He joined Rand Merchant Bank in 1998 (prior to the creation of FirstRand Limited) and was appointed as CEO in 2008 until his promotion to deputy CEO of FirstRand on 1 October 2015.

FirstRand – *committee memberships*

- Audit – *ex officio*
- Information, Technology and risk governance
- Large exposures
- Remuneration – *ex officio*
- Risk, capital management and compliance – *ex officio*
- Social, ethics and transformation – *ex officio*
- First National Bank*
- Rand Merchant Bank*
- WesBank*

**Divisional board*

Other listed directorships
None

FINANCIAL DIRECTOR

Hetash Surendrakumar (Harry) Kellan (45)

BCom (Hons), CA(SA)
Appointed January 2014

Harry started his career with the FirstRand group in 2005 at FNB as group financial manager. He was appointed CFO of FNB in 2007, a position he held until his appointment to FirstRand as financial director in January 2014.

Prior to joining FirstRand, Harry completed his articles with Arthur Andersen and qualified as a chartered accountant in 1998 after graduating from the University of the Witwatersrand in 1994. After completing his articles, he specialised in financial services at Arthur Andersen from June 1998 to August 2000, including a year at the London office. He then joined HSBC South Africa in September 2000 where he held the position of associate director in corporate finance.

FirstRand – *committee memberships*

- Audit – *ex officio*
- Large exposures
- Remuneration – *ex officio*
- Risk, capital management and compliance – *ex officio*
- Social, ethics and transformation – *ex officio*
- First National Bank*

**Divisional board*

Other listed directorships

None

INDEPENDENT NON-EXECUTIVE DIRECTORS

Grant Glenn Gelink (67)
BCom (Hons), BCompt (Hons), CA(SA)
Appointed January 2013

Grant has had extensive work experience within Deloitte South Africa, which includes the following positions spanning over 26 years – CEO (2006 to 2012), CEO: human capital corporation (2004 to 2006), managing partner: consulting and advisory services (2001 to 2006) and partner in charge Pretoria office (1997 to 1999).

FirstRand – *committee memberships*
- Audit – chairman**
- Directors' affairs and governance
- Information Technology and risk governance – chairman
- Risk capital management and compliance
- WesBank*

** Divisional board*
***Appointed as chairman with effect from 1 September 2017*

Other listed directorships
Allied Electronics Corporation Limited (ALTRON), Grindrod Limited, Santam Limited

Patrick Maguire (Pat) Goss (69)
BEcon (Hons), BAccSc (Hons), CA(SA)
Appointed May 1998

Pat, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students, representing South Africa at The Hague and Basel. He qualified as a chartered accountant with Ernst and Young and subsequently joined the Industrial Development Corporation. He then assumed responsibility of his family business in 1977. Most of his active career was spent in food retailing and the hospitality industry.

He has served as a director of various group companies for the past 36 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation-related activities.

FirstRand – *committee memberships*
- Directors' affairs and governance
- Remuneration – chairman
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited (lead independent) and RMB Holdings Limited (lead independent)

Nolulamo Nobambiswano (Lulu) Gwagwa (58)
BA, MTRP, MSc, PhD
Appointed February 2004

After studying abroad, Lulu took up a position in 1992 as a senior lecturer at the University of Natal's Department of Town and Regional Planning. From 1995 to 1998 she became the deputy director general in the national Department of Public Works. During this period, she also served as the presidential appointee on the Commission on Provincial Government and as deputy chair of the Ministerial Advisory Committee on Local Government Transformation. From 1998 until 2003 she was the CEO of the Independent Development Trust. She is currently the CEO of Lereko Investments, a black-owned investment company and the chairperson of Aurecon Africa.

FirstRand – *committee memberships*
- Directors' affairs and governance
- Social, ethics and transformation – chairman

Other listed directorships
Massmart Holdings Limited and Sun International Limited

William Rodger (Roger) Jardine (51)
BSc, MSc
Appointed July 2010

Roger was national coordinator of science and technology policy in the department of economic planning of the African National Congress from 1992 to 1995. In 1995, he became director general of the Department of Arts, Culture, Science and Technology. He was chairman of the board of the CSIR and the Nuclear Energy Corporation between 1999 and 2005. In 1999, Roger joined Kagiso Media Limited as CEO and in 2006 became the COO of Kagiso Trust Investments.

Roger was the CEO of Aveng Limited between July 2008 and August 2013. In February 2014, he took up the position of chief executive of the Primedia Group. He was appointed to the boards of FirstRand Bank during 2004 and FirstRand Limited during 2010.

FirstRand – *committee memberships*
- Directors' affairs and governance – chairman
- Large exposures

Other listed directorships
None

Russell Mark Loubser (67)

BCom (Hons), MCom, CA(SA)
Appointed September 2014

Russell was the CEO of the Johannesburg Stock Exchange (JSE) from January 1997 until December 2011. During his tenure, he conceptualised the demutualisation of the JSE, and it was converted into a public company in 2005 and listed in 2006.

Prior to being appointed to the JSE, Russell was executive director of financial markets at Rand Merchant Bank Limited (RMB), which he joined in May 1985. He was part of the small team at RMB that started the stock index derivatives industry in SA in 1987. He was also a member of the King Committee on Corporate Governance for 15 years, a member of the Securities Regulation Panel of SA for 15 years and served on the board of directors of the World Federation of Exchanges (WFE) for approximately 13 years. Russell has also served as a council member of the University of Pretoria since 2007.

FirstRand – *committee memberships*

- Audit
- Directors' affairs and governance
- Large exposures – chairman
- Remuneration
- Risk, capital management and compliance – chairman
- First National Bank*
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
None

Ethel Gothatamodimo Matenge-Sebesho (62)

MBA, CAIB
Appointed July 2010

Ethel is currently working for Home Finance Guarantors Africa Reinsurance (HFGA Re), whose main objective is to facilitate access to housing finance in the low to medium income market in Africa. Her main role is to drive the establishment of new markets for the company in a number of African countries.

Prior to joining HFGA Re, Ethel was head of Housing Institutions at National Housing Finance Corporation, where she was part of a team that introduced social housing in South Africa. She has previously worked for Standard Chartered Bank in Botswana, at which time she obtained the Institute of Bankers' qualification and MBA from Brunel University of London.

Ethel has served on various bodies, among them, Air Botswana (vice chairman), Oikocredit (an international development financial institution based in the Netherlands), Botswana Investment and Trade Centre (vice chairman) and Momentum Investments.

FirstRand – *committee memberships*

- Audit
- Directors' affairs and governance
- First National Bank*

**Divisional board*

Other listed directorships
Capevin Limited and Distell Group Limited

Amanda Tandiwe (Tandi) Nzimande (47)

CTA, CA(SA), HDip Co Law
Appointed February 2008

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that, period she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching.

Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professional.

FirstRand – *committee memberships*

- Directors' affairs and governance
- Remuneration
- Social, ethics and transformation

Other listed directorships

Hulamin Limited and Verimark Holdings Limited

Benedict James (Ben) van der Ross (70)

Dip Law
Appointed May 1998

Ben is a director of companies. He has a diploma in Law from the University of Cape Town and was admitted to the Cape Side Bar as an attorney and conveyancer. He had a private practice for 16 years. He became an executive director at the Urban Foundation for five years until 1990 and then joined the Independent Development Trust where he was deputy CEO from 1995 to 1998. He acted as CEO of the South African Rail Commuter Corporation from 2001 to 2003 and as CEO of Business South Africa from 2003 to 2004. He served on the board of The Southern Life Association from 1986 until the formation of the FirstRand Group in 1998.

FirstRand – *committee memberships*

- Directors' affairs and governance
- Large exposures
- Remuneration
- First National Bank*
- WesBank* – chairman

**Divisional board*

Other listed directorships

Distell Group Limited, Lewis Group Limited, MMI Holdings Limited and Naspers Limited

Jan Hendrik (Hennie) van Greuning (64)
DCom, DCompt, CA(SA), CFA
Appointed January 2009

Hennie joined the World Bank in 1994 from the South African Reserve Bank where he served as financial manager (1986 – 1989) and Registrar of Banks (1990 – 1994). Prior to this he was a partner at Deloitte, where he spent ten years.

During his World Bank career, he worked in the Financial Sector Development department as well as the Europe and Central Asia region. He retired from the World Bank Treasury, as senior adviser to the treasurer, in 2009. He has worked extensively on financial regulatory, securities accounting and operational risk management issues.

He was involved in three World Bank publications: International Financial Reporting Standards, Analysing Banking Risk and Risk Analysis for Islamic Banks, as well as a CFA Institute publication on International Financial Statement Analysis.

FirstRand – *committee memberships*
- Audit – chairman**
- Directors' affairs and governance
- Risk, capital management and compliance
- First National Bank*

* *Divisional board*
** *will step down as chairman with effect from 1 September 2017, but will remain a member of the committee until 1 December 2017*

Other listed directorships
None

NON-EXECUTIVE DIRECTORS

Mary Sina Bomela (44)
BCom (Hons), CA(SA), MBA
Appointed September 2011

Mary was appointed to the position of CEO of the Mineworkers Investment Company Proprietary Limited (MIC) in July 2010 and was appointed to the board in September 2011.

Prior to joining the MIC, Mary was the CFO of Freight Dynamics and an executive in the corporate services division of the South African Institute of Chartered Accountants. She has held executive positions in the resources, media, utilities and financial services sector.

FirstRand – *committee memberships*
- Directors' affairs and governance
- Risk, capital management and compliance

Other listed directorships
Ascendis Health Limited, Metrofile Holdings Limited and Torre Industries Limited

Hermanus Lambertus Bosman (48)
BCom, LLB, LLM, CFA
Appointed April 2017

Herman was with RMB for 12 years and headed up its corporate finance practice between 2000 and 2006. After serving as chief executive of Deutsche Bank South Africa from 2006 to 2013, Herman joined RMB Holdings Limited and Rand Merchant Investment Holdings Limited as the chief executive officer on 2 April 2014.

FirstRand – *committee memberships*
- Directors' affairs and governance

Other listed directorships
Discovery Limited, Hastings Group Holdings plc, Rand Merchant Investment Holdings Limited (chief executive) and RMB Holdings Limited (chief executive)

Jan Jonathan (Jannie) Durand (50)

BAccSc (Hons), MPhil, CA(SA)
Appointed October 2012

Jannie studied at the University of Stellenbosch and after obtaining his BAcc degree in 1989 and BAcc (Hons) degree in 1990, he obtained his MPhil (Management Studies) degree from Oxford in 1992. He qualified as a chartered accountant in 1995.

He joined the Rembrandt Group in 1996. He became financial director of VenFin Limited in 2000 and CEO in May 2006. Jannie was appointed as chief investment officer of Remgro Limited in November 2009 and CEO from 7 May 2012.

FirstRand – *committee memberships*

- Directors' affairs and governance
- Remuneration

Other listed directorships

Capevin Limited, Distell Group Limited, Mediclinic International Limited, RCL Foods Limited, Rand Merchant Investment Holdings Limited, RMB Holdings Limited (deputy chairman), and Remgro Limited

Paul Kenneth Harris (67)

MCom
Appointed July 1992

Paul graduated from the University of Stellenbosch and joined the Industrial Development Corporation in 1974. He was a co-founder of Rand Consolidated Investments in 1977, which merged with Rand Merchant Bank (RMB) in 1985, at which time he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as CEO. Subsequent to the formation of FirstRand, he was appointed CEO of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed CEO of FirstRand. He retired at the end of 2009 and has remained on the boards as a non-executive director.

FirstRand – *committee memberships*

- Directors' affairs and governance

Other listed directorships

Rand Merchant Investment Holdings Limited, Remgro Limited and RMB Holdings Limited

Francois (Faffa) Knoetze (54)

BCom (Hons), FASSA, FIA
Appointed April 2016

Faffa graduated from the University of Stellenbosch in 1984 and became a fellow of the Actuarial Society of South Africa in 1992.

After starting his actuarial career at Sanlam as a marketing actuary in the life business, he spent most of his working career at Alexander Forbes, where he was the valuator and consulting actuary to a number of pension and provident funds, and carried the overall responsibility for the full service offering of Alexander Forbes to its retirement fund clients in the Stellenbosch region.

He joined Remgro on 2 December 2013 and focuses on the company's interests in the financial services (insurance and banking) and sports industries.

FirstRand – *committee memberships*

- Directors' affairs and governance
- Risk, capital management and compliance
- Social, ethics and transformation – with effect from 25 May 2017
- First National Bank*
- Rand Merchant Bank*
- WesBank*

** Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited (alternate) and RMB Holdings Limited (alternate)

Paballo Joel Makosholo (38)

MCom (IEDP), CA(SA)
Appointed October 2015

Paballo graduated from the University of Johannesburg (formerly RAU) and qualified as a chartered accountant after serving articles at KPMG. He spent three years with KPMG in audit and corporate finance, and thereafter one year with Rothschild Investment Bank as an executive.

He joined Kagiso Trust in 2006 and was appointed chief financial and investment executive, a position he held for ten years. He is currently chief operations officer at Kagiso Capital.

FirstRand – *committee memberships*

- Audit
- Directors' affairs and governance
- Social, ethics and transformation – with effect from 25 May 2017
- First National Bank*
- WesBank*

** Divisional board*

Other listed directorships
None

Thandie Sylvia Mashego (39)
BCom (Hons), CA(SA), MBL
Appointed January 2017

Thandie is the CFO of WDB Investment Holdings, responsible for the overall financial and risk management of the group. She is also involved in transaction execution and investment monitoring. Prior to joining WDB Investment Holdings, Thandie spent two years as group CFO of Vantage Capital Group, a private equity fund manager. She also spent 11 years at the Industrial Development Corporation (IDC) in various roles, where she led a number of project and corporate finance transactions. In her last five years at the IDC, Thandie was responsible for the management of IDC's private equity and loan investment portfolio in several sectors.

She qualified as a chartered accountant in 2003 after completing articles at KPMG and Transnet Group Limited.

FirstRand – *committee memberships*

- Directors' affairs and governance
- First National Bank*

** Divisional board*

Other listed directorships
None

Detailed directorships of Board members can be requested from the Company Secretary's Office

FirstRand group audited consolidated annual financial statements

C 03 – 259

C FirstRand group audited consolidated annual financial statements

AUDIT COMMITTEE REPORT

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

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

SUMMARY OF RESPONSIBILITIES

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

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

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

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

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

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

ATTENDEES

Leon Crouse (specialist consultant)
CEO
Deputy CEO
Financial director
Chief risk officer
Chief audit executive
Chairman of the sub-committees
External auditors and other assurance providers
Heads of finance, risk and compliance.

The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act.

The external auditors and chief audit executive meet independently with the non-executive members as and when required.

AREAS OF FOCUS

During the year, the committee:

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

EXTERNAL AUDIT

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

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

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

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

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

This included consideration of:

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

INTERNAL AUDIT

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

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

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

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

FINANCIAL STATEMENTS AND FINANCE FUNCTION

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

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

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

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

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

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

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

In addition, the committee is satisfied with:

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

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

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The committee works closely with the group's risk, capital management and compliance committee, social, ethics and transformation monitoring committee and information and technology risk governance committee to identify common risk and control themes, and achieve synergy between combined assurance processes, thereby ensuring that, where appropriate, relevant information is shared and these functions can leverage off one another.

Based on the reports received, the committee is satisfied that:

- the group has implemented appropriate processes for complying with the spirit and letter of key regulations impacting the group; and
- the group is able to effectively manage its risk, information and technology resources.

COMBINED ASSURANCE

During the year, the committee monitored alignment of all assurance providers to achieve elimination of multiple approaches to risk assessment and reporting. The combined assurance model incorporates and optimises all assurance services and functions so that, taken as a whole, these enable an effective control environment; support the integrity of information used for internal decision-making by management, the governing body and its committees, and supports the integrity of the group's external reports.

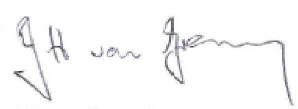
The committee is satisfied with the expertise, effectiveness and adequacy of arrangements in place for combined assurance.

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

Planned areas of focus

The committee recognises that there are many initiatives underway in the group in response to regulatory requirements and these represent significant demands on group resources and infrastructure. The implications of the mandatory audit firm rotation, effective for financial periods ending on or after 1 April 2023, will be considered going forward.

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



JH van Greuning
Chairman, audit committee
Sandton

6 September 2017

DIRECTORS` RESPONSIBILITY STATEMENT AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

The directors of FirstRand Limited are responsible for the preparation and fair presentation of the consolidated and separate annual financial statements comprising the statement of financial position, income statement, and statements of comprehensive income, changes in equity and cash flows, and the notes to the annual financial statements. These annual financial statements have been prepared in accordance with IFRS, including interpretations issued by the IFRS Interpretations Committee, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listing Requirements and the requirements of the Companies Act, no 71 of 2008.

In discharging this responsibility, the directors rely on management to prepare the consolidated and separate annual financial statements and for keeping adequate accounting records in accordance with the group's system of internal control. Jaco van Wyk, CA (SA), supervised the preparation of the annual financial statements for the year.

In preparing the annual financial statements, suitable accounting policies in accordance with IFRS have been applied and reasonable judgements and estimates have been made by management. No new or amended IFRS standards became effective for the year ended 30 June 2017 that had an effect on the group's reported earnings, financial position or reserves, or a material impact on the accounting policies. The financial statements incorporate full and responsible disclosure in line with the group's philosophy on corporate governance.

The directors are responsible for the group's system of internal control. To enable the directors to meet these responsibilities, the directors set the standards for internal control to reduce the risk of error or loss in a cost effective manner. The standards include the appropriate delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. The focus of risk management in the group is on identifying, assessing, managing and monitoring all known forms of risk across the group.

Effective risk management requires various points of control. The directors and management are the risk owners, assisted by enterprise risk management and internal audit. Enterprise risk management is responsible for independent oversight and monitoring of controls and reports to the risk, capital and compliance committee, who oversees the group's risk governance structures and processes. Internal audit provides independent assurance on the adequacy and effectiveness of controls and report to the audit committee.

Based on the information and explanations given by management and the internal auditors, nothing has come to the attention of the directors to indicate that the internal controls are inadequate and that the financial records may not be relied on in preparing the consolidated and separate annual financial statements and maintaining accountability for the group's assets and liabilities. Nothing has come to the attention of the directors to indicate any breakdown in the functioning of internal controls, resulting in a material loss to the group, during the year and up to the date of this report. Based on the effective internal controls implemented by management, the directors are satisfied that the consolidated and separate annual financial statements fairly present the state of affairs of the group and company at the end of the financial year and the net income and cash flows for the year.

The directors have reviewed the group and company's budgets and flow of funds forecasts and considered the group and company's ability to continue as a going concern in light of current and anticipated economic conditions. On the basis of this review, and in the light of the current financial position and profitable trading history, the directors are satisfied that the group has adequate resources to continue in business for the foreseeable future. The going concern basis, therefore, continues to apply and has been adopted in the preparation of the annual financial statements. It is the responsibility of the group's independent external auditors, Deloitte & Touche and PricewaterhouseCoopers Inc., to report on the fair presentation of the annual financial statements. These annual financial statements have been audited in terms of section 29(1) of the Companies Act, no 71 of 2008. Their unmodified report appears on page C16.

The consolidated annual financial statements of the group, which appear on pages C22 to C242 and the separate annual financial statements of the company, which appear on pages C243 to C259, and the summary risk and capital management report, which appear in section A of the summary risk and capital management report, were approved by the board of directors on 6 September 2017 and are signed on its behalf by:

LL Dippenaar	**JP Burger**
Chairman	Chief executive officer
Sandton	
6 September 2017	

COMPANY SECRETARY'S CERTIFICATION

DECLARATION BY THE COMPANY SECRETARY IN RESPECT OF SECTION 88 (2) (E) OF THE COMPANIES ACT.

I declare that, to the best of my knowledge, the company has lodged with the Commissioner of the Companies and Intellectual Property Commission all such returns and notices as required of a public company in terms of the Companies Act and that all such returns and notices are true, correct and up to date.

C Low
Company secretary

Sandton

6 September 2017

DIRECTORS' REPORT
for the year ended 30 June 2017

NATURE OF BUSINESS

FirstRand Limited is a public company and registered bank controlling company with a primary listing on the JSE Limited (JSE) (under Financial – Banks, share code: FSR) and a secondary listing on the Namibian Stock Exchange (NSX) (share code: FST). FirstRand Limited is the holding company of the FirstRand group of companies.

FirstRand's portfolio of franchises comprises FNB, RMB, WesBank and Ashburton Investments and provides a universal set of transactional, lending, investment and insurance products and services. The FCC franchise represents group-wide functions.

Whilst the group is predominantly South African based, it has subsidiaries in Namibia, Botswana, Zambia, Mozambique, Tanzania, Nigeria, Swaziland, Lesotho and Ghana. The bank has branches in India, London and Guernsey, and representative offices in Dubai, Kenya, Angola and China.

Refer to section D for a simplified group structure of the group.

CASH DIVIDEND DECLARATIONS

Ordinary shares

The directors declared a total gross cash dividend totalling 255.0 cents per ordinary share out of income reserves for the year ended 30 June 2017.

Dividends

ORDINARY SHARES

	Year ended 30 June	
Cents per share	**2017**	2016
Interim (declared 8 March 2017)	**119.0**	108.0
Final (declared 6 September 2017)	**136.0**	118.0
	255.0	226.0

The salient dates for the final dividend are as follows:

Last day to trade cum-dividend	Tuesday 3 October 2017
Shares commence trading ex-dividend	Wednesday 4 October
Record date	Friday 6 October 2017
Payment date	Monday 9 October 2017

Share certificates may not be dematerialised or re-materialised between Wednesday, 4 October 2017 and Friday, 6 October 2017, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 20% (or such lower rate if a double taxation agreement applies for foreign shareholders).

For South African shareholders who are subject to DWT, the net final dividend after deducting 20% tax will be 108.80000 cents per share.

The issued share capital on the declaration date was 5 609 488 001 ordinary shares and 45 000 000 variable rate NCNR B preference shares.

FirstRand's income tax reference number is 9150/201/71/4.

B preference shares

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

Dividends declared and paid

	Preference dividends	
Cents per share	**2017**	2016
Period:		
1 September 2015 - 29 February 2016		366.5
1 March 2016 – 29 August 2016		394.7
30 August 2016 - 27 February 2017	**395.6**	
28 February 2017 – 28 August 2017	**393.6**	

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2017 are shown in note 28 to the group's financial statements.

Ordinary share capital

There were no changes to authorised or issued ordinary share capital during the year.

Preference share capital

There were no changes to authorised or issued preference share capital during the year.

SHAREHOLDER ANALYSIS (AUDITED)

The following shareholders have a significant beneficial interest in FirstRand's issued ordinary shares.

%	**2017**	2016
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)	**34.1**	34.1
Public Investment Corporation	**9.1**	9.5
BEE partners	**5.2**	4.2
Financial Securities Limited (Remgro)	**3.9**	3.9

A further analysis of shareholders is set out in section D.

EVENTS AFTER REPORTING PERIOD

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

DIRECTORATE

Details of the board of directors are in section B.

BOARD CHANGES

Movements in the directorate during the year under review:

		EFFECTIVE DATE
Appointments		
TS Mashego	Non-executive director	1 January 2017
HL Bosman	Non-executive director	3 April 2017
Resignations/retirements		
VW Bartlett	Independent non-executive director (retired)	29 November 2016
D Premnarayen	Independent non-executive director (retired)	29 November 2016
P Cooper	Alternate non-executive director (resigned)	30 April 2017
Change of designation		
AT Nzimande	Non-executive director	31 December 2016
AT Nzimande	Independent non-executive director	1 January 2017

DIRECTORS' AND PRESCRIBED OFFICERS' INTERESTS IN FIRSTRAND

Closed periods commence on 1 January and 1 July and are in force until the announcement of the interim and year end results. Closed periods also include any period where the company is trading under cautionary or where participants have knowledge of price sensitive information. Similar prohibitions exist in respect of trading in RMB Holdings Limited shares because of the relative importance of FirstRand in the earnings of RMB Holdings Limited. All directors' dealings require the prior approval of the chairman and the company secretary retains a record of all such share dealings and approvals. Trading in securities by employees who are exposed to price sensitive information is subject to the group's personal account trading rules. It is not a requirement of the company's memorandum of incorporation or the board charter that directors own shares in the company.

Ordinary shares (audited)

	Direct beneficial (thousands)	Indirect beneficial (including held by associates) (thousands)	Indirect via RMBH (thousands)	Total 2017 (thousands)	Percentage holding %	Total 2016 (thousands)
Executive directors and prescribed officers						
JP Burger	504	6 117	1 670	**8 291**	0.15	8 291
AP Pullinger	4 550	35	-	**4 585**	0.08	4 311
HS Kellan	780	629	11	**1 420**	0.03	1 359
J Celliers	-	333	5	**338**	0.01	270
C de Kock	300	836	-	**1 136**	0.02	300
JR Formby	598	587	-	**1 185**	0.02	1 185
Non-executive directors						
VW Bartlett*	798	-	-	**798**	0.01	798
HL Bosman**	120	-	-	**120**	-	-
P Cooper#	1 731	891	5 127	**7 749**	0.14	7 749
LL Dippenaar	1 377	1 728	101 627	**104 732**	1.87	105 047
GG Gelink	102	-	-	**102**	-	102
PM Goss	1	-	16 401	**16 402**	0.29	16 393
NN Gwagwa	251	-	-	**251**	-	251
PK Harris	-	313	9 473	**9 786**	0.17	9 786
WR Jardine	-	232	11	**243**	0.00	243
RM Loubser	-	-	1 868	**1 868**	0.03	1 868
EG Matenge-Sebesho	-	77	-	**77**	-	77
BJ van der Ross	463	-	-	**463**	0.01	463
Total	11 575	11 778	136 193	**159 546**	2.83	158 493

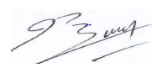
* *Retired November 2016.*
** *Appointed April 2017.*
# *Resigned April 2017.*

Directors' interests remained unchanged from the end of the financial year to the date of this report.

B preference shares (audited)

	Indirect beneficial (thousands)	Total 2017 (thousands)	Total 2016 (thousands)
Non-executive directors			
LL Dippenaar	250	**250**	250
Total	250	**250**	250

LL Dippenaar
Chairman



JP Burger
CEO

6 September 2017

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Report on the audit of the consolidated and separate financial statements

Our Opinion

We have audited the consolidated and separate financial statements of FirstRand Limited and its subsidiaries (the Group), set out on pages C22 to C259, which comprise the consolidated and separate statements of financial position as at 30 June 2017, and the consolidated income statement and consolidated statement of other comprehensive income, separate statement of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report.

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We have determined that there are no key audit matters to communicate in our report with regard to the audit of the separate financial statements of the Company for the current period.

Key audit matter	How the matter was addressed in the audit
Valuation of complex financial instruments which are subject to judgement The valuation of complex financial instruments requires significant judgement by management where valuation assumptions are not market observable. These key assumptions include unobservable market rates, projected cash flows and the consideration of recent market developments in valuation methodologies relating to the impact of counterparty and own credit risk, regulation and funding costs. The financial instruments impacted by these subjective assumptions include: ● Advances book carried at fair value (primarily Rand Merchant Bank and Group Treasury); ● Complex derivative financial instruments (primarily those which are longer dated and valued with reference to unobservable assumptions); and ● Investment securities valued with reference to unobservable assumptions which would primarily be unlisted equities. As the impact of these assumptions on the valuation of the related financial instruments significantly affects the measurement of profit and loss and disclosures of financial risks in the financial statements, it was considered a key audit matter. We focused on the following areas of judgement relating to the financial instruments described above: ● The impact of unobservable market rates on the recognition of fair value gains and losses; ● Consideration of recent market developments in valuation methodologies, particularly relating to the impact of counterparty and own credit risk, regulation and funding costs; and ● The reasonableness of projected cash flows incorporated into valuation models. Related disclosures in the financial statements: ● Accounting policies, note 10 - Critical accounting estimates, assumptions and judgements. ● Group note 33 - Fair value measurements.	Our audit of the valuation of the fair value advances book, complex derivative instruments and investment securities subject to these subjective assumptions included, inter alia, the following audit procedures with the assistance of our valuation experts: ● Tested the design and effectiveness of the relevant financial reporting controls relating to valuation; ● Evaluated the technical and practical appropriateness and accuracy of valuation methodologies (including key assumptions made and modelling approaches adopted) applied by management with reference to market practice and consistency with prior periods; ● For selected instruments we have independently reperformed the valuation; ● Assessed the appropriateness and sensitivity of unobservable market rates, projected cash flows and valuation adjustments with reference to the best available independent information; and ● Assessed the completeness and accuracy of disclosures. For the areas described above, our audit evidence supported management's assumptions and disclosures.

Impairment of advances The quality of credit is one of the primary risks managed by a bank. As such, the quality of the advances book, and the resultant credit impairments held, are key considerations by management. Impairment of advances at the statement of financial position date represents management's best estimate of the losses incurred based on historical data, collateral valuations, observable macro trends and other relevant and observable information. The impairment of advances is significant to the financial statements, given the considerable judgement required to be applied by management in the recognition and measurement of credit risk. As a result, we determined this to be a key audit matter. <u>Corporate advances</u> Corporate advances are typically individually significant and the calculation of impairments is inherently judgemental in nature. The impact of macro-economic events, including negative economic sentiment, global pressure on commodity prices, depressed oil prices and foreign exchange volatility result in a challenging operating environment and may have an impact on the credit risk of underlying counterparties. As a result, management apply significant judgements, estimates and assumptions in order to determine: • The probability of default(PD), particularly for industries or counterparties evidencing indicators of distress; • The valuation and expected recoverability of collateral; and • The timing and quantum of expected future cash flows to be collected. <u>Retail advances</u> Retail advances are typically higher volume, lower value and therefore a significant portion of the impairment is calculated on a portfolio basis. This requires the use of statistical models incorporating data and assumptions which are not always necessarily observable. Management applies professional judgement in developing the models, analysing data and determining the most appropriate assumptions and estimates. The inputs into the model process requiring significant management judgement, include:	Our audit of the impairment of advances included, inter alia, the following audit procedures with the assistance of our credit experts: ● Across all significant portfolios we assessed the advances impairment practices applied by management against the requirements of IFRS and for consistency with prior periods. In addition, we tested the design and effectiveness of relevant controls over the processes used to calculate impairments, including controls relating to data and models. ● Considered the potential for impairment to be affected by events which were not captured by the models due to timing or other inherent limitations (such as changes in economic conditions) and evaluated how the Group had responded to these by making further adjustments where appropriate (in the form of overlays). <u>Corporate advances</u> ● Areas of significant judgement were identified and assessed for reasonableness for individually significant advances. We assessed, against actual experience and industry practice, the appropriateness of assumptions made by management in determining the level of impairment, including the probability of default and valuation of collateral. ● Independently recalculated a reasonable range of significant impairment losses, and compared the level raised by management to this range. ● Inspected a sample of legal agreements and supporting documentation to confirm the legal right to and existence of collateral. We further assessed the collateral valuation methodologies applied against historical experience and industry practice. ● A sample of counterparties from high risk industries or geographical locations were identified and tested for potential impairment, by using historical data and best available external evidence to assess the appropriateness of recognised impairments. ● Selected a sample of advances that had not been identified as impaired and determined if this was reasonable by forming an independent view on whether a specific impairment should be recognised. <u>Retail advances</u> ● Where impairments were specifically calculated, we assessed whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner by management. Where impairments had been identified, we examined the forecasts of

• The probability of default (PD); • The loss given default (LGD); • Whether the loss event (that is the point at which impairment is recognised) had been identified in a timely manner; • The emergence periods between the impairment event occurring and a specific or portfolio impairment being recognised; and • The identification and treatment of cured and renegotiated loans. Management also evaluates the overall portfolio provisions, as determined by the model, and may, in certain circumstances, recognise additional provisions (in the form of overlays) where there is uncertainty in respect of the models ability to address specific trends or conditions due to inherent limitations of modelling based on past performance, the timing of model updates and macro-economic events which could impact retail consumers. Related disclosures in the financial statements: ● Group note 37.1 – Financial and Insurance risk – Credit risk. ● Accounting policies, note 10 - Critical accounting estimates, assumptions and judgements.	future cash flows and assumptions applied and assessed these assumptions against external evidence used by management, where available. ● Where impairments were calculated on a modelled basis (portfolio impairments), we assessed the appropriateness of these models and the data and assumptions used by management. This included: o Comparing those assumptions which could have a material impact with actual experience and industry practice, including the determination of probabilities of default, expected loss in the event of default, the emergence periods, the curing of defaulted or renegotiated loans as well as the potential divergence of these assumptions for specific advance categories such as advances subject to debt counselling. o Testing the operation of actuarial models, including, where required, building our own independent assessment and comparing our results to those of management. Based on the procedures described above, our audit evidence supported the total credit impairments, inclusive of overlays, to be within an acceptable range in the context of an incurred loss model. The consolidated financial statements incorporated appropriate disclosures relating to the impairment of advances.
Taxation The Group, through its diverse and complex financial services offerings, operates in multiple tax jurisdictions and is therefore subject to a wide range of taxation laws as well as the interpretive nature of these tax laws. Management judgement is applied to the application and interpretation of regulations from various tax authorities across a multitude of products and transactions which can have a significant impact on the financial statements. As a result, this was viewed as a key audit matter. Related disclosures in the financial statements: ● Accounting policies, note 10 - Critical accounting estimates, assumptions and judgements.	Our assessment of the impact of material interpretive tax matters included, inter alia, the following audit procedures performed with the assistance of our tax specialists: ● Evaluated the adequacy of the Group's tax risk control framework with reference to the Group's ability to identify tax issues. ● Analysed the judgements applied by management in the accounting and disclosure of tax risk, in the context of available supporting information. ● Examined correspondence between the Group and the relevant tax authorities. Based on the procedures described above and in the context of the uncertainty that exists, we found these matters were appropriately accounted for and disclosed in the consolidated financial statements.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Financial Statements, which includes the Directors' report, the Audit committee report and the Company secretary's certification as required by the Companies Act of South Africa, which we obtained prior to the date of this report, and the Annual integrated report 2017, which is expected to be made available to us after that date. Other information does not include the consolidated and separate financial statements and our auditors' report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Consolidated and Separate Financial Statements

The directors are responsible for the preparation and fair presentation of the consolidated and separate financial statements in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

Auditors' Responsibilities for the Audit of the Consolidated and Separate Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and

related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group and/or the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that Deloitte & Touche and PricewaterhouseCoopers Inc. have been the joint auditors of FirstRand Limited for 7 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 13 years.

Deloitte & Touche

Deloitte & Touche
Registered auditor
Per partner: Darren Shipp CA (SA)

Johannesburg

6 September 2017

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Registered auditor
Director: Francois Prinsloo

Johannesburg

6 September 2017

ACCOUNTING POLICIES

1 INTRODUCTION AND BASIS OF PREPARATION

1.1 Introduction

The group's consolidated and separate annual financial statements have been prepared in accordance with IFRS, the Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, the JSE Listing Requirements and the requirements of the Companies Act, no 71 of 2008 (Companies Act).

These financial statements comprise the statements of financial position (also referred to as the balance sheet) as at 30 June 2017, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year ended, and the notes, comprising a summary of significant accounting policies and other explanatory notes.

The group adopts the following significant accounting policies in preparing its annual financial statements:

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES				
2	Subsidiaries, associates and joint arrangements	Consolidation and equity accounting (section 2.1)	Related party transactions (section 2.2)	
3	Income, expenses and taxation	Income and expenses (section 3.1)	Income tax expenses (section 3.2)	
4	Financial instruments	Classification (section 4.1)	Measurement (section 4.2)	Impairment (section 4.3)
		Transfers and de-recognition (section 4.4)	Offset and collateral (section 4.5)	Derivatives and hedge accounting (section 4.6)
5	Other assets and liabilities	Property, equipment and investment properties (section 5.1)	Intangible assets (section 5.1)	Commodities (section 5.1)
		Provisions (section 5.1)	Non-current assets held for sale (section 5.2)	Leases (section 5.3)
6	Capital and reserves	Share capital and treasury shares	Dividends and non-cash distributions	Other reserves
7	Transactions with employees	Employee benefits (section 7.1)	Share-based payment transactions (section 7.2)	
8	Non-banking activities	Insurance activities (section 8.1)	Investment management activities (section 8.2)	

These policies have been consistently applied to all years presented except for the voluntary change in presentation outlined in section 9.

1.2 Basis of preparation

There were no revised or new standards adopted in the current year that impacted the group's reported earnings, financial position or reserves, or a material impact on the accounting policies.

The group has voluntarily changed the way it presents certain items of the net interest income and non-interest revenue, the classifications of certain credit investments and the presentation of accrued interest on certain deposits. The new presentation provides more meaningful insights to users about how the bank manages its business. The change in presentation has had no impact on the profit or loss or net asset value of the group and only affects the classification of items on the income statement and statement of financial position. The impact on previously reported results is set out in section 9 of the accounting policies, Restatement of prior year numbers.

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FirstRand Limited, its subsidiaries and its share of earnings of associates and joint ventures. To compile the consolidated financial statements the following information is used:

- Audited information about the financial position and results of operations at 30 June each year for all significant subsidiaries in the group. For insignificant private equity subsidiaries that have a year-end that is less than three months different to that of the group, the latest audited financial statements are used; and
- The most recent audited annual financial statements of associates and joint ventures. These are not always drawn up to the same date as the financial statements of the group. Where the reporting date is different from that of the group, the group uses the most recently available financial statements of the investee and reviews the investee's management accounts for material transactions during the intervening period. In instances where significant events occurred between the last reporting date of an investee and the reporting date of the group, the effect of such events is adjusted for.

Accounting policies of subsidiaries, associates and joint ventures have been changed at acquisition, where necessary, to ensure consistency with the accounting policies adopted by the group.

The segmental analysis included in the segment report is based on the information reported to the chief operating decision maker for the respective segments under the current franchise management structures. The information is prepared in terms of IFRS and certain adjustments are made to the segment results to eliminate the effect of non-taxable income and other segment specific items that impact certain key ratios reviewed by the chief operating decision maker when assessing the operating segments' performance. In addition, certain normalised adjustments are also processed to the segment results. In the past these normalised adjustments were processed at a total profit for the year level. Based on a change in the internal method of management reporting, these entries are now processed above the line on a line-by-line level at a franchise level. To facilitate comparability, the segment report for 30 June 2016 has been presented in line with the updated internal method of management reporting.

Use of judgements and estimates

The preparation of annual financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual financial statements are outlined in section 10.

Presentation of annual financial statements, functional and foreign currency

Items included in the annual financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Presentation	The group presents its statement of financial position in order of liquidity. Where permitted or required under IFRS, the group offsets assets and liabilities or income and expenses and presents the net amount in the statement of financial position, income statement or in the statement of comprehensive income.
Materiality	IFRS disclosure is only applicable to material items. Management applies judgement and considers both qualitative and quantitative factors in determining materiality applied in preparing these financial statements.
Functional and presentation currency of the group	South African rand (R)
Level of rounding	All amounts are presented in millions of rands. The group has a policy of rounding up in increments of R500 000. Amounts less than R500 000 will therefore round down to R nil and are presented as a dash.
Foreign operations with a different functional currency from the group presentation currency	The financial position and results of the group's foreign operations are translated at the closing or average exchanges rate as required per IAS 21. Upon consolidation, exchange differences arising on the translation of the net investment in foreign operations, are recognised as a separate component of other comprehensive income (the foreign currency translation reserve) and are reclassified to profit or loss on disposal or partial disposal of the foreign operation. The net investment in a foreign operation includes any monetary items for which settlement is neither planned nor likely in the foreseeable future.
Foreign currency transactions of the group	Translated into the functional currency using the exchange rates prevailing at the date of the transactions.
Translation and treatment of foreign denominated balances	Translated at the relevant exchange rates, depending on whether they are monetary items (in which case the closing spot rate is applied) or non-monetary items. For non-monetary items measured at cost the rate applied is the transaction date rate. For non-monetary items measured at fair value the rate at the date the fair value is determined (reporting date) is applied. Foreign exchange gains or losses are recognised in profit or loss. To the extent that foreign exchange gains or losses relate to available-for-sale financial assets the following applies: ➢ equity instruments are recognised in other comprehensive income as part of the fair value movement; and ➢ debt instruments are allocated between profit or loss (those that relate to changes in amortised cost) and other comprehensive income (those that relate to changes in the fair value).

2 SUBSIDIARIES, ASSOCIATES AND JOINT ARRANGEMENTS

2.1 Basis of consolidation and equity accounting

	Subsidiaries and other structured entities	Associates	Joint ventures
Typical shareholding in the assessment of entities that are not structured entities	Greater than 50%	Between 20% and 50%	Between 20% and 50%
When an entity is a structured entity and control of an entity is not evidenced through shareholding, the group considers the substance of the arrangement and the group's involvement with the entity to determine whether the group has control, joint control or significant influence over the significant decisions that impact the relevant activities of the entity.			
Nature of the relationship between the group and the investee	Entities over which the group has control as defined in IFRS 10 are consolidated. These include certain investment funds managed by the group, securitisation structures or other entities used for the purpose of buying or selling credit protection.	Entities over which the group has significant influence as defined in IAS 28. These include investment funds not consolidated but which the group has significant influence over.	A joint arrangement in terms of which the group and the other contracting parties have joint control as defined in IFRS 11. Joint ventures are those joint arrangements where the group has rights to the net assets of the arrangement.

Separate financial statements
The company measures investments in these entities at cost less impairment (in terms of IAS 36), with the exception of investments acquired and held exclusively with the view to dispose of in the near future (within 12 months) that are measured at fair value less cost to sell in terms of IFRS 5.

	Consolidated financial statements	
	Consolidation	**Equity accounting**
Initial recognition in the consolidated financial statements	Subsidiaries acquired are accounted for by applying the acquisition method of accounting to business combinations. The excess (shortage) of the sum of the consideration transferred, the value of non-controlling interest, the fair value of any existing interest, and the fair value of identifiable net assets, is recognised as goodwill or a gain on bargain purchase, as is set out further below. Transaction costs are included in operating expenses within profit or loss when incurred.	Associates and joint ventures are initially recognised at cost (including goodwill) and subsequently equity accounted. The carrying amount is increased to reflect the group's portion of profits and decreased to recognise the group's share of losses and dividends received from the investee after the date of acquisition. Items that impact the investee's net asset value that don't impact other comprehensive income are recognised directly in gains less losses from investing activities within non-interest revenue.
Intercompany transactions and balances	Intercompany transactions are all eliminated on consolidation, including unrealised gains. Unrealised losses on transactions between group entities are also eliminated unless the transaction provides evidence of impairment of the transferred asset, in which case the transferred asset will be tested for impairment in accordance with the group's impairment policies.	Unrealised gains on transactions are eliminated to the extent of the group's interest in the entity. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Impairment	In the consolidated financial statements either the cash generating unit (CGU) is tested i.e. a grouping of assets no higher than an operating segment of the group; or if the entity is not part of a CGU, the individual assets of the subsidiary and goodwill are tested for impairment in terms of IAS 36.	The group applies the indicators of impairment in IAS 39 to determine whether an impairment test is required. The amount of the impairment is determined by comparing the investment's recoverable amount with its carrying amount as determined in accordance with IAS 36. The entire carrying amount of the investment, including other long-term interests, is tested for impairment. Certain loans and other long-term interests in associates and joint ventures are considered to be, in substance, part of the net investment in the entity when settlement is neither planned nor likely to occur in the foreseeable future. Such items may include preference shares and long-term receivables or loans but do not include trade receivables or any long-term loans for which adequate collateral exists. These loans and other long-term interests in associates and joint ventures are included in advances on the face of the statement of financial position. The value of such loans is, however, included in the carrying amount of the investee for purposes of determining the share of losses of the investee attributable to the group and for impairment testing purposes. Any resulting impairment losses are recognised as part of the share of profits or losses from associates or joint ventures.

Consolidated financial statements		
	Consolidation	**Equity accounting**
Goodwill	Goodwill on the acquisition of businesses and subsidiaries represents excess consideration transferred, and is recognised as an intangible asset at cost less accumulated impairment losses. If this amount is negative, as in the case of a bargain purchase, the difference is immediately recognised in gains less losses from investing activities within non-interest revenue. Goodwill is tested annually for impairment by the group in March or earlier if there are objective indicators of impairment. For subsidiaries acquired between March and June a goodwill impairment test is performed in June in the year of acquisition and thereafter annually in March. For testing purposes, goodwill is allocated to a suitable CGU. Impairment losses in respect of goodwill are not subsequently reversed.	Notional goodwill on the acquisition of associates and joint ventures is included in the equity accounted carrying amount of the investment. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount, but only to the extent that the investment's carrying amount does not exceed the carrying amount that would have been determined if no impairment loss has been recognised.
Outside shareholders	Non-controlling interests in the net assets of subsidiaries are separately identified and presented from the group's equity. All transactions with non-controlling interests, which do not result in a loss of control, are treated as transactions with equity holders. Partial disposals and increases in effective shareholding between 50% and 100% are treated as transactions with equity holders. Non-controlling interest is initially measured either at the proportional share of net assets or at fair value. The measurement distinction is made by the group on a case by case basis.	Transactions with outside shareholders are not equity transactions and the effects thereof are recognised in profit or loss as part of gains less losses from investing activities in non-interest revenue.

Disposals

In a disposal transaction where the group loses control of the subsidiary, joint control of a joint venture or significant influence over an associate, and the group retains an interest in the entity after disposal, for example an investment in associate or investment security, the group measures any retained investment in the entity at fair value at the time of the disposal. Thereafter the remaining investment is accounted for in accordance with the relevant accounting requirements.

When a foreign operation is sold or partially disposed of and control/joint control/significant influence is lost, the group's portion of the cumulative amount of the exchange differences relating to the foreign operation which were recognised in other comprehensive income, are reclassified from other comprehensive income to profit or loss when the gain or loss on disposal is recognised. Dividends received that do not constitute a return of capital are not deemed to represent a disposal or partial disposal of a foreign operation.

For partial disposals where control/joint control/significant influence is retained, the group re-attributes the proportionate share of the cumulative translation differences recognised in other comprehensive income to the non-controlling interests of the foreign operation.

Gains or losses on all other disposals are recognised in gains less losses from investing activities in non-interest revenue.

The group may lose control of a subsidiary in a transaction where an interest in the investee is retained through an associate or joint venture. The group eliminates the group share of profits on these transactions in accordance with IAS 28.

Interests in unconsolidated structured entities

Interests in unconsolidated structured entities may expose the group to variability in returns from the structured entity. However because of a lack of power over the structured entity it is not consolidated. Normal customer/supplier relationships where the group transacts with the structured entity on the same terms as other third parties are not considered to be interests in the entity.

From time to time the group also sponsors the formation of structured entities primarily for the purpose of allowing clients to hold investments, for asset securitisation transactions and for buying and selling credit protection.

Where the interest or sponsorship does not result in control, and does not represent a normal customer or supplier relationship, disclosures of these interests or sponsorships are made in the notes in terms of IFRS12.

2.2 Related party transactions

Related parties of the group, as defined, include:

Subsidiaries	Associates	Joint ventures	Post-employment benefit funds (pension funds)
Entities that have significant influence over the group, and subsidiaries of these entities	Key management personnel (KMP)	Close family members of KMP	Entities controlled, jointly controlled or significantly influenced by KMP or their close family members

The principal shareholder of the FirstRand Limited group is RMB Holdings Limited, incorporated in South Africa.

Key management personnel of the group are the FirstRand Limited board of directors and prescribed officers, including any entities which provide key management personnel services to the group. Their close family members include spouse/domestic partner and children, domestic partner's children and any other dependants of the individual or their domestic partner.

3 INCOME, EXPENSES AND TAXATION

3.1 Income and expenses

Net interest revenue recognised in profit or loss

Net interest includes:

- interest on financial instruments measured at amortised cost and available-for-sale debt instruments determined using the effective interest method;
- interest on compound instruments. Where instruments with characteristics of debt, such as redeemable preference shares, are included in loans and advances or long-term liabilities and are measured at amortised cost, dividends received or paid on these instruments are included in the cash flows used to determine the effective interest rate of the instrument;
- interest on debt instruments designated at fair value through profit or loss that are held by and managed as part of the group's insurance or funding operations;
- an amount related to the unwinding of the discounted present value of non-performing loans measured at amortised cost on which specific impairments have been raised and where the recovery period is significant. When these advances are impaired, they are recognised at recoverable amount i.e. the present value of the expected future cash flows, and an element of time value of money is included in the specific impairment raised. As the advance moves, closer to recovery, the portion of the discount included in the specific impairment unwinds; and
- the difference between the purchase and resale price in repurchase and reverse repurchase agreements where the related advance or deposit is measured at amortised cost, because the amount is in substance interest.

The total interest expense is reduced by the amount of interest incurred in respect of liabilities used to fund the group's fair value activities. This amount is reported in fair value income within non-interest revenue.

Non-interest revenue recognised in profit or loss	
Net fee and commission income	
Fee and commission income	Fees and transaction costs that do not form an integral part of the effective interest rate are recognised as income when the outcome of the transaction involving the rendering of services can be reliably estimated as follows: ➢ fees for services rendered are recognised on an accrual basis when the service is rendered, e.g. banking fee and commission income, and asset management and related fees; ➢ fees earned on the execution of a significant act, e.g. knowledge-based fee and commission income, and non-banking fee and commission income, when the significant act has been completed; and ➢ commission income on bills and promissory notes endorsed is credited to profit or loss over the life of the relevant instrument on a time apportionment basis. Commissions earned on the sale of insurance products to customers of the group on behalf of an insurer and the income arising from third-party insurance cell captives and profit share agreements, are recognised as fee and commission income. Other non-banking fee and commission income relates to fees and commissions earned for rendering services to clients other than those related to the banking and insurance and asset management operations.
Fee and commission expenses	Fee and commission expenses are expenses that are incremental and directly attributable to the generation of fee and commission income, and are recognised as part of fee and commission income. These include transaction and service fees, which are expensed as the services are received.
Customer loyalty programmes	The group operates a customer loyalty programme, eBucks, in terms of which it undertakes to provide goods and services to certain customers. The reward credits are accounted for as a separately identifiable component of the fee and commission income transactions. The consideration allocated to the reward credits is measured at the fair value of the reward credit and recognised in fee and commission income over the period in which the customers utilise the reward credits. Expenses relating to the provision of the reward credits are recognised as fee and commission expenses as incurred.

Non-interest revenue recognised in profit or loss
Fair value gains or losses
Fair value gains or losses of the group recognised in non-interest revenue includes the following: ➢ fair value adjustments and interest on trading financial instruments including derivative instruments that do not qualify for hedge accounting and adjustments relating to non-recourse investments and deposits (except where the group owns the commercial paper issued by the conduits); ➢ fair value adjustments that are not related to credit risk on advances designated at fair value through profit or loss; ➢ a component of interest expense that relates to interest paid on liabilities which fund the group's fair value operations. The interest expense is reduced by the amount that is included in fair value income; ➢ fair value adjustments on financial instruments designated at fair value through profit or loss in order to eliminate an accounting mismatch, except for such instruments relating to the group's insurance and funding operations for which the interest component is recognised in interest income; ➢ ordinary and preference dividends on equity instruments designated at fair value through profit or loss or held for trading; ➢ any difference between the carrying amount of the liability and the consideration paid, when the group repurchases debt instruments that it has issued; and ➢ fair value gains or losses on policyholder liabilities under investment contracts.
Gains less losses from investing activities
The following items are included in gains less losses from investing activities: ➢ any gains or losses on disposals of investments in subsidiaries, associates and joint ventures; ➢ any amounts recycled from other comprehensive income in respect of available-for-sale financial assets; and ➢ dividend income on any equity instruments that are considered long term investments of the group, including dividends from subsidiaries, associates and joint ventures.
Dividend income
The group recognises dividend income when the group's right to receive payment is established. This is the last day to trade for listed shares and on the date of declaration for unlisted shares. Dividend income includes scrip dividends, irrespective of whether there is an option to receive cash instead of shares, except to the extent that the scrip dividend is viewed as a bonus issue with no cash alternative and the transaction lacks economic significance.

Expenses	
Expenses of the group, apart from certain fee and commission expenses included in net fee and commission income, are recognised and measured in terms of the accrual principle and presented as operating expenses in profit or loss.	
Indirect tax expense	Indirect tax includes other taxes paid to central and local governments including value added tax and securities transfer tax. Indirect tax is disclosed separately from income tax and operating expenses in the income statement.

3.2 Income tax expenses

Income tax includes South African and foreign corporate tax payable and where applicable, includes capital gains tax.

Current income tax	
The current income tax expense is calculated by adjusting the net profit for the year for items that are non-taxable or disallowed. It is calculated using tax rates that have been enacted or substantively enacted at the reporting date, in each particular jurisdiction within which the group operates.	
Deferred income tax	
Recognition	On temporary differences arising between the tax base of assets and liabilities and their carrying amounts in the financial statements.
Typical temporary differences in the group that deferred tax is provided for	➢ depreciation of property and equipment; ➢ revaluation of certain financial assets and liabilities, including derivative contracts; ➢ provisions for pensions and other post-retirement benefits; ➢ tax losses carried forward; and ➢ investments in subsidiaries, associates and joint ventures, except where the timing of the reversal of the temporary difference is controlled by the group and it is probable that the difference will not reverse in the foreseeable future.
Measurement	Using the liability method under IAS 12 and applying tax rates and laws that have been enacted or substantively enacted at the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. For temporary differences arising from the fair value adjustments on investment properties, deferred income tax is provided at the rate that would apply on the sale of the property i.e. the capital gains tax rate.
Presentation	In profit or loss unless it relates to items recognised directly in equity or other comprehensive income. Items recognised directly in equity or other comprehensive income relate to: ➢ the issue or buy back of share capital; ➢ fair value re-measurement of available-for-sale investments; ➢ re-measurements of defined benefit post-employment plans; and ➢ derivatives designated as hedging instruments in effective cash flow hedges. Tax in respect of share transactions is recognised directly in equity. Tax in respect of the other items is recognised directly in other comprehensive income and subsequently reclassified to profit or loss (where applicable) at the same time as the related gain or loss.
Deferred income tax	
Deferred tax assets	The group recognises deferred income tax assets only if it is probable that future taxable income will be available against which the unused tax losses can be utilised, based on management's review of the group's budget and forecast information. The group reviews the carrying amount of deferred income tax assets at each reporting date and reduces the carrying amount to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the assets to be recovered.

4 FINANCIAL INSTRUMENTS

4.1 Classification

Management determines the classification of its financial instruments at initial recognition. The following table sets out the different classes of financial instruments of the group:

Derivatives
Derivatives are either designated as hedging instruments in effective hedging relationships or are classified as held for trading and measured at fair value through profit or loss.
Cash and cash equivalents and accounts receivable
Cash and cash equivalents comprise coins and bank notes, money at call and short notice and balances with central banks. All balances included in cash and cash equivalents have a maturity date of less than three months from the date of acquisition. Money at short notice constitutes amounts withdrawable in 32 days or less. Cash and cash equivalents and accounts receivable are measured at amortised cost in accordance with IAS 39.
Advances
Advances that are not designated at fair value through profit or loss are measured at amortised cost in accordance with IAS 39. These include retail, commercial and corporate bank advances. Various advances to customers, structured notes and other investments held by RMB investment bank, which would otherwise be measured at amortised cost, have been designated at fair value to eliminate the accounting mismatch between the assets and the underlying derivatives used to manage the risk arising from the assets and /or are managed on a fair value basis. Advances include marketable advances representing certain debt investment securities qualifying as high quality liquid assets that are under the control of the Group Treasurer and corporate bonds held by RMB investment bank.
Investment securities
The majority of investment securities of the group are either designated at fair value because they are managed on a fair value basis or are classified as available-for-sale. There is a portfolio of debt investment securities measured at amortised cost. Investment securities that represent an interest in the residual value of the investee are classified as equities within investment securities.

Financial liabilities and compound financial instruments
The group classifies a financial instrument that it issues as a financial liability or an equity instrument in accordance with the substance of the contractual agreement. Tier 2 instruments which have write down or conversion features are classified based on the nature of the instrument and the definitions of debt and equity. Compound instruments are those financial instruments that have components of both financial liabilities and equity, such as issued convertible bonds. At initial recognition, the instrument and the related transaction costs are split into their separate components in terms of the definitions and criteria of IAS 32 and are subsequently accounted for as a financial liability or equity.
Deposits, Tier 2 liabilities and other funding liabilities
Liabilities are generally measured at amortised cost but may be measured at fair value through profit or loss if they are managed on a fair value basis or the fair value designation reduces or eliminates an accounting mismatch. Tier 2 and other funding liabilities are presented in separate lines on the statement of financial position of the group.

4.2 Measurement

Initial measurement	All financial instruments are initially measured at fair value including transaction costs, except for those classified as fair value through profit or loss in which case the transaction costs are expensed upfront in profit or loss, usually as part of operating expenses. Any upfront income earned on financial instruments is recognised as is detailed under policy 3.1, depending on the underlying nature of the income.
Subsequent measurement	Amortised cost items are measured using the effective interest method, less any impairment losses. This includes available-for-sale debt instruments. Fair value items are measured at fair value at reporting date as determined under IFRS 13. The fair value gains or losses are either recognised in profit or loss (held for trading or designated at fair value through profit or loss) or in other comprehensive income (available-for-sale financial assets) until the items are disposed of or impaired.

The group recognises purchases and sales of financial instruments that require delivery within the time frame established by regulation or market convention (regular way purchases and sales) at settlement date, which is the date the asset is delivered or received.

4.3 Impairment of financial assets

General

A financial asset or a group of financial assets is impaired if there is objective evidence of impairment and its carrying amount is greater than its estimated recoverable amount. Included in impairments of loans and advances are the fair value of credit moves recognised in respect of advances designated at fair value through profit or loss.

Scope	This policy applies to: ➢ advances measured at amortised cost; ➢ investment securities measured at amortised cost; ➢ advances and debt instruments classified as available-for-sale; and ➢ accounts receivable.
Objective evidence of impairment	The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. The following factors are considered when determining whether there is objective evidence that the asset has been impaired: ➢ breaches of loan covenants and conditions; ➢ time period of overdue contractual payments; ➢ actuarial credit models; ➢ loss of employment or death of the borrower; and ➢ probability of liquidation of the customer. Where objective evidence of impairment exists, impairment testing is performed based on the following: ➢ the probability of default (PD) which is a measure of the expectation of how likely the customer is to default; ➢ the exposure at default (EAD) which is the expected amount outstanding at the point of default; and ➢ the loss given default (LGD) which is the expected loss that will be realised at default after considering recoveries through collateral and guarantees. For available-for-sale equity instruments objective evidence of impairment includes information about significant changes with an adverse effect on the environment in which the issuer operates and indicates that the cost of the investment in the equity instrument may not be recovered and a significant or prolonged decline in the fair value of the security below its cost.
Assessment of objective evidence of impairment	An assessment of impairment is first performed individually for financial assets that are individually significant and then individually or collectively for financial assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and performs a collective assessment for impairment. Financial assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.
Collective assessment	For the purposes of a collective assessment of impairment, financial assets are grouped based on similar credit risk characteristics; i.e. based on the group's grading process that considers asset type, industry, geographical location, collateral type, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such financial assets by being indicative of the debtors' ability to pay all amounts due per the contractual terms of the financial assets being evaluated.

Recognition of impairment loss	If there is objective evidence of impairment, an impairment loss is recognised in a separate line in profit or loss. The amount of the loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. For available-for-sale financial assets which are impaired the cumulative loss is reclassified from other comprehensive income to profit or loss.
Reversal of impairment loss	If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating): ➢ The previously recognised impairment loss is reversed by adjusting the allowance account (where applicable) and the amount of the reversal is recognised in profit or loss; and ➢ Impairment losses recognised on available-for-sale equity instruments are not subsequently reversed through profit or loss, but are recognised directly in other comprehensive income.

Impairment of advances

The adequacy of impairments of advances is assessed through the ongoing review of the quality of credit exposures. For amortised cost and fair value advances, impairments are recognised through the use of the allowance account method and an impairment charge in the income statement.

The following table sets out the group policy on the ageing of advances (i.e. when an advance is considered past due or non-performing) and the accounting treatment of past due, impaired and written off advances:

	Type of advance	Group policy on past due/impaired
Past due advances	The past due analysis is only performed for advances with specific expiry or instalment repayment dates or demand loans for which payment has been demanded. The analysis is not applicable to overdraft products or products where no specific due date is determined. The level of risk on these types of products is assessed with reference to the counterparty ratings of the exposures and reported as such.	
	Loans with a specific expiry date (e.g. term loans etc.) and loans repayable by regular instalments (e.g. mortgage loans and personal loans).	Treated as overdue where one full instalment is in arrears for one day or more and remains unpaid as at the reporting date. Advances on which partial payments have been made are included in neither past due nor impaired until such time as the sum of the unpaid amounts equal a full instalment, at which point it is reflected as past due.
	Loans payable on demand (e.g. overdrafts).	Treated as overdue where a demand for repayment has been served on the borrower but repayment has not been made in accordance with the instruction.
	The full outstanding amount is reported as past due even if part of the balance is not yet due.	

	Type of advance	Group policy on past due/impaired
Non-performing loans	Retail loans.	Individually impaired if three or more instalments are due or unpaid or if there is evidence before this that the customer is unlikely to repay the obligations in full.
	Commercial and wholesale loans.	Analysed on a case-by-case basis taking into account breaches of key loan conditions, excesses and similar risk indicators.
Renegotiated advances	Advances that would otherwise be past due that have been renegotiated i.e. advances where, due to deterioration in the counterparty's financial condition, the group granted a concession where the original terms and conditions of the facility were amended and the counterparty is within the new terms of the advance. Excludes advances extended or renewed as part of the ordinary course of business for similar terms and conditions as the original.	Classified as neither past due nor impaired assets. Non-performing advances cannot be reclassified as neither past due nor impaired unless the arrears balance has been repaid. Renegotiated advances are considered as part of the collective evaluation of impairment where advances are grouped on the basis of similar credit risk characteristics. The adherence to the new terms and conditions is closely monitored.
Impairments		
Specific	Created for non-performing loans where there is objective evidence that an incurred loss event will have an adverse impact on the estimated future cash flows from the advance. Potential recoveries from guarantees and collateral are incorporated into the calculation of impairment figures.	
Portfolio	Created with reference to performing advances. The impairment provision on the performing portfolio is split into two parts: ➢ An incurred but not reported (IBNR) provision i.e. the portion of the performing portfolio where an incurred impairment event is inherent in a portfolio of performing advances but has not specifically been identified; and ➢ The portfolio specific impairment (PSI) which reflects the decrease in estimated future cash flows for the sub-segment of the performing portfolio where there is objective evidence of impairment.	

Write offs
When an advance is uncollectible, it is written off against the related allowance account. Such advances are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off decrease the amount of the impairment of advances in profit or loss.

4.4 Transfers and derecognition

Financial instruments are derecognised when the contractual rights or obligations expire or are extinguished, are discharged or cancelled for example an outright sale or settlement.

For financial assets this includes assets transferred that meet the derecognition criteria. Financial assets are transferred when the group has either transferred the contractual right to receive cash flows from the asset or it has assumed an obligation to pay over all the cash flows from the asset to another entity (i.e. pass through arrangement under IAS 39).

For financial liabilities this includes when there is a substantial modification to the terms and conditions of an existing financial liability. A substantial modification to the terms occurs where the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 percent different from the discounted present value of the remaining cash flows of the original financial liability.

The following transactions are entered into by the group in the normal course of business in terms of which it transfers financial assets directly to third parties or structured entities, and either achieves derecognition or continues to recognise the asset:

Transaction type	Description	Accounting treatment
Transfers without derecognition		
Traditional securitisations and conduit programmes i.e. non-recourse transactions	Specific advances or investment securities are transferred to a structured entity, which then issues liabilities to third party investors, for example variable rate notes or investment grade commercial paper. The group's obligations toward the third party note holders is limited to the cash flows received on the underlying securitised advances or non-recourse investment securities i.e. the note holders only have a claim to the ring fenced assets in the structured entity, and not to other assets of the group. The group consolidates these securitisation and conduit vehicles as structured entities, in terms of IFRS 10.	The transferred assets continue to be recognised by the group in full. Such advances and investment securities are disclosed separately in the relevant notes. The group recognises an associated liability for the obligation toward third party note holders as a separate category of deposits. These deposits are usually measured at fair value through profit or loss.

Transaction type	Description	Accounting treatment
	Transfers without derecognition	
Repurchase agreements	Investment securities and advances are sold to an external counterparty in exchange for cash and the group agrees to repurchase the assets at a specified price at a specified future date. The counterparty's only recourse is to the transferred investment securities and advances that are subject to the repurchase agreement. The group remains exposed to all the underlying risks on the assets including counterparty, interest rate, currency, prepayment and other price risks.	The underlying securities purchased under agreements to resell (reverse repos) are not recognised on the statement of financial position. The group does not recognise securities borrowed in the financial statements, unless these have been on sold to third parties, in which case the obligation to return these securities is recognised as a financial liability measured at amortised cost or fair value.
Securities lending and reverse repurchase agreements	Investment securities are lent to external counterparties in exchange for cash collateral as security for the return of the securities. The group's only recourse in respect of the return of the securities it has lent is to the cash collateral held and as such, the group generally requires cash collateral in excess of the fair value of the securities lent.	
	Transfers with derecognition	
Where the group purchases its own debt	The debt is derecognised from the statement of financial position and any difference between the carrying amount of the liability and the consideration paid is included in fair value gains or losses within non-interest revenue.	
	Neither transferred nor derecognised	
Synthetic securitisation transactions	Credit risk related to specific advances is transferred to a structured entity through credit derivatives. The group consolidates these securitisation vehicles as structured entities, in terms of IFRS 10.	The group continues to recognise the advances and recognises associated credit derivatives which are measured at fair value through profit or loss.

4.5 Offsetting of financial instruments and collateral

Where the requirements of IFRS are met, the group offsets financial assets and financial liabilities and presents the net amount. Financial assets and financial liabilities subject to master netting arrangements (MNA) or similar agreements are not offset, if the right of set-off under these agreements is only enforceable in the event of default, insolvency and bankruptcy.

Details of the offsetting and collateral arrangements of the group are set out in the following table:

Derivative financial instruments	The group's derivative transactions that are not transacted on an exchange are entered into under International Derivatives Swaps and Dealers Association (ISDA) MNA. Generally, under such agreements the amounts owed by each counterparty that are due on a single day in respect of all transactions outstanding in the same currency under the agreement are aggregated into a single net amount payable by one party to the other. In certain circumstances, e.g. when a credit event such as default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is due or payable in settlement of all transactions (close-out netting). Financial collateral (mostly cash) is also obtained, often daily, for the net exposure between counterparties to mitigate credit risk.
Repurchase and reverse repurchase agreements, and securities lending and borrowing transactions	These transactions by the group are covered by master agreements with netting terms similar to those of the ISDA MNA. Where the group has entered into a repurchase and reverse repurchase or securities borrowing and lending transaction, with the same counterparty, the advance and liability balances are set-off in the statement of financial position only if they are due on a single day, denominated in the same currency and the group has the intention to settle these amounts on a net basis. The group receives and accepts collateral for these transactions in the form of cash and other investment securities.
Other advances and deposits	The advances and deposits that are offset relate to transactions where the group has a legally enforceable right to offset the amounts and the group has the intention to settle the net amount.

It is the group's policy that all items of collateral are valued at the inception of a transaction and at various points throughout the life of a transaction, either through physical inspection or indexation methods, as appropriate. For wholesale and commercial portfolios, the value of collateral is reviewed as part of the annual facility review. For mortgage portfolios, collateral valuations are updated on an ongoing basis through statistical indexation models. However, in the event of default, more detailed reviews and valuations of collateral are performed, which yields a more accurate financial effect. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

4.6 Derivative financial instruments and hedge accounting

Derivative instruments are classified as held either for trading or formally designated as hedging instruments as required by IAS 39, which impacts the method of recognising the resulting fair value gains or losses.

For derivatives used in fair value hedges changes in the fair value of the derivatives are recorded in profit or loss as part of fair value gains or losses within non-interest revenue, together with any changes in the fair value of the hedged item that are attributable to the hedged risk.

For derivatives used in cash flow hedges, the effective portion of changes in the fair value of derivatives is recognised in the cash flow hedge reserve in other comprehensive income and reclassified to profit or loss in the periods in which the hedged item affects profit or loss; the ineffective portion is recognised immediately in profit or loss as part of fair value gains or losses within non-interest revenue.

The group documents the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions at the inception of the transaction. The group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The group treats derivatives embedded in other financial or non-financial instruments, such as the conversion option in a convertible bond, as separate derivatives when they meet the requirements for bifurcation of IAS 39. Where bifurcated derivatives meet the criteria for hedge accounting, they are accounted for in terms of the applicable hedge accounting rules.

5 OTHER ASSETS AND LIABILITIES

5.1 Classification and measurement

Classification	Measurement
Information regarding land and buildings is kept at the group's registered office and is open for inspection in terms of Section 26 of the Companies Act.	
Property and equipment	
Property and equipment of the group includes: ➢ assets utilised by the group in the normal course of operations to provide services, including freehold property and leasehold premises and leasehold improvements (owner occupied); ➢ assets which are owned by the group and leased to third parties under operating leases as part of the group's revenue generating operations; ➢ capitalised leased assets; and ➢ other assets utilised by the group in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.	Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated. Depreciation is on a straight line basis over the useful life of the asset, except for assets capitalised under finance leases where the group is the lessee, in which case depreciation is over the life of the lease (refer to policy 5.3).
Investment properties	
Properties held to earn rental income and/or for capital appreciation that are not occupied by the companies in the group. When investment properties become owner occupied, the group reclassifies them to property and equipment, using the fair value at the date of reclassification as the cost.	Fair value with fair value adjustments included in gains less losses from investing activities within non-interest revenue. The fair value gains or losses are adjusted for any potential double counting arising from the recognition of lease income on the straight line basis compared to the accrual basis normally assumed in the fair value determination.
Intangible assets	
Intangible assets of the group includes: ➢ internally generated intangible assets (including computer software and other assets such as trademarks or patents) are capitalised when the requirements of IAS 38 relating to the recognition of internally generated assets have been met; ➢ external computer software development costs are capitalised when they can be clearly associated with a strategic and unique system which will result in a benefit for the group exceeding the costs incurred for more than one financial period; and ➢ material acquired trademarks, patents and similar rights are capitalised where the group will receive a benefit from these intangible assets for more than one financial period.	Cost less accumulated amortisation and any impairment losses. Amortisation is on a straight line basis over the useful life of the asset.

Classification	Measurement
Intangible assets	
All other costs related to intangible assets are expensed in the financial period incurred.	
Goodwill arising from business combinations is recognised as an intangible asset.	Refer to policy 2.1.
Commodities	
Commodities acquired for short-term trading purposes include the following: ➢ commodities acquired with the intention of resale in the short-term or if they form part of the trading operations of the group; and ➢ certain commodities subject to option agreements whereby the counterparty may acquire the commodity at a future date.	Fair value less costs to sell with changes in fair value being recognised as fair value gains or losses within non-interest revenue. The price risk in commodities subject to option agreements is fully hedged through a short position and if the party exercises the option the net profit earned on the transaction will be an interest margin recognised as interest revenue.
Commodities acquired with a longer term investment intention.	Lower of cost (using the weighted average method) or net realisable value.
Forward contracts to purchase or sell commodities where net settlement occurs, or where physical delivery occurs and the commodities are held to settle a further derivative contract, are recognised as derivative instruments.	Fair value through profit or loss.
Provisions	
The group will only recognise a provision measured in terms of IAS 37 when there is uncertainty around the amount or timing of payment. Where there is no uncertainty the group will recognise the amount as an accrual. The most significant provisions related to litigation and claims, as well as provisions for intellectual property fees that arise because of the use of dealer platforms, databases, systems, brands and trademarks when marketing and promoting motor warranty products as part of the motor value added products and services business.	

Other assets that are subject to depreciation and intangible assets, other than goodwill (refer to policy 2.1), are reviewed for impairment whenever objective evidence of impairment exists. Impairment losses are recognised in profit or loss as part of operating expenses.

Other assets are derecognised when they are disposed of or, in the case of intangible assets, when no future economic benefits are expected from its use. Gains or losses arising on derecognition are determined as the difference between the carrying amount of the asset and the net proceeds received, and are recorded in profit or loss as part of other non-interest revenue.

5.2 Non-current assets and disposal groups held for sale

Assets and liabilities are classified and separately presented as held for sale by the group when the specific conditions for classification as held for sale under IFRS 5 are met.

Any impairment losses on classification or that arise before sale and after the re-measurement of assets and liabilities in terms of their relevant IFRSs, are recognised in profit or loss in operating expenses, or as part of equity accounted earnings in the case of associates. If a disposal group contains assets that are outside of the measurement scope of IFRS 5, any impairment loss is allocated to those non-current assets in the disposal group that are within the measurement scope of IFRS 5. Any increases in fair value less costs to sell are recognised in non-interest revenue when realised.

When there is a change in intention to sell, any non-current assets and disposal groups held for sale are immediately reclassified back to their original line items. They are re-measured in terms of the relevant IFRS, with any adjustment being taken to profit or loss depending on the underlying asset to which it relates; for example, operating expenses for property and equipment or intangible assets and equity accounted earnings for associates.

5.3 Leases

The group classifies leases of property and equipment where the lessee assumes substantially all the risks and rewards of ownership as finance leases. The group classifies leases as operating leases if the lessor effectively retains the risks and rewards of ownership of the leased asset. The group regards instalment sale agreements as financing transactions.

	Group company is the lessee	Group company is the lessor
Finance leases		
At inception	Capitalised as assets and a corresponding lease liability for future lease payments is recognised.	Recognise assets sold under a finance lease as advances and impair as required, in line with section 4.2.2.
Over the life of the lease	The asset is depreciated – refer to section 5.1.	Unearned finance income is recognised as interest income over the term of the lease using the effective interest method.
Operating leases	Recognised as an operating expense in profit or loss on a straight line basis over the period of the lease. Any difference between the actual lease amount payable and the straight-lined amount calculated is recognised as a liability of the group in creditors and accruals.	Assets held under operating leases are recognised as a separate category of property and equipment (assets held under leasing arrangements) and depreciated - refer to section 5.1. Rental income is recognised as other non-interest revenue on a straight line basis over the lease term.
Instalment credit sale agreements where the group is the lessor	The group regards instalment credit sale agreements as financing transactions and includes the total rentals and instalments receivable, less unearned finance charges, in advances. The group calculates finance charges using the effective interest rates as detailed in the contracts and credits finance charges to interest revenue in proportion to capital balances outstanding.	

6 CAPITAL AND RESERVES

Transaction	Liability	Equity
Shares issued and issue costs	Preference shares, where the group does not have the unilateral ability to avoid repayments, are classified as liabilities. Preference shares which qualify as Tier 2 capital have been included in Tier 2 liabilities. Other preference share liabilities have been included in other liabilities as appropriate.	Ordinary shares and any preference shares which meet the definition of equity including non-cumulative non-redeemable (NCNR) preference shares issued by the group are recognised as equity. These instruments do not obligate the group to make payments to investors. Any incremental costs directly related to the issue of new shares or options, net of any related tax benefit, are deducted from the issue price.
Dividends paid/declared	Recognised as interest expense on the underlying liability.	Dividends on ordinary shares and NCNR preference shares are recognised against equity. A corresponding liability is recognised when the dividends have been approved by the company's shareholders and distribution is no longer at the discretion of the entity.
Distribution of non-cash assets to owners	The liability to distribute non-cash assets is recognised as a dividend to owners at the fair value of the asset to be distributed. The difference between the carrying amount of the assets distributed and the fair value of the assets on the date of distribution is recognised as non-interest revenue in profit or loss for the period.	The carrying amount of the dividend payable is re-measured at the end of each reporting period and on settlement date. The initial carrying amount and any subsequent changes are recognised in equity.
Treasury shares i.e. where the group purchases its own equity share capital	If the group re-acquires its own equity instruments, those instruments are deducted from the group's equity.	The consideration paid, including any directly attributable incremental costs, is deducted from total shareholders' equity as treasury shares until they are reissued or sold. Where the shares are subsequently sold or re-issued, any consideration received net of any directly attributable incremental costs, is included in shareholders' equity.

Transaction	Liability	Equity
Other reserves		Other reserves recognised by the group relate to the general risk reserves, required to be held by some of the group's African operations capital redemption reserve funds and insurance contingency reserves. These reserves are required by in-country legislation governing these subsidiaries and are calculated based on the requirements outlined in the relevant legislation applicable in the specific jurisdiction.

7 TRANSACTIONS WITH EMPLOYEES

7.1 Employee benefits

The group operates defined benefit and defined contribution schemes, the assets of which are held in separate trustee administered funds. These funds are registered in terms of the Pension Funds Act, 1956, and membership of the pension fund is compulsory for all group employees. The defined benefit plans are funded by contributions from employees and the relevant group companies, taking into account the recommendations of independent qualified actuaries.

<table>
<tr><th colspan="2">Defined contribution plans</th></tr>
<tr><td colspan="2">Contributions are recognised as an expense, included in staff costs, when the employees have rendered the service entitling them to the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.</td></tr>
<tr><th colspan="2">Defined benefit plans</th></tr>
<tr><td rowspan="2">Defined benefit obligation liability</td><td>Recognition
The liabilities and assets of these funds are reflected as a net asset or liability in the statement of financial position i.e. the present value of the defined benefit obligation at the reporting date less the fair value of plan assets.

Where the value is a net asset, the amount recognised is limited to the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan.</td></tr>
<tr><td>Measurement
The present value of the defined benefit obligation is calculated annually by independent actuaries using the projected credit unit method. The discount rate used is the rate of risk free government bonds that are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the terms of the related pension liability.</td></tr>
<tr><td>Plan assets</td><td>The plan assets are carried at fair value. Where the plan assets include qualifying insurance policies that exactly match the amount and timing of some or all of the benefits under the plan, the fair value is deemed to be the present value of the related obligation. If the qualifying insurance policy has a limit of indemnity the fair value of the insurance policy is limited to that amount.</td></tr>
<tr><td>Profit or loss</td><td>Included as part of staff costs:
➢ current and past service costs calculated using the projected unit credit method;
➢ gains or losses on curtailments and settlements that took place in the current period;
➢ net interest income calculated by applying the discount rate at the beginning of the period to the net asset or liability; and
➢ actuarial gains or losses on long term employee benefits.</td></tr>
<tr><td>Other comprehensive income</td><td>All other re-measurements in respect of the obligation and plan assets are included in other comprehensive income and never reclassified to profit or loss.</td></tr>
</table>

Termination benefits	
The group recognises termination benefits as a liability in the statement of financial position and as an expense, included in staff costs, in profit or loss when it has a present obligation relating to termination. The group has a present obligation at the earlier of when the group can no longer withdraw the offer of the termination benefit or when the group recognises any related restructuring costs.	
Liability for short term employee benefits	
Leave pay	The group recognises a liability for the employees' rights to annual leave in respect of past service. The amount recognised by the group is based on current salary of employees and the contractual terms between the employee and the group. The expense is included in staff costs.
Bonuses	The group recognises a liability and an expense for management and staff bonuses when it is probable that the economic benefits will be paid and the amount can be reliably measured. The expense is included in staff costs.

7.2 Share-based payment transactions

The group operates cash settled share-based compensation plans for employees.

Options granted under cash settled plans result in a liability being recognised and measured at fair value until settlement. An expense is recognised in profit or loss for employee services received over the vesting period of the plans.

8 NON-BANKING ACTIVITIES

8.1 Insurance activities

The group issues contracts that transfer insurance risk or financial risk. As a result of the different risks transferred by these contracts, contracts are separated into investment and insurance contracts for the purposes of measurement and income recognition.

The classification of contracts is performed at the initial recognition of each contract. The classification of the contract does not change during its lifetime unless the terms of the contract change to such an extent that it necessitates a change in classification.

The group seeks reinsurance in the ordinary course of business for the purpose of limiting its net loss potential through the diversification of its risks on short-term insurance contracts. Reinsurance arrangements do not relieve the group from its direct obligations to its policyholders.

<table>
<tr><th rowspan="2"></th><th colspan="2">Insurance contracts</th></tr>
<tr><th>Short-term insurance contracts</th><th>Long-term insurance contracts</th></tr>
<tr><td>Definitions</td><td colspan="2">Contracts that transfer significant insurance risk to the group and are within the scope of IFRS 4.</td></tr>
<tr><td>Types of policies underwritten</td><td>➢ Liability - provides cover for risks relating to the incurring of a liability other than relating to a risk covered more specifically under another insurance contract;
➢ motor - provides indemnity cover relating to the possession, use or ownership of a motor vehicle;
➢ personal accident - provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury; and
➢ property - provides indemnity relating to movable and immovable property.</td><td>➢ Insurance policies providing lump sum benefits on death, disability or ill health of the policyholder; and
➢ policies that provide funeral cover.</td></tr>
<tr><td rowspan="2">Premiums</td><td colspan="2">Gross premiums written comprise the premiums on contracts entered into during the year. Recognised in profit or loss as part of premium income in non-interest revenue gross of commission and reinsurance premiums but net of taxes and levies.</td></tr>
<tr><td>Only the earned portion of premiums is recognised as revenue.

Includes all premiums for the period of risk covered by the policy, regardless of whether or not these are due for payment in the accounting period.</td><td>Recognised as revenue when they become payable by the contract holder.

Premiums received in advance are included in creditors and accruals.</td></tr>
</table>

	Insurance contracts	
	Short-term insurance contracts	**Long-term insurance contracts**
Claims paid	Claims paid decrease the policyholder liability.	A liability for contractual benefits that are expected to be incurred in the future is recorded when the premiums are recognised. In respect of outstanding claims, provision is made for the costs of intimated and unintimated claims.
Policyholder liability	Comprises: ➢ provision for claims reported but not paid; ➢ provision for claims which are not IBNR; and ➢ provision for unearned premiums. Measured at the best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date, whether reported or not, and related internal and external claims handling expenses.	Measured in accordance with local practice at the date of adoption of IFRS 4. In South Africa these are the professional guidance notes (PGN) issued by the Actuarial Society of South Africa (ASSA). Policyholder liabilities under long-term insurance contracts are valued in terms of the financial soundness valuation (FSV) method as described in PGN 104. Under the FSV basis, a liability is determined as the sum of the current estimate of the expected discounted value of all the benefit payments and the future administration expenses that are directly related to the contract, less the current estimate of the expected discounted value of the contractual premiums. The liability includes the best estimate of the future cash flows plus certain compulsory and discretionary margins. Discretionary margins are held in addition to the compulsory margins. These discretionary margins are used to ensure that profit and risk margins in premiums are not capitalised prematurely so that profits are recognised in line with the product design and in line with the risks borne by the group.

	Insurance contracts	
	Short-term insurance contracts	**Long-term insurance contracts**
Income statement impact of movements in the policy holder liabilities /reinsurance assets	Adjustments to the amounts of policyholder liabilities for policies established in prior years are reflected in the financial statements for the period in which the adjustments are made and disclosed separately if material.	Any differences between valuation assumptions and actual experience and any change in liabilities resulting from changes in valuation assumptions are recognised in profit or loss as part of premium income in non-interest revenue over the life of the contract. If future experience under a policy contract is exactly in line with the assumptions employed at the initial recognition of the contract the valuation margins will emerge as profits over the duration of a policy contract. This is known as the unwinding of margins. In addition to the profit recognised at the origination of a policy contract and the unwinding of margins as the group is released from risk, any differences between the best estimate valuation assumptions and actual experience over each accounting period also gives rise to profits and losses. These profits and losses emerge over the lifetime of the policy contract. The change in liabilities resulting from changes in the long-term valuation assumptions is another source of profit or loss.
Liability adequacy test	The net liability recognised is tested for adequacy by calculating current estimates of all future contractual cash flows and comparing this amount to the carrying value of the liability. Where a shortfall is identified, an additional liability and the related expense are recognised.	Liabilities are calculated in terms of the FSV basis as described in standard of actuarial practise (SAP) 104. Since the FSV basis meets the minimum requirement of the liability adequacy test, it is not necessary to perform additional adequacy test on the liability component. For the liability relating to potential future claims which have already been incurred on the reporting date, but of which the group has not yet been informed, tests are performed to ensure that the liability is sufficient to cover historical run-off profiles and growth in the volume of business.

<table>
<tr><th rowspan="2"></th><th colspan="2">Insurance contracts</th></tr>
<tr><th>Short-term insurance contracts</th><th>Long-term insurance contracts</th></tr>
<tr><td rowspan="2">Acquisition costs</td><td colspan="2">Acquisition costs include all commission and expenses directly related to acquiring new business.</td></tr>
<tr><td>Expensed as incurred.</td><td>The FSV methodology implicitly creates a deferred acquisition cost asset by reducing the liabilities to the extent of margins included in the premium that are intended to recover acquisition costs. Therefore no explicit deferred acquisition cost asset is recognised in the statement of financial position for contracts valued on this basis.</td></tr>
<tr><td>Related receivables and payables</td><td>Amounts due to and from agents, brokers and policyholders, are recognised as part of accounts receivable or payable on the statement of financial position.

Recognised when due/receivable.

Receivables recognised are impaired in line with the group policy on the impairment of financial assets – refer to policy 4.2.</td><td>A deferred revenue liability is recognised in respect of upfront fees, which are directly attributable to a contract, that are charged for securing the investment management service contract. The deferred revenue liability is then released to revenue when the services are provided, over the expected duration of the contract on an appropriate basis.</td></tr>
</table>

Reinsurance contracts held	
Definitions	Contracts that give rise to a significant transfer of insurance risk from the group to another insurance entity.
Premiums/recoveries	Premiums paid are recognised as a deduction against premium income in non-interest revenue at the undiscounted amounts due in terms of the contract, when they become due for payment. Recoveries are recognised in profit or loss as part of premium income in non-interest revenue in the same period as the related claim at the undiscounted amount receivable in terms of the contract.
Reinsurance assets	The benefits to which the group is entitled under its reinsurance contracts are recognised as assets including: ➢ short-term balances due from reinsurers on settled claims (included in accounts receivable); and ➢ receivables that are dependent on the expected claims and benefits arising under the related insurance contracts (classified as reinsurance assets). Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the underlying insurance contracts and in accordance with the terms of each reinsurance contract. Assessed for impairment if there is objective evidence, by applying IAS 39 impairment considerations for amortised cost assets, that the group may not recover all amounts due and the impact on the amounts that the group will receive from the reinsurer are reliably measurable.
Income statement impact of movements in reinsurance assets	Any difference between the carrying amount of the reinsurance asset and the recoverable amount is recognised as an impairment loss in profit or loss as an adjustment to premium income included in non-interest revenue.
Related receivables and payables	Liabilities relating to reinsurance comprising of premiums payable for reinsurance contracts, are included in accounts payable and are recognised as an expense when they fall due in terms of the contract.

Investment contracts	
Definitions	Contracts that only transfer financial risk with no significant insurance risk and are within the scope of IAS 39.
Premiums	Premiums received are recorded as an increase in investment contract liabilities.
Claims paid	Claims incurred are recorded as withdrawals from investment contract liabilities
Policyholder liabilities	Recognised in the statement of financial position when the group becomes party to the contractual provisions of the contract. These liabilities are designated at fair value through profit or loss on initial recognition. The fair value of the financial liability recognised is never less than the amount payable on surrender, discounted for the required notice period, where applicable.
Income statement impact of movements in policyholder liabilities	The movement in the liability for policyholder liabilities under investment contracts is recognised as part of fair value gains or losses in non-interest revenue.
Acquisition costs	The contractual customer relationship and the right to receive future investment management fees. Incremental costs directly attributable to securing rights to receive policy fees for services sold with investment contracts are recognised as an asset where they meet the definition of an asset under IFRS. These assets are recognised as intangible assets of the group – refer to policy 5.
Fees on investment contracts	Service fee income is recognised on an accrual basis as and when the services are rendered and is included in fee and commission income within non-interest revenue.

8.2 Investment management activities

Certain divisions within the group engage in investment management activities that result in the managing of assets on behalf of clients. The group excludes assets related to these activities from the statement of financial position as these are not assets and liabilities of the group but of the client, but discloses the value of these assets in its notes.

The fee income earned and fee expenses incurred by the group relating to these activities are recognised in fee and commission income and expenses within non-interest revenue in the period to which the service relates.

9 RESTATEMENT OF PRIOR YEAR NUMBERS

The group has made the following changes to the presentation of net-interest income, non-interest revenue, advances and deposits.

9.1 Description of restatements

9.1.1 Fair value credit adjustments

The group has historically included all fair value gains and losses on advances measured at fair value through profit or loss (including interest and fair value credit adjustments) in non-interest revenue. The group's presentation has been changed to include the credit valuation adjustment on fair value advances in the impairment line in the income statement rather than as part of non-interest revenue. The movement in the credit valuation adjustment on fair value advances is separately disclosed in the note as required by IFRS 7.9c.

9.1.2 Credit based investments included in advances

The group's presentation and classification of debt investment securities qualifying as high quality liquid assets that are under the control of the Group Treasurer and corporate bonds held by RMB investment bank was changed to advances rather than investment securities. These instruments, given their specific nature, are included as a separate category of advances, namely marketable advances, in a sub-total on the face of the statement of financial position.

9.1.3 Accrued interest on deposits

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

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

RESTATED CONSOLIDATED INCOME STATEMENT

for the year ended 30 June 2016

R million	As previously reported	Fair value credit adjustment	Restated
Interest and similar income	71 561	-	71 561
Interest expense and similar charges	(29 520)	-	(29 520)
Net interest income before impairment of advances	42 041	-	42 041
Impairment of advances and fair value of credit of advances	(6 902)	(257)	(7 159)
Net interest income after impairment of advances	35 139	(257)	34 882
Non-interest revenue	36 677	257	36 934
Income from operations	71 816	-	71 816
Operating expenses	(41 657)	-	(41 657)
Net income from operations	30 159	-	30 159
Share of profit of associates after tax	930	-	930
Share of profit of joint ventures after tax	526	-	526
Income before tax	31 615	-	31 615
Indirect tax	(928)	-	(928)
Profit before tax	30 687	-	30 687
Income tax expense	(6 612)	-	(6 612)
Profit for the year	24 075	-	24 075
Attributable to			
Ordinary equityholders	22 563	-	22 563
NCNR preference shareholders	342	-	342
Equityholders of the group	22 905	-	22 905
Non-controlling interests	1 170	-	1 170
Profit for the year	24 075	-	24 075

RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2016

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	64 303	-	-	64 303
Derivative financial instruments	40 551	-	-	40 551
Commodities	12 514	-	-	12 514
Investment securities	185 354	(42 706)	-	142 648
Advances	808 699	42 706	-	851 405
- Advances to customers	808 699	-	-	808 699
- Marketable advances	-	42 706	-	42 706
Accounts receivable	10 152	-	-	10 152
Current tax asset	428	-	-	428
Non-current assets and disposal groups held for sale	193	-	-	193
Reinsurance assets	36	-	-	36
Investments in associates	4 964	-	-	4 964
Investments in joint ventures	1 344	-	-	1 344
Property and equipment	16 909	-	-	16 909
Intangible assets	1 569	-	-	1 569
Investment properties	386	-	-	386
Defined benefit post-employment asset	9	-	-	9
Deferred income tax asset	1 866	-	-	1 866
Total assets	1 149 277	-	-	1 149 277
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	14 263	-	-	14 263
Derivative financial instruments	50 782	-	-	50 782
Creditors, accruals and provisions	17 285	-	(144)	17 141
Current tax liability	270	-	-	270
Liabilities directly associated with disposal groups held for sale	141	-	-	141
Deposits	919 930	-	144	920 074
- Deposits from customers	667 995	-	15	668 010
- Debt securities	153 727	-	-	153 727
- Asset-backed securities	29 305	-	-	29 305
- Other	68 903	-	129	69 032
Employee liabilities	9 771	-	-	9 771
Other liabilities	8 311	-	-	8 311
Policyholder liabilities	1 402	-	-	1 402
Tier 2 liabilities	18 004	-	-	18 004
Deferred income tax liability	1 053	-	-	1 053
Total liabilities	1 041 212	-	-	1 041 212

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
Equity				
Ordinary shares	56	-	-	56
Share premium	7 952	-	-	7 952
Reserves	91 737	-	-	91 737
Capital and reserves attributable to ordinary equityholders	99 745	-	-	99 745
NCNR preference shares	4 519	-	-	4 519
Capital and reserves attributable to equityholders of the group	104 264	-	-	104 264
Non-controlling interests	3 801	-	-	3 801
Total equity	108 065	-	-	108 065
Total equities and liabilities	1 149 277	-	-	1 149 277

RESTATED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June 2015

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
ASSETS				
Cash and cash equivalents	65 567	-	-	65 567
Derivative financial instruments	34 500	-	-	34 500
Commodities	7 354	-	-	7 354
Investment securities	165 171	(27 805)	-	137 366
Advances	751 366	27 805	-	779 171
- Advances to customers	751 366	-	-	751 366
- Marketable advances	-	27 805	-	27 805
Accounts receivable	8 009	-	-	8 009
Current tax asset	115	-	-	115
Non-current assets and disposal groups held for sale	373	-	-	373
Reinsurance assets	388	-	-	388
Investments in associates	5 781	-	-	5 781
Investments in joint ventures	1 282	-	-	1 282
Property and equipment	16 288	-	-	16 288
Intangible assets	1 068	-	-	1 068
Investment properties	460	-	-	460
Defined benefit post-employment asset	4	-	-	4
Deferred income tax asset	1 540	-	-	1 540
Total assets	1 059 266	-	-	1 059 266
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	5 685	-	-	5 685
Derivative financial instruments	40 917	-	-	40 917
Creditors, accruals and provisions	17 624	-	(95)	17 529
Current tax liability	353	-	-	353
Liabilities directly associated with disposal groups held for sale	-	-	-	-
Deposits	865 521	-	95	865 616
- Deposits from customers	617 371	-	-	617 371
- Debt securities	158 171	-	-	158 171
- Asset-backed securities	28 574	-	-	28 574
- Other	61 405	-	95	61 500
Employee liabilities	9 734	-	-	9 734
Other liabilities	6 876	-	-	6 876
Policyholder liabilities	542	-	-	542
Tier 2 liabilities	12 497	-	-	12 497
Deferred income tax liability	913	-	-	913
Total liabilities	960 662	-	-	960 662

R million	As previously reported	Reclassification of credit investments	Accrued interest on deposits	Restated
Equity				
Ordinary shares	56	-	-	56
Share premium	7 997	-	-	7 997
Reserves	82 725	-	-	82 725
Capital and reserves attributable to ordinary equityholders	90 778	-	-	90 778
NCNR preference shares	4 519	-	-	4 519
Capital and reserves attributable to equityholders of the group	95 297	-	-	95 297
Non-controlling interests	3 307	-	-	3 307
Total equity	98 604	-	-	98 604
Total equities and liabilities	1 059 266	-	-	1 059 266

10 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

10.1 Introduction

In preparing the annual financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the group, except those related to fair value measurement, which are included in note 33.

10.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over a subsidiary. In determining whether the group has control over an entity, consideration is given to any rights the group has that result in the ability to direct the relevant activities of the investee, and the group’s exposure to variable returns.
In operating entities, shareholding is most often the clearest indication of control. However, for structured entities and investment management funds, judgement is often needed to determine which investors have control of the entity or fund. Generally where the group’s shareholding is greater than 50%, the investment is accounted for as a subsidiary.
Some of the major factors considered by the group in making this determination include the following:</td></tr>
<tr><td>Decision making power</td><td>Factors considered includes:
➢ the purpose and design of the entity;
➢ what the relevant activities of the entity are;
➢ who controls the relevant activities and whether control is based on voting rights or contractual agreements. This includes considering:
o what percentage of voting rights are held by the group, the dispersion and behaviour of other investors is;
o potential voting rights and whether these increase/decrease the group’s voting powers;
o who makes the operating and capital decisions;
o who appoints and determines the remuneration of the key management personnel of the entity;
o whether any investor has any veto rights on decisions;
o whether there are any management contracts in place that confer decision making rights;
o whether the group provides significant funding or guarantees to the entity; and
o whether the group’s exposure is disproportionate to its voting rights.
➢ whether the group is exposed to any downside risk or upside potential that the entity was designed to create;
➢ to what extent the group is involved in the setup of the entity; and
➢ to what extent the group is responsible to ensure that the entity operates as intended.</td></tr>
</table>

<table>
<tr><td>Exposure to variable returns</td><td>Factors considered include:
➢ the group’s rights in respect of profit or residual distributions;
➢ the group’s rights in respect of repayments and return of debt funding;
➢ whether the group receives any remuneration from servicing assets or liabilities of the entity;
➢ whether the group provides any credit or liquidity support to the entity;
➢ whether the group receives any management fees and whether these are market related; and
➢ whether the group can obtain any synergies through the shareholding, not available to other shareholders. Benefits could be non-financial in nature as well, such as employee services etc.</td></tr>
<tr><td>Ability to use power to affect returns</td><td>Factors considered includes:
➢ whether the group is acting as agent or principal;
➢ if the group has any de facto decision making rights;
➢ whether the decision making rights the group has are protective or substantive; and
➢ whether the group has the practical ability to direct the relevant activities.</td></tr>
</table>

Associates	Joint arrangements
Determining whether the group has significant influence over an entity: ➢ significant influence may arise from rights other than voting rights for example management agreements; and ➢ the group considers both the rights that it has as well as currently exercisable rights that other investors have when assessing whether it has the practical ability to significantly influence the relevant activities of the investee. The group does not have any associates that are material to its financial position, results of operations or cashflows.	Determining whether the group has joint control over an entity: ➢ the group considers all contractual arrangements to determine whether unanimous consent is required in all circumstances; and ➢ joint arrangements are classified as joint ventures when they are a separate legal entity and the shareholders share in the net assets of the separate legal entity. In order to determine whether the shareholders share in the net assets of the entity the group considers the practical decision making ability and management control of the activities of the joint arrangement.

Structured entities
Structured entities are those where voting rights generally relate to administrative tasks only and the relevant activities are determined only by means of a contractual arrangement. When assessing whether the group has control over a structured entity specific consideration is given to the purpose and design of the structured entity and whether the group has power over decisions that relate to activities that the entity was designed to conduct.

Investment funds
The group acts as fund manager to a number of investment funds. In terms of a mandate the group is required to take active investment management decisions in respect of the fund. Determining whether the group controls such an investment fund usually focuses on the assessment of the aggregate economic interests of the group in the fund (comprising any direct interests in the fund and expected management fees) and the investor's right to remove the group as fund manager. If the other investors are able to remove the group as fund manager or the group's aggregate interest is not deemed to be significant, the group does not consolidate the funds as it is merely acting as an agent for the other investors. Other investors are considered to be able to remove the fund manager if it is possible for a small number of investors acting together to appoint a new fund manager in the absence of misconduct. Where the group has a significant investment and an irrevocable fund management agreement the fund is consolidated. Where such funds are consolidated, judgement is applied in determining if the non-controlling interests in the funds are classified as equity or financial liabilities. Where the external investors have the right to put their investments back to the fund, these non-controlling interests do not meet the definition of equity and are classified as financial liabilities. Where such funds are not consolidated, the group is considered to have significant influence over the fund where it has an insignificant direct interest in the fund and there is an irrevocable fund management agreement. Where investments in funds managed by the group are not considered to be material, these are not consolidated or equity accounted by the group and recognised as investment securities. As decisions related to the relevant activities are based on a contractual agreement (mandate) as opposed to voting or similar rights, investment funds that are managed by the group are considered to be structured entities as defined in IFRS 12 except where other investors can remove the group as fund manager without cause as this represents rights similar to voting rights. The group receives investment management fees from the funds for investment management services rendered. These fees are typical of supplier customer relationships in the investment management industry. Where the group provides seed funding or has any other interests in investment funds that it manages, and does not consolidate or equity account the fund, the investment is considered to represent a typical customer supplier relationship. The group does not sponsor investment funds that it manages, as it does not provide financial support to these funds.

Impairment of goodwill

The recoverable amount of goodwill is tested annually for impairment in accordance with the stated accounting policy. For impairment testing purposes, goodwill is allocated to CGUs at the lowest level of operating activity to which it relates, and is therefore not combined at group level.

The significant CGUs to which the goodwill balance as at 30 June relates are reflected below.

R million	**2017**	2016
FNB Botswana	**34**	36
FNB Namibia	**54**	54
FNB Mozambique	**95**	101
RMB Corvest	**-**	74
RMB other	**-**	118
WesBank	**478**	466
Other	**123**	80
Total	**784**	929

The recoverable amount of the CGU is determined as the higher of the value in use or fair value less costs to sell.

Value in use

The value in use is calculated as the net present value of the discounted cash flows of the CGU. This is determined by discounting the estimated future pre-tax cash flows to its present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the CGU. The future cash flows are based on financial budgets approved by management covering a one year period. Cash flows beyond one year are extrapolated using the estimated growth rate for the CGU.

The key assumptions in determining the value in use of the CGU are therefore the discount rate and growth rate. The table below shows the discount rate and the growth rate used in calculating the value in use for the CGUs.

	Discount rates		**Growth rates**	
%	**2017**	2016	**2017**	2016
FNB Botswana	**13.00**	12.00	**3.00**	3.00
FNB Mozambique	**22.00**	20.90	**4.00**	4.50
RMB Corvest	**-**	20.00	**-**	6.00
WesBank	**20.56**	15.00	**5.01**	3.00
Other	**12.68**	7.41	**5.12**	6.99

The discount rate used is the weighted average cost of capital for the specific segment or entity, adjusted for specific risks relating to the segment or entity. Some of the other assumptions include investment returns, expense inflation rates and new business growth.

Fair value less costs to sell

The fair value less costs to sell is determined as the current market value of the CGU less any costs related to the realisation of the CGU.

The recoverable amount of the RMB other and FNB Namibia CGUs were calculated based on the fair value less costs to sell. RMB other consists of a number of individually immaterial investments in private equity subsidiaries. The fair value was determined using valuation techniques with market inputs. Due to the differing nature of the underlying entities, various inputs were used to determine the fair value of each of the individual CGUs included in the total RMB other CGU. These amounts were impaired to zero during the current year. Refer to note 3 for more details.

The period over which management has projected cash flows ranges between 3 and 5 years. The cash flows from the final cash flow period are extrapolated into perpetuity to reflect the long term plans of the group. The growth rate does not exceed the long-term average past growth rate for the business in which the CGU operates. A reasonably possible change in the discount rate or growth rate of the above mentioned CGUs would not result in their recoverable amounts exceeding the carrying values. A change in the discount rates or growth rate applied and other reasonably possible changes in the key assumptions would not result in additional impairment losses being recognised for goodwill in any of the CGU's. The recoverable amount is sufficiently in excess of the carrying amount that changes to the assumptions don't change the final outcome of the test.	The fair value less costs to sell for FNB Namibia is based on the listed share price as quoted on the Namibian Stock Exchange and therefore falls into level 1 of the fair value hierarchy.
Foreign operations	
Management has reviewed the economies where the group's foreign operations are conducted and have not identified any hyperinflationary economies in terms of the requirements of IFRS. Management has specifically considered the economy of Mozambique and Zambia in the current year and noted that the cumulative inflation for the last three years remains below 100%.	

10.3 Taxation

The group is subject to direct tax in a number of jurisdictions. As such there may be transactions and calculations for which the ultimate tax determination has an element of uncertainty during the ordinary course of business. In determining whether an interpretation and/or application of the various tax rules may result in a dispute of which the outcome may not be favourable to the group, the group seeks, where relevant, expert advice to determine whether the unfavourable outcome is probable or possible. Where payment is determined to be possible but not probable the tax exposure is disclosed as a contingent liability. The group recognises liabilities based on objective estimates of the amount of tax that may be due. Where the final tax determination is different from the amounts that were initially recorded, the difference will impact the income tax and deferred income tax provisions in the period in which such determination is made.

10.4 Impairment of financial assets

Impairment of financial assets	
In determining whether an impairment loss should be recognised, the group makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans.	
General	
Collective impairment assessments of groups of financial assets	Future cash flows in a group of financial assets are estimated based on the contractual cash flows of the assets in the group and historical loss experience for assets with similar credit risk characteristics. Historical loss experience is adjusted based on current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently. Estimates of changes in future cash flows for groups of financial assets should reflect and be directionally consistent with changes in related observable data from period to period

Impairment of financial assets	
	(for example, changes in unemployment rates, property prices, payment status, or other factors indicative of changes in the probability of losses in the group and their magnitude). The methodology and assumptions used for estimating future cash flows are regularly reviewed by the group to reduce any differences between loss estimates and actual loss experience.
Impairment assessment of collateralised financial assets	The calculation of the present value of the estimated future cash flows of a collateralised financial assets reflects the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether the group elects to foreclose or not.

Advances
The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired in accordance with the group's impairment policy when an indication of impairment is observed. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. In determining the amount of the impairment, the group considers the PD, EAD and LGD.

Performing loans
The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolio's the account status, namely arrears versus non-arrears status, is taken as a primary indicator of an impairment event. In the commercial portfolios, other indicators such as the existence of high-risk accounts, based on internally assigned risk ratings and management judgements are used, while the wholesale portfolio assessment (which includes RMB investment banking and RMB corporate banking) includes a judgemental review of individual industries for objective signs of distress. The objective of the measurement of an impairment loss is to produce a quantitative measure of the group's credit risk exposure. In determining the amount of the impairment, the group considers the following: ➢ the probability of default (PD) which is a measure of the expectation of how likely the customer is to default; ➢ the exposure at default (EAD) which is the expected amount outstanding at the point of default; and ➢ the loss given default (LGD) which is the expected loss that will be realised at default after considering recoveries through collateral and guarantees. Where impairment is required to be determined for the performing book, the following estimates are required: ➢ the IBNR provision is calculated on this sub segment of the portfolio, based on historical analysis of loss ratios, roll rates from performing status into non-performing status and similar risk indicators are based on analysis of internal and, where appropriate, external data. Estimates of the loss emergence period are made in the context of the nature and frequency of credit assessment performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio. Refer to the table below for additional information; and ➢ the PSI in the decrease in future cash flows primarily estimated based on analysis of historical loss and recovery rates for comparable sub segments of the portfolio. The sensitivity of modelled provisions to key assumptions has been assessed for each portfolio. This assessment was performed by calculating the impact on modelled provisions of adjusting model inputs to reflect conservative assumptions. The impact of increasing conservatism was tested by varying assumptions individually and simultaneously. The sensitivity of modelled provisions for performing loans was assessed by adjusting loss emergence period assumptions and arrears definitions. The arrears definition was adjusted so that early and/or partial arrears are considered to be objective evidence of impairment and the loss emergence period was increased by one month. Based on the results of the sensitivity analysis performed, management is satisfied that the current total provisions held for performing accounts is appropriate.

The table below provides a breakdown of the range of loss emergence periods for the main classes of advances:

	Loss emergence range
Retail secured	3 to 6 months
Retail unsecured	3 months
Corporate and commercial	3 months (FNB and WesBank) and 12 months (RMB)

The tables below display the sensitivity of the total impairment provisions to the change in the arrears definition and the one month increase in the loss emergence period as discussed above.

	2017		
R million	Total portfolio provisions	Sensitivity - arrears definition	Sensitivity - loss emergence period
Retail secured	**1 543**	**629**	**130**
- Residential mortgages	**526**	**74**	**30**
- VAF	**1 017**	**555**	**100**
Retail unsecured	**1 909**	**722**	**279**
- Card	**356**	**44**	**71**
- Personal loans	**1 027**	**426**	**155**
- FNB	**626**	**84**	**86**
- WesBank	**401**	**342**	**69**
Retail other	**526**	**252**	**53**
Corporate and commercial	**3 741**	**46**	**65**
- FNB commercial	**503**	**20**	**55**
- WesBank corporate	**194**	**26**	**10**
- RMB Investment banking*	**2 128**	**- ****	**- ****
- RMB corporate banking**	**916**	**- ****	**- ****
Rest of Africa	**453**	**124**	**107**
- FNB Africa***	**393**	**100**	**117**
- WesBank Africa	**60**	**24**	**(10)**
FCC and other****	**405**	**-**	**-**
Total portfolio provisions	**8 051**	**1 521**	**581**

* *The majority of the RMB investment banking book is carried at fair value. Information about the sensitivity of the fair value of these advances to changes in the assumptions used to measure these advances are provided in note 33 Fair value measurements.*

** *The increase in the portfolio impairment of the RMB amortised cost advances, was R35 million for RMB investment banking and R 109 million for RMB corporate banking. The sensitivity was calculated as follows:*

- *For the IBNR portion of the portfolio provisions the impairment was calculated based on the EAD instead of the net exposure. This assumes a stress scenario where the counterparties will draw down further; and*
- *For the PSI portion of the portfolio provision the impairment was calculated using industry stressed PD's instead of turbulent PD's.*

*** *FNB Africa is inclusive of FNB's activities in India.*

**** *These provisions are not sensitive to changes in the assumptions used to calculate the amounts.*

R million	2016 Total portfolio provisions	2016 Sensitivity - arrears definition	2016 Sensitivity - loss emergence period*
Retail secured	1 422	749	151
- Residential mortgages	475	79	29
- VAF	947	670	122
Retail unsecured	1 603	906	218
- Card	322	45	31
- Personal loans	883	626	140
- FNB	543	85	92
- WesBank	340	541	48
Retail other	398	235	47
Corporate and commercial	3 741	62	53
- FNB commercial	488	30	42
- WesBank corporate	199	32	11
- RMB Investment banking*	2 258	- **	- **
- RMB corporate banking**	796	- **	- **
Rest of Africa	419	133	209
- FNB Africa***	383	100	221
- WesBank Africa	36	33	(12)
FCC and other**	754	-	-
Total portfolio provisions	7 939	1 850	631

* *The majority of the RMB investment banking book is carried at fair value. Information about the sensitivity of the fair value of these advances to changes in the assumptions used to measure these advances are provided in note 33 Fair value measurements..*

** *The increase in the portfolio impairment of the RMB amortised cost advances, was R nil for RMB investment banking and R 91 million for RMB corporate banking. The sensitivity was calculated as follows:*

- *For the IBNR portion of the portfolio provisions the impairment was calculated based on the EAD instead of the net exposure. This assumes a stress scenario where the counterparties will draw down further; and*
- *For the PSI portion of the portfolio provision the impairment was calculated using industry stressed PD's instead of turbulent PD's.*

*** *FNB Africa is inclusive of FNB's activities in India.*

**** *These provisions are not sensitive to changes in the assumptions used to calculate the amounts.*

Non-performing loans

Management's estimates of future cash flows on individually impaired loans are based on internal historical loss experience, supplemented by analysis of comparable external data (for commercial and wholesale loans) for assets with similar credit risk characteristics.

The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Management is comfortable that the level of provisions held for non-performing loans is appropriate, considering the impact of a 10% relative change in NPL LGDs on modelled provisions.

The table below illustrates the sensitivity of provisions held on non-performing loans to the LGD estimates applied. Sensitivities were calculated by increasing LGDs relatively by 10%.

	2017		
	Average NPL LGD (%)	Total Specific provisions R million	Provisions sensitivity* R million
Retail secured		**2 863**	**260**
- Residentail mortgages	**22**	**993**	**99**
- VAF	**19 - 29**	**1 870**	**161**
Retail unsecured		**2 467**	**238**
- Card	**67**	**620**	**58**
- Personal loans		**1 271**	**126**
- FNB	**62**	**759**	**76**
- WesBank	**38**	**512**	**50**
Retail other	**67**	**576**	**54**
Corporate and commercial		**2 059**	**120**
- FNB commercial	**46**	**1 055**	**79**
- WesBank corporate	**57**	**147**	**2**
- RMB Investment banking**	**73**	**838**	**38**
- RMB corporate banking**	**48**	**19**	**1**
Rest of Africa		**1 100**	**108**
- FNB Africa***	**40**	**972**	**95**
- WesBank Africa	**54**	**128**	**13**
Total specific provisions		**8 489**	**726**

* *This reflects the increase in the provision due to the 10% increase in the LGD.*

** *The sensitivity of specific impairments to the judgments and estimates made by management is calculated by applying a haircut of 10% to the estimated recoverable value of the non-performing loans.*

*** *FNB Africa is inclusive of FNB's activities in India.*

	2016		
	Average NPL LGD (%)	Total Specific provisions R million	Provisions sensitivity* R million
Retail secured		2 609	264
- Residentail mortgages	22	1 017	102
- VAF	30	1 592	162
Retail unsecured		2 285	223
- Card	67	511	51
- Personal loans	-	1 220	121
- FNB	71	755	76
- WesBank	39	465	45
Retail other	70	554	51
Corporate and commercial		2 624	138
- FNB commercial	49	948	80
- WesBank corporate	53	174	4
- RMB Investment banking**	157	1 450	49
- RMB corporate banking**	89	52	5
Rest of Africa		700	70
- FNB Africa***	34	606	61
- WesBank Africa	53	94	9
Total specific provisions		8 218	695

* *This reflects the increase in the provision due to the 10% increase in the LGD.*

** *The sensitivity of specific impairments to the judgments and estimates made by management is calculated by applying a haircut of 10% to the estimated recoverable value of the non-performing loans.*

*** *FNB Africa is inclusive of FNB's activities in India.*

Available-for-sale equity instruments

The group determines that available-for-sale equity instruments are impaired when there has been a significant or prolonged decline in the fair value below cost. The determination of what is significant or prolonged requires judgement. In making this judgement, the group evaluates factors such as, inter alia, the normal volatility in share prices, evidence of a deterioration in the financial health of the investee, industry and sector performance, changes in technology, and operational and financing cash flows.

10.5 Other assets and liabilities

Other assets and liabilities			
Property and equipment		**Intangible assets**	
The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out below.			
Leasehold premises	Shorter of estimated life or period of lease	Software and development costs	3 years
Freehold property and property held under finance lease:		Trademarks	10 – 20 years
		Other, excluding service concession arrangements	3 - 10 years
- Buildings and structures	50 years	Service concession arrangements	Contractual term of 37 years
- Mechanical and electrical	20 years		
- Components	20 years		
- Sundries	3 -5 years		
Computer equipment	3 - 5 years		
Other equipment	Various between 3 – 10 years		

Provisions
The group has a policy and process in place to determine when to recognise provisions for potential litigation and claims. The recognition of such provisions is linked to the ranking of legal risk of potential litigation on the group's litigation database.

10.6 Transactions with employees

Employee benefits - defined contribution plans	
Determination of purchased pension on retirement from defined contribution plan	Upon retirement of current defined contribution active members, the fund provides a pension that can be purchased with the member's share. The pension so purchased is determined based on the purchasing member's demographic details (age, gender, age of spouse), the pension structure (guarantee period, spouse's reversion and pension increase target) and the economic assumptions at time of purchase (inflation linked bond yields available). A benefit on withdrawal and retrenchment are determined in terms of the prevailing legislation and is equivalent to the value of the actuarial reserve held in the fund. If the member chooses to buy into the fund, the fair value of plan assets and liabilities is increased by the amount of the contribution on that date.
Employee benefits - defined benefit plans	
Determination of required funding levels	Funding levels are monitored on an annual basis and the current agreed contribution rate in respect of the defined benefit pension fund is 21% of pensionable salaries (in excess of the minimum recommended contribution rate set by the fund actuary). The group considers the recommended contribution rate as advised by the fund actuary with each actuarial valuation. In addition, the trustees of the fund target a funding position on the pensioner liabilities that exceeds the value of the best estimate actuarial liability. The funding position is also considered in relation to a solvency reserve basis, which makes allowance for the discontinuance cost of outsourcing the pensions. As at the last statutory actuarial valuation of the fund (during June 2014), all categories of liabilities were at least 100% funded. If the member chooses to buy into the fund, on that date the fair value of plan assets and the value of the plan liabilities on the defined benefit plan are increased by the amount of the initial contribution.

Employee benefits - defined benefit plans	
Determination of present value of defined benefit plan obligations	The cost of the benefits and the present value of the defined benefit pension funds and post-employment medical obligations depend on a number of factors that are determined annually on an actuarial basis, by independent actuaries, using the projected unit credit method which incorporates a number of assumptions. The key assumptions used in determining the charge to profit or loss arising from these obligations include the expected long-term rate of return on the relevant plan assets, discount rate and expected salary and pension increase rates. Any changes in these assumptions will impact the charge to profit or loss and may affect planned funding of the pension plans.
Cash settled share-based payment plans	
Determination of fair value	The liability is determined using a Black-Scholes option pricing model with a zero strike price. The following estimates are included in the model to determine the value: ➢ management's estimate of future dividends; ➢ the risk free interest rate is used; and staff turnover and historical forfeiture rates are used as indicators of future conditions.

10.7 Insurance and investment management activities

Short-term insurance contracts	
Determination of policyholder liability for short-term insurance contracts	The liability for outstanding claims is calculated by reviewing individual claims and making allowance for IBNR, and the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. The group does not discount its liability for unpaid claims. Claims incurred include claims handling expenses paid during the financial year together with the estimated liability for compensation owed to policyholders or third parties affected by the policyholders. Claims handling expenses include, amongst others, fees incurred for legal expenses, loss adjusters and administration fees. The provision for unearned premiums comprises the proportion of gross premiums written which are estimated to be earned in the following financial year. This is computed separately for each insurance contract using the method most reflective of any variation in the incidence of risk during the period covered by the contract.

Long-term insurance contracts	
Determination / valuation of policyholder liability for long-term insurance contracts – FSV method	Policyholder liabilities under long-term insurance contracts are valued in terms of the FSV method as is required by professional guide note 104 issued by the ASSA. This methodology is applied to each product type depending on the nature of the contract and the associated risks. Under this method the liability is determined as the best estimate of the future cash flows relating to the insurance contracts plus certain compulsory and discretionary margins.
Best estimate of future cash flows	The best estimate of future cash flows takes into account current and expected future experience as well as revised expectations of future income, claims and expenditure. The assumptions are applied to the whole policy book. Differences between the assumptions used at the start and end of the period give rise to revised liability quantification. The expected level of early terminations is incorporated into the liabilities irrespective of whether this leads to an increase or a decrease in the liabilities.
Discretionary margins	The main discretionary margins utilised in the valuation are as follows: ➢ investment stabilisation accounts are held to reduce the risk of future losses, caused by the impact of market fluctuations on capitalised fees and on assets backing guaranteed liabilities; ➢ additional prospective margins are held in respect of decrement assumptions and asset-related fees on certain product lines to avoid the premature recognition of profits that may give rise to future losses if claims experience turns out to be worse than expected; and ➢ an additional data reserve is held to protect against possible future losses due to data discrepancies.
Liabilities for claims	Intimated claims represent claims where the incident giving rise to a claim has occurred and has been reported to the insurer for settlement but has not yet been finalised and paid by the insurer. The liability is measured at the value assessed for the claim. Unintimated claims represent claims incurred but not yet reported or paid. The liability is estimated by assuming that future trends in reporting of claims will be similar to the past. The profile of claims run-off (over time) is modelled by using historic data of the group and chain-ladder techniques. The profile is then applied to actual claims data of recent periods for which the run-off is believed not to be complete.

Key assumptions to which the estimation of liabilities is particularly sensitive	
Material judgement is required in determining the liabilities and in the choice of assumptions. Assumptions in use are based on experience, current internal data, external market indices and benchmarks which reflect current observable market prices and other published information. Assumptions and prudent estimates are determined at the date of valuation and no credit is taken for possible beneficial effects of voluntary withdrawals. Assumptions are further evaluated on a continuous basis to ensure realistic and reasonable valuations. The key assumptions to which the estimation of liabilities are particularly sensitive are as follows:	
Mortality and morbidity rates	Assumptions are based on standard industry and national tables, per the type of contract written and the territory in which the insured person resides. They reflect recent historical experience and are adjusted when appropriate to reflect the groups own experiences. An appropriate, but not excessive, prudent allowance is made for expected future improvements. Assumptions are differentiated by gender, underwriting class and contract types. An increase in rates will lead to a larger number of claims (and claims could occur sooner than anticipated), which will increase the expenditure and reduce profits for the shareholders.
Investment return	The weighted average rate of return is derived based on a model portfolio that is assumed to back liabilities, consistent with the long-term asset allocation strategy. These estimates are based on current market backed returns as well as expectations about future economic and financial developments. An increase in investment return would lead to a reduction in expenditure and an increase in profits for the shareholders.
Expenses	Operating expenses assumptions reflect the projected costs of maintaining and servicing in-force policies and associated overhead expenses. The current level of expenses is taken as an appropriate expense base, adjusted for expected expense inflation if appropriate. An increase in expenses would result in a reduction profits for shareholders.
Lapse and surrender rates	Lapses relate to the termination of policies due to non-payment of premium. Surrenders relate to the voluntary termination of policies by policyholders. Policy termination assumptions are determined using statistical measures based on the groups experience and vary by product type, policy duration and sales trends. An increase in lapse rates early in the life of the policy would tend to reduce profits for shareholders, but later increases are broadly neutral in effect.
Discount rate	Life insurance liabilities are determined as the sum of the discounted value of the expected benefits and future administration expenses directly related to the contract, less the discounted value of the expected theoretical premiums that would be required to meet these future cash outflows. Discount rates are based on current industry risk rates, adjusted for the groups own risk exposure. A decrease in the discount rate will increase the value of the insurance liability and therefore reduce the profits for the shareholders.

Investment contracts	
Valuation of policyholder liability under investment contracts	The fair value of investment contracts without fixed benefits and unit-linked contracts is determined using the current unit price that reflects the fair values of the underlying financial assets and or derivatives. For unit-linked contracts the unitised investment funds linked to the financial liability are multiplied by the number of units attributed to the policyholder at the statement of financial position date. For investment contracts with fixed and guaranteed terms, a valuation model is used to establish the fair value at inception and at each reporting date. The valuation model values the liabilities as the present value of the maturity values, using appropriate market-related yields to maturity.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 June

R million	Notes	2017	2016*
Interest and similar income	1.1	**80 441**	71 561
Interest expense and similar charges	1.2	**(35 524)**	(29 520)
Net interest income before impairment of advances		**44 917**	42 041
Impairment and fair value of credit of advances	12	**(8 054)**	(7 159)
Net interest income after impairment of advances		**36 863**	34 882
Non-interest revenue	2	**40 922**	36 934
Income from operations		**77 785**	71 816
Operating expenses	3	**(44 585)**	(41 657)
Net income from operations		**33 200**	30 159
Share of profit of associates after tax	16	**757**	930
Share of profit of joint ventures after tax	17	**281**	526
Income before tax		**34 238**	31 615
Indirect tax	4.1	**(1 081)**	(928)
Profit before tax		**33 157**	30 687
Income tax expense	4.2	**(7 018)**	(6 612)
Profit for the year		**26 139**	24 075
Attributable to			
Ordinary equityholders		**24 572**	22 563
NCNR preference shareholders		**356**	342
Equityholders of the group		**24 928**	22 905
Non-controlling interests		**1 211**	1 170
Profit for the year		**26 139**	24 075
Earnings per share (cents)			
Basic	5	**438.2**	402.4
Diluted	5	**438.2**	402.4

** Restated, refer to section 9 of the accounting policies.*

CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME

for the year ended 30 June

R million	**2017**	2016
Profit for the year	**26 139**	24 075
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**(150)**	118
(Losses)/gains arising during the year	**(141)**	144
Reclassification adjustments for amounts included in profit or loss	**(67)**	20
Deferred income tax	**58**	(46)
Available-for-sale financial assets	**(282)**	(504)
Losses arising during the year	**(397)**	(671)
Reclassification adjustments for amounts included in profit or loss	**(52)**	(6)
Deferred income tax	**167**	173
Exchange differences on translating foreign operations	**(1 633)**	567
(Losses)/gains arising during the year	**(1 633)**	567
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**(157)**	87
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	**169**	(139)
Gains/(losses) arising during the year	**241**	(194)
Deferred income tax	**(72)**	55
Other comprehensive (loss)/income for the year	**(2 053)**	129
Total comprehensive income for the year	**24 086**	24 204
Attributable to		
Ordinary equityholders	**22 574**	22 665
NCNR preference shareholders	**356**	342
Equityholders of the group	**22 930**	23 007
Non-controlling interests	**1 156**	1 197
Total comprehensive income for the year	**24 086**	24 204

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2017	2016*	2015*
ASSETS				
Cash and cash equivalents	7	**68 483**	64 303	65 567
Derivative financial instruments	8	**35 459**	40 551	34 500
Commodities	9	**14 380**	12 514	7 354
Investment securities	10	**167 427**	142 648	137 366
Advances	11	**893 106**	851 405	779 171
- Advances to customers		**848 649**	808 699	751 366
- Marketable advances		**44 457**	42 706	27 805
Accounts receivable	13	**8 878**	10 152	8 009
Current tax asset		**147**	428	115
Non-current assets and disposal groups held for sale	14	**580**	193	373
Reinsurance assets	15	**89**	36	388
Investments in associates	16	**5 924**	4 964	5 781
Investments in joint ventures	17	**1 430**	1 344	1 282
Property and equipment	18	**17 512**	16 909	16 288
Intangible assets	19	**1 686**	1 569	1 068
Investment properties	20	**399**	386	460
Defined benefit post-employment asset	21	**5**	9	4
Deferred income tax asset	22	**2 202**	1 866	1 540
Total assets		**1 217 707**	1 149 277	1 059 266
EQUITY AND LIABILITIES				
Liabilities				
Short trading positions	23	**15 276**	14 263	5 685
Derivative financial instruments	8	**44 403**	50 782	40 917
Creditors, accruals and provisions	24	**17 014**	17 141	17 529
Current tax liability		**277**	270	353
Liabilities directly associated with disposal groups held for sale	14	**195**	141	-
Deposits	25	**983 529**	920 074	865 616
- Deposits from customers		**715 101**	668 010	617 371
- Debt securities		**179 115**	153 727	158 171
- Asset-backed securities		**35 445**	29 305	28 574
- Other		**53 868**	69 032	61 500
Employee liabilities	21	**9 884**	9 771	9 734
Other liabilities	26	**6 385**	8 311	6 876
Policyholder liabilities	15	**3 795**	1 402	542
Tier 2 liabilities	27	**18 933**	18 004	12 497
Deferred income tax liability	22	**832**	1 053	913
Total liabilities		**1 100 523**	1 041 212	960 662
Equity				
Ordinary shares	28	**56**	56	56
Share premium	28	**7 960**	7 952	7 997
Reserves		**100 868**	91 737	82 725
Capital and reserves attributable to ordinary equityholders		**108 884**	99 745	90 778
NCNR preference shares	28	**4 519**	4 519	4 519
Capital and reserves attributable to equityholders of the group		**113 403**	104 264	95 297
Non-controlling interests		**3 781**	3 801	3 307
Total equity		**117 184**	108 065	98 604
Total equity and liabilities		**1 217 707**	1 149 277	1 059 266

** Restated, refer to section 9 of the accounting policies.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Ordinary share capital and ordinary equityholders' funds				
	Share capital	Share premium	**Share capital and share premium**	Defined benefit post-employment reserve	Cash flow hedge reserve
Balance as at 1 July 2015	56	7 997	**8 053**	(791)	190
Net proceeds of issue of share capital	-	-	**-**	-	-
Proceeds of issue of share capital	-	-	**-**	-	-
Share issue expenses	-	-	**-**	-	-
Acquisition of subsidiaries	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Preference dividends	-	-	**-**	-	-
Transfer from/(to) general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Consolidation of treasury shares	-	(45)	**(45)**	-	-
Total comprehensive income for the year	-	-	**-**	(139)	118
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2016	56	7 952	**8 008**	(930)	308
Net proceeds of issue of share capital	-	-	**-**	-	-
Proceeds of issue of share capital	-	-	**-**	-	-
Share issue expenses	-	-	**-**	-	-
Acquisition of subsidiaries	-	-	**-**	-	-
Movement in other reserves	-	-	**-**	-	-
Ordinary dividends	-	-	**-**	-	-
Preference dividends	-	-	**-**	-	-
Transfer from/(to) general risk reserves	-	-	**-**	-	-
Changes in ownership interest of subsidiaries	-	-	**-**	-	-
Consolidation of treasury shares	-	8	**8**	-	-
Total comprehensive income for the year	-	-	**-**	169	(150)
Vesting of share-based payments	-	-	**-**	-	-
Balance as at 30 June 2017	56	7 960	**8 016**	(761)	158

Ordinary share capital and ordinary equityholders' funds								
Share-based payment reserve	Available-for-sale reserve	Foreign currency translation reserve	Other reserves	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Non-controlling interests**	**Total equity**
21	64	2 757	261	80 223	**82 725**	**4 519**	**3 307**	**98 604**
-	-	-	-	-	**-**	**-**	**39**	**39**
-	-	-	-	-	**-**	**-**	**24**	**24**
-	-	-	-	-	**-**	**-**	**15**	**15**
-	-	-	-	-	**-**	**-**	**19**	**19**
5	-	-	20	(16)	**9**	**-**	**10**	**19**
-	-	-	-	(12 608)	**(12 608)**	**-**	**(761)**	**(13 369)**
-	-	-	-	-	**-**	**(342)**	**-**	**(342)**
-	-	-	18	(18)	**-**	**-**	**-**	**-**
-	-	-	-	(1 077)	**(1 077)**	**-**	**(10)**	**(1 087)**
-	-	-	-	10	**10**	**-**	**-**	**(35)**
-	(505)	553	75	22 563	**22 665**	**342**	**1 197**	**24 204**
(17)	-	-	-	30	**13**	**-**	**-**	**13**
9	(441)	3 310	374	89 107	**91 737**	**4 519**	**3 801**	**108 065**
-	-	-	-	-	**-**	**-**	**-**	**-**
-	-	-	-	-	**-**	**-**	**-**	**-**
-	-	-	-	-	**-**	**-**	**-**	**-**
-	-	-	-	-	**-**	**-**	**8**	**8**
3	-	-	195	(167)	**31**	**-**	**81**	**112**
-	-	-	-	(13 294)	**(13 294)**	**-**	**(1 099)**	**(14 393)**
-	-	-	-	-	**-**	**(356)**	**-**	**(356)**
-	-	-	16	(16)	**-**	**-**	**-**	**-**
-	-	-	-	(175)	**(175)**	**-**	**(166)**	**(341)**
-	-	-	-	(8)	**(8)**	**-**	**-**	**-**
-	(274)	(1 620)	(123)	24 572	**22 574**	**356**	**1 156**	**24 086**
(3)	-	-	-	6	**3**	**-**	**-**	**3**
9	(715)	1 690	462	100 025	**100 868**	**4 519**	**3 781**	**117 184**

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2017	2016*
Cash generated from operating activities			
Interest and fee commission receipts		**108 306**	95 004
Trading and other income		**2 857**	4 167
Interest payments		**(35 285)**	(28 933)
Other operating expenses		**(35 106)**	(33 417)
Dividends received		**5 971**	6 544
Dividends paid		**(13 650)**	(12 950)
Dividends paid to non-controlling interests		**(1 099)**	(761)
Cash generated from operating activities		**31 994**	29 654
Movement in operating assets and liabilities			
Liquid assets and trading securities		**(24 588)**	(4 009)
Advances		**(59 143)**	(69 673)
Deposits		**71 085**	44 788
Creditors (net of debtors)		**3 262**	(3 495)
Employee liabilities		**(5 337)**	(5 350)
Other liabilities		**(319)**	8 245
Taxation paid		**(8 237)**	(7 793)
Net cash generated from/(utilised by) operating activities		**8 717**	(7 633)
Cash flows from investing activities			
Acquisition of investments in associates	16	**(98)**	(187)
Proceeds on disposal of investments in associates	16	**38**	1 932
Acquisition of investments in joint ventures	17	**(44)**	-
Proceeds on disposal of investments in joint ventures	17	**17**	-
Acquisition of investments in subsidiaries	29.1	**(257)**	(181)
Proceeds on disposal of investments in subsidiaries	29.2	**1 815**	588
Acquisition of property and equipment		**(4 581)**	(4 135)
Proceeds on disposal of property and equipment		**514**	1 170
Acquisition of intangible assets and investment properties		**(434)**	(294)
Proceeds on disposal of intangible assets and investment properties		**-**	45
Proceeds on disposal of non-current assets held for sale		**170**	1 017
Net cash outflow from investing activities		**(2 860)**	(45)
Cash flows from financing activities			
(Redemption)/issue of other liabilities		**(1 675)**	1 587
Net proceeds from the issue of Tier 2 liabilities		**941**	5 486
Acquisition of additional interest in subsidiaries from non-controlling interests		**(162)**	(1 357)
Issue of shares of additional interest in subsidiaries to non-controlling interests		**-**	39
Net cash (outflow)/inflow from financing activities		**(896)**	5 755
Net increase/(decrease) in cash and cash equivalents		**4 961**	(1 923)
Cash and cash equivalents at the beginning of the year		**64 303**	65 567
Effect of exchange rate changes on cash and cash equivalents		**(763)**	663
Transfer to non-current assets held for sale		**(18)**	(4)
Cash and cash equivalents at the end of the year	7	**68 483**	64 303

** Certain prior year numbers have been restated due to the reclassifications as explained in section 9 of the accounting policies. Cash in subsidiaries acquired or disposed of, previously disclosed in the cash reconciliation and not any specific activity, has been included under cash flows from investing activities (acquisition of investment in subsidiaries and proceeds on disposal of investments in subsidiaries). The net impact on the prior year is a decrease in net cash outflow from investing activities of R857 million.*

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

R million	2017	2016
Analysis of interest and similar income		
Instruments at fair value	**4 963**	4 249
Instruments at amortised costs	**75 155**	66 850
Hedging instruments	**280**	460
Non-financial instruments	**43**	2
Interest and similar income	**80 441**	71 561
Advances	**71 758**	64 517
- Overdrafts and cash management accounts	**7 887**	6 519
- Term loans	**4 525**	4 144
- Card loans	**4 191**	3 736
- Instalment sales and hire purchase agreements	**18 018**	17 089
- Lease payments receivable	**766**	869
- Property finance	**22 660**	20 722
- Home loans	**20 005**	18 386
- Commercial property finance	**2 655**	2 336
- Personal loans	**8 542**	7 690
- Preference share agreements	**274**	138
- Investment bank term loans	**828**	135
- Long-term loans to group associates and joint ventures	**65**	215
- Other customer advances	**2 575**	2 456
- Marketable advances	**1 427**	804
Cash and cash equivalents	**2 085**	1 921
Investment securities	**6 034**	4 427
Unwinding of discounted present value on NPLs	**97**	84
Accrued on off-market advances	**17**	21
Other	**450**	591
Interest and similar income	**80 441**	71 561

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2017	2016
Analysis of interest expense and similar charges		
Instruments at fair value	**(424)**	(565)
Instruments at amortised costs	**(34 861)**	(28 426)
Hedging instruments	**(213)**	(480)
Non-financial instruments	**(26)**	(49)
Interest expense and similar charges	**(35 524)**	(29 520)
Deposits	**(47 401)**	(39 875)
Deposits from customers	**(30 406)**	(25 225)
- Current accounts	**(5 017)**	(4 453)
- Savings deposits	**(300)**	(226)
- Call deposits	**(10 007)**	(8 094)
- Fixed and notice deposits	**(15 082)**	(12 452)
Debt securities	**(13 194)**	(10 906)
- Negotiable certificates of deposit	**(5 177)**	(3 834)
- Fixed and floating rate notes	**(8 017)**	(7 072)
Asset-backed securities	**(381)**	(348)
- Securitisation issuances	**(381)**	(348)
Other	**(3 420)**	(3 396)
- Repurchase agreements	**(1 304)**	(1 207)
- Securities lending	**(391)**	(437)
- Cash collateral and credit linked notes	**(1 725)**	(1 752)
Other liabilities	**(168)**	(224)
Tier 2 liabilities	**(1 825)**	(1 397)
Other	**(807)**	(1 031)
Gross interest expense and similar charges	**(50 201)**	(42 527)
Less: interest expense related to fair value activities reallocated to fair value income	**14 677**	13 007
Interest expense and similar charges	**(35 524)**	(29 520)

2 NON-INTEREST REVENUE

R million	Notes	2017	2016*
Analysis of non-interest revenue			
Fee and commission income		**34 279**	31 910
- Instruments at amortised cost		**23 845**	22 718
- Instruments at fair value		**794**	1 588
- Non-financial instruments		**9 640**	7 604
Fee and commission expenses		**(4 598)**	(4 229)
Net fee and commission income	2.1	**29 681**	27 681
Held for trading		**3 626**	1 711
Designated at fair value through profit or loss		**2 683**	2 300
Other		**(78)**	126
Fair value gains or losses	2.2	**6 231**	4 137
Designated at fair value through profit or loss		**117**	(248)
Available-for-sale		**78**	164
Other		**1 971**	1 437
Gains less losses from investing activities	2.3	**2 166**	1 353
Other non-interest revenue	2.4	**2 844**	3 763
Total non-interest revenue		**40 922**	36 934

* *Some prior year numbers within non-interest revenue have been restated to better reflect the nature.*

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2017	2016**
Banking fee and commission income	**25 857**	24 515
- Card commissions	**3 886**	3 480
- Cash deposit fees	**1 860**	2 070
- Commitment fees	**1 436**	984
- Commissions: bills, drafts and cheques	**779**	697
- Exchange commissions*	**1 549**	1 519
- Brokerage income	**164**	186
- Bank charges*	**16 183**	15 579
Knowledge-based fee and commission income	**1 482**	1 429
Management, trust and fiduciary fees	**1 945**	1 901
Insurance related income, including commission	**4 083**	3 241
Fee and commission income from service providers	**500**	441
Other non-banking fee and commission income	**412**	383
Fee and commission income	**34 279**	31 910
Transaction processing fees	**(1 143)**	(1 042)
Transaction based fees	**(194)**	(211)
Commission paid	**(269)**	(375)
Customer loyalty programmes	**(1 473)**	(1 205)
Cash sorting, handling and transportation charges	**(808)**	(736)
Card and cheque book related	**(363)**	(266)
ATM commissions paid	**(40)**	(30)
Other	**(308)**	(364)
Fee and commission expenses	**(4 598)**	(4 229)
Net fee and commission income	**29 681**	27 681

* *Bank charges which better relate to exchange commissions have been reallocated to exchange commissions in the prior year.*

2.2 Fair value gains or losses

R million	2017	2016**
Dividend income on preference shares held	**3 932**	3 432
Other fair value income	**2 299**	705
Fair value gains or losses	**6 231**	4 137

** *Some prior year numbers within non-interest revenue have been restated to better reflect the nature.*

2 NON-INTEREST REVENUE continued

2.3 Gains less losses from investing activities

R million	Notes	2017	2016*
Gain on disposal of investment securities		**22**	12
Impairment of investment securities		**(1)**	-
Reclassification from other comprehensive income on the derecognition/sale of available-for-sale assets		**52**	6
Preference share dividends from unlisted investments		**40**	38
Other dividends received		**23**	76
Gain on the disposal of investments in subsidiaries		**1 817**	82
Gain on disposal of investments in associates		**70**	1 086
Gain on partial disposal of investments in joint ventures		**47**	-
Fair value losses on investment properties held at fair value through profit or loss	20	**-**	(22)
Rental income from investment properties		**33**	36
Other gains from investing activities		**63**	39
Gains less losses from investing activities		**2 166**	1 353

2.4 Other non-interest revenue

R million	2017	2016*
(Loss)/gain on disposal of property and equipment	**(14)**	148
Non-interest expense from insurance operations	**(176)**	(311)
- Reinsurance recoveries	**5**	-
- Reinsurance expenses	**(73)**	(55)
- Decrease in value of net policyholder liabilities	**(108)**	(256)
Rental income	**1 305**	1 173
Operating income from non-banking activities	**403**	1 625
Income related to direct sale and other operating lease transactions	**589**	220
- Sales	**1 994**	1 014
- Cost of sales	**(1 583)**	(951)
- Other operating lease transactions	**178**	157
Other income	**737**	908
Other non-interest revenue	**2 844**	3 763

* *Some prior year numbers within non-interest revenue have been restated to better reflect the nature.*

3 OPERATING EXPENSES

R million	Notes	2017	2016
Auditors' remuneration		**(311)**	(360)
- Audit fees		**(262)**	(277)
- Fees for other services		**(41)**	(74)
- Prior year under accrual		**(8)**	(9)
Operating lease charges		**(1 686)**	(1 528)
Staff costs		**(25 852)**	(24 463)
- Salaries, wages and allowances*		**(17 308)**	(16 606)
- Contributions to employee benefit funds		**(1 525)**	(1 640)
- Defined contribution schemes*		**(1 386)**	(1 522)
- Defined benefit schemes	21.1	**(139)**	(118)
- Social security levies		**(332)**	(317)
- Share-based payments	31	**(1 614)**	(1 172)
- Movement in short-term employee benefit liabilities		**(4 151)**	(4 032)
- Other staff costs		**(922)**	(696)
Other operating costs		**(16 736)**	(15 306)
- Amortisation of intangible assets	19	**(249)**	(108)
- Depreciation of property and equipment	18	**(2 728)**	(2 406)
- Impairments incurred		**(628)**	(202)
- Impairments reversed		**5**	77
- Insurance		**(131)**	(118)
- Advertising and marketing		**(1 743)**	(1 629)
- Maintenance		**(1 313)**	(1 210)
- Property		**(1 002)**	(1 008)
- Computer		**(2 186)**	(1 836)
- Stationery		**(236)**	(219)
- Telecommunications		**(425)**	(401)
- Professional fees		**(1 924)**	(1 838)
- Other operating expenditure		**(4 176)**	(4 408)
Total operating expenses		**(44 585)**	(41 657)

* *Prior year numbers are restated to reflect the change in the treatment of retirement benefit contributions due to amended legislation. Reallocating R432 million to direct staff costs.*

3 OPERATING EXPENSES continued

Significant impairments incurred during 2017

Intangible assets – goodwill

The goodwill relating to certain RMB private equity subsidiaries was impaired by R119 million during the year, as the carrying amount of these subsidiaries exceeded the recoverable amount. The recoverable amount was based on the fair value less costs to sell, determined by applying appropriate price earnings multiples to the net asset value of these investments. Refer to the impairment of goodwill section under critical accounting estimates, assumptions and judgements in the accounting policies for more guidance on how these fair values are determined.

Software and development costs

Direct Axis (Pty) Limited, a subsidiary of FirstRand Investment Holdings (Pty) Limited that is managed by WesBank, impaired software and development costs after management reviewed their information technology strategy and found that certain software would no longer meet their future needs. This software has been impaired to a carrying amount of R nil based on its anticipated value in use to the business and an impairment loss of R61 million recognised.

Property and equipment

A subsidiary of RMB Investments and Advisory (Pty) Limited recognised an impairment of R312 million on property and equipment. The recoverable amount of the property and equipment was determined based on the fair value less costs to sell. The fair value was determined with reference to the price that potential buyers would be willing to pay for these assets. A significant amount of unobservable inputs was used to determine the fair value and the fair value would therefore be classified as level 3 of the fair value hierarchy.

Disposal groups held for sale

A WesBank subsidiary met the requirements to be classified as held for sale on 30 June 2017. Upon classification as held for sale it was found that the carrying amount of the disposal group exceeded the recoverable amount (based on the fair value less costs to sell) and an impairment loss of R95 million was recognised. Unobservable inputs were used to determine the fair value and the fair value is therefore being classified in level 2 and level 3 of the fair value hierarchy.

3 OPERATING EXPENSES continued

Significant impairments incurred during 2016

WesBank recognised an impairment of R49 million relating to full maintenance lease agreements included in accounts receivable. For details on how the impairment was calculated, refer to section 10.4 Impairment of financial assets of the accounting policies.

During the prior year, management of certain of the group's African subsidiaries undertook an exercise to improve their existing infrastructure to continue to provide world class service and environments for customers. This included the acquisition of a number of point-of-sale machines, system upgrades and refurbishment of four branches. As part of the overall infrastructure improvement project an evaluation of existing fixed assets was performed for all of the fixed assets to ensure that estimates around useful lives and residual values remained appropriate. As part of that exercise management identified certain changes to estimates around useful life and residual value as well as certain assets for which the carrying amount exceeded the recoverable amount and others for which previous impairments could be reversed. For all instances where estimates have changed the change has been applied prospectively and additional depreciation on the relevant fixed assets has been provided. Where assets have been impaired or where previous impairment losses have been reversed the carrying amount has been based on value in use. This exercise resulted in an impairment loss of R54 million being recognised. The majority of these amounts are included in the FNB segment in the segment report.

The remainder of the impairments recognised in the prior year relate to various individually insignificant amounts.

During the prior year, there were also various individually insignificant reversals of impairments.

3 OPERATING EXPENSES continued

DIRECTORS' AND PRESCRIBED OFFICERS' EMOLUMENTS

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

Directors' and prescribed officers' emoluments

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

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

3 OPERATING EXPENSES continued

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

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

3 OPERATING EXPENSES continued

R thousand	2017	2016	2015	2014	2013
HS Kellan[1, 5]					
Cash package paid during the year	**5 830**	4 938	4 493	4 046	-
Retirement contributions paid during the year	**40**	405	402	362	-
Other allowances	**130**	118	108	98	-
Guaranteed package	**6 000**	5 461	5 003	4 506	-
Performance related in respect of the year[2]	**5 250**	4 937	4 500	4 416	-
Portion of performance related deferred in share awards[3]	**3 250**	2 938	3 000	1 944	-
Variable pay	**8 500**	7 875	7 500	6 360	-
Total guaranteed and variable pay	**14 500**	13 336	12 503	10 866	-
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**8 600**	7 000	5 500	5 000	-
Total reward including CIP	**23 100**	20 336	18 003	15 866	-
J Formby (CEO RMB)[1, 6]					
Cash package paid during the year	**3 013**	2 630	-	-	-
Retirement contributions paid during the year	**52**	236	-	-	-
Other allowances	**176**	178	-	-	-
Guaranteed package	**3 241**	3 044	-	-	-
Performance related in respect of the year[2]	**12 250**	10 625	-	-	-
Portion of performance related deferred in share awards[3]	**10 250**	8 625	-	-	-
Variable pay	**22 500**	19 250	-	-	-
Total guaranteed and variable pay	**25 741**	22 294	-	-	-
Value of CIP awards during the year[4]					
Conditional share plan/conditional incentive plan	**7 500**	5 000	-	-	-
Total reward including CIP	**33 241**	27 294	-	-	-

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

3 OPERATING EXPENSES continued

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

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

3 OPERATING EXPENSES continued

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

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

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

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

Co-investment scheme

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

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

Long-term executive management retention scheme

LTEMRS[1] participation award made in December 2016			
Executive directors	**R thousand**	**Prescribed officers**	**R thousand**
JP Burger	188	J Celliers	469
AP Pullinger	188	C de Kock	938
HS Kellan	563	J Formby	938

1. *In addition to the group's existing long-term incentive plan, and in order to better align executive interest with those of the group's shareholders, the group has during the year under review introduced a long-term executive management retention scheme ("LTEMRS"). The scheme is a five-year scheme, where members of the group's strategic committee are eligible to participate, on a voluntary basis, by purchasing a predetermined fixed amount of participation awards. Participants paid an upfront cash deposit of ten percent for their predetermined fixed amount of participation awards, with the balance being funded through a facilitated mechanism by the group. The fixed amount for each participant was converted into a number of participation awards, determined by the share price of R53.33, being the three-day volume weighted average price of the FirstRand share price at the date of award, being 15 December 2016.*

   The scheme and the funding mechanism, ensures that participants have full risk and potential reward of their participation awards (downside risk and upside potential). Continued employment is a condition for vesting of the cash settled scheme. Early termination before the expiry of three full years of service carry the full cost of early termination, including a full forfeit of any potential benefit, with a sliding scale of forfeiture being applied in years four and five. There is no cost to the group associated with the LTEMRS as the scheme is economically hedged.

3 OPERATING EXPENSES continued

Prescribed officers' outstanding long-term incentives

	Outstanding long-term incentives				
	2017 (CIP allocation made in September 2016)		2016 (CIP allocation made in September 2015)		
	CIP	**Bonus deferral CIP**	CIP	Bonus deferral CIP	
Executive directors					
JP Burger					
Opening balance (number of shares)	**-**	**-**	295 776	194 345	
Granted/taken up this year (number of shares)	**387 914**	**236 025**	-	-	
Closing balance (number of shares)	**387 914**	**236 025**	295 776	194 345	
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017	
AP Pullinger					
Opening balance (number of shares)	**-**	**-**	189 236	193 967	
Granted/taken up this year (number of shares)	**309 274**	**190 258**	-	-	
Closing balance (number of shares)	**309 274**	**190 258**	189 236	193 967	
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017	
HS Kellan					
Opening balance (number of shares)	**-**	**-**	132 465	56 770	
Granted/taken up this year (number of shares)	**181 802**	**62 098**	-	-	
Closing balance (number of shares)	**181 802**	**62 098**	132 465	56 770	
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017	

	Outstanding long-term incentives				
	2015 (CIP allocation made in September 2014)			2014 (CIP allocation made in September 2013)	
	CIP	Special three-year bonus deferral CIP	Bonus deferral CIP	CIP	Special CIP
	260 728	15 025	220 956	349 563	87 895
	-	-	(220 956)	(349 563)	(87 895)
	260 728	15 025	-	-	-
	12/09/2017	12/09/2017	13/09/2016	15/09/2016	01/10/2016
	204 384	-	198 860	242 752	-
	-	-	(198 860)	(242 752)	-
	204 384	-	-	-	-
	12/09/2017	-	13/09/2016	15/09/2016	-
	121 526	-	42 954	161 835	-
	-	-	(42 954)	(161 835)	-
	121 526	-	-	-	-
	12/09/2017	-	13/09/2016	15/09/2016	-

3 OPERATING EXPENSES continued

Prescribed officers' outstanding long-term incentives

	Outstanding long-term incentives			
	2017 (CIP allocation made in September 2016)		2016 (CIP allocation made in September 2015)	
	CIP	**Bonus deferral CIP**	CIP	Bonus deferral CIP
Prescribed officers				
J Celliers				
Opening balance (number of shares)	**-**	**-**	189 236	84 210
Granted/taken up this year (number of shares)	**252 472**	**97 772**	-	-
Closing balance (number of shares)	**252 472**	**97 772**	189 236	84 210
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
C De Kock				
Opening balance (number of shares)	**-**	**-**	141 927	52 039
Granted/taken up this year (number of shares)	**194 486**	**63 420**	-	-
Closing balance (number of shares)	**194 486**	**63 420**	141 927	52 039
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
J Formby				
Opening balance (number of shares)	**-**	**-**	94 618	158 485
Granted/taken up this year (number of shares)	**158 548**	**182 330**	-	-
Closing balance (number of shares)	**158 548**	**182 330**	94 618	158 485
Vesting date	**21/09/2019**	**21/09/2018**	21/09/2018	21/09/2017
SE Nxasana (retired 30 September 2015)				
Opening balance (number of shares)	**-**	**-**	-	-
Granted/taken up this year (number of shares)	**-**	**-**	-	216 013
Closing balance (number of shares)	**-**	**-**	-	216 013
Vesting date	**-**	**-**	-	21/09/2017

	Outstanding long-term incentives				
	2015 (CIP allocation made in September 2014)			2014 (CIP allocation made in September 2013)	
	CIP	Special three-year bonus deferral CIP	Bonus deferral CIP	CIP	Special CIP
	181 184	-	57 449	226 569	-
	-	-	(57 449)	(226 569)	-
	181 184	-	-	-	-
	12/09/2017	-	13/09/2016	15/09/2016	-
	154 669	-	39 772	145 651	57 481
	-	-	(39 772)	(145 651)	(57 481)
	154 669	-	-	-	-
	12/09/2017	-	13/09/2016	15/09/2016	04/04/2017
	64 078	-	141 412	92 732	-
	-	-	(141 412)	(92 732)	-
	64 078	-	-	-	-
	12/09/2017	-	13/09/2016	15/09/2016	-
	324 363	15 909	243 051	435 820	-
	-	-	(243 051)	(435 820)	-
	324 363	15 909	-	-	-
	12/09/2017	12/09/2017	13/09/2016	15/09/2016	-

4 INDIRECT AND INCOME TAX EXPENSE

R million	2017	2016
4.1 Indirect tax		
Value added tax (net)	**(1 067)**	(921)
Securities transfer tax	**(14)**	(7)
Total indirect tax	**(1 081)**	(928)
4.2 Income tax expense		
South African income tax		
Current	**(6 298)**	(5 729)
- Current year	**(6 347)**	(5 653)
- Prior year adjustment	**49**	(76)
Deferred income tax	**391**	120
- Current year	**298**	18
- Prior year adjustment	**93**	102
Total South African income tax	**(5 907)**	(5 609)
Foreign company and withholding tax		
Current	**(1 085)**	(921)
- Current year	**(1 082)**	(911)
- Prior year adjustment	**(3)**	(10)
Deferred income tax	**(26)**	(107)
- Current year	**(32)**	(107)
- Prior year adjustment	**6**	-
Total foreign company and withholding tax	**(1 111)**	(1 028)
Capital gains tax	**19**	32
- Current	**(12)**	(8)
- Deferred capital gains tax	**(6)**	(13)
- Tax rate adjustment	**37**	53
Total capital gains tax	**19**	32
Customer tax adjustment account	**(19)**	(6)
Withholding tax on dividends in specie	**-**	(1)
Total income tax expense	**(7 018)**	(6 612)

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	2017	2016
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend income	**(5.5)**	(6.4)
Other non-taxable income	**0.1**	-
Foreign tax rate differential	**(0.9)**	(2.0)
Prior year adjustments	**(0.4)**	(0.1)
Amounts charged directly to other comprehensive income	**(0.5)**	(0.6)
Effect of capital gains tax rate	**(0.1)**	(0.1)
Disallowed expenditure	**1.6**	1.9
Other non-deductible items	**(1.1)**	0.8
Effective rate of tax	**21.2**	21.5

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		Cents per share	
	Notes	**2017**	2016	**2017**	2016
Headline earnings					
- Basic	5.2	**23 762**	22 387	**423.7**	399.2
- Diluted	5.2	**23 762**	22 387	**423.7**	399.2
Earnings attributable to ordinary equityholders					
- Basic	5.2	**24 572**	22 563	**438.2**	402.4
- Diluted	5.2	**24 572**	22 563	**438.2**	402.4
Dividends - ordinary					
- Interim				**119.0**	108.0
- Final declared/paid				**136.0**	118.0
Dividends - preference					
- Interim				**395.6**	366.5
- Final declared/paid				**393.6**	394.7

5.1 Weighted average number of shares

	2017	2016
Weighted average number of shares before treasury shares	**5 609 488 001**	5 609 488 001
Less: treasury shares	**(1 480 934)**	(1 800 471)
- Shares for client trading	**(1 480 934)**	(1 800 471)
Weighted average number of shares in issue	**5 608 007 067**	5 607 687 530
Diluted weighted average number of shares in issue	**5 608 007 067**	5 607 687 530

The same weighted average number of shares was used for the diluted HEPS and diluted EPS as there are no potential dilutive ordinary shares in issue.

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE continued

5.2 Headline earnings reconciliation

	2017		2016	
R million	**Gross**	**Net**	Gross	Net
Earnings attributable to ordinary equityholders		**24 572**		22 563
Adjusted for				
Gain on disposal of investment securities of a capital nature	**(3)**	**(3)**	(5)	(5)
Gain on disposal of available-for-sale assets	**(52)**	**(33)**	(6)	(8)
Losses on disposal of non-private equity associates	**5**	**5**	-	-
Impairment of non-private equity associates	**4**	**4**	-	-
Gains on disposal of investments in subsidiaries	**(1 817)**	**(1 361)**	(82)	(82)
Losses on reclassification of non-current assets and disposal groups held for sale which were not sold	**95**	**95**	-	-
Loss/(gains) on disposal of property and equipment	**14**	**10**	(148)	(118)
Impairment of goodwill	**119**	**119**	8	8
Fair value movement of investment properties	**-**	**-**	22	13
Impairment of assets in terms of IAS 36	**370**	**354**	47	16
Headline earnings attributable to ordinary equityholders		**23 762**		22 387

6 ANALYSIS OF ASSETS AND LIABILITIES

6.1 Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument and, therefore, by measurement basis and according to when the assets are expected to be realised.

		2017		
	Notes	Held for trading	Designated at fair value through profit or loss	Held-to-maturity
ASSETS				
Cash and cash equivalents	7	**-**	**-**	**-**
Derivative financial instruments	8	**33 883**	**-**	**-**
Investment securities	10	**52 443**	**30 528**	**29 774**
Advances	11	**-**	**211 192**	**9**
Accounts receivable	13	**-**	**-**	**-**
Non-current assets and disposal groups held for sale	14	**-**	**-**	**-**
Non-financial assets		**-**	**-**	**-**
Total assets		**86 326**	**241 720**	**29 783**

		2016		
	Notes	Held for trading	Designated at fair value through profit or loss	Held-to-maturity
ASSETS				
Cash and cash equivalents	7	-	-	-
Derivative financial instruments	8	39 365	-	-
Investment securities	10	45 283	36 076	12 930
Advances	11	-	233 889	14
Accounts receivable	13	-	-	-
Non-current assets and disposal groups held for sale	14	-	-	-
Non-financial assets		-	-	-
Total assets		84 648	269 965	12 944

6 ANALYSIS OF ASSETS AND LIABILITIES

6.1 Analysis of assets

The following table analyses the assets in the statement of financial position per category of financial instrument and therefore by measurement basis and according to when the assets are expected to be realised.

2017						
Loans and receivables	**Available-for-sale financial assets**	**Derivatives designated as hedging instruments**	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
68 483	**-**	**-**	**-**	**68 483**	**68 483**	**-**
-	**-**	**1 576**	**-**	**35 459**	**33 860**	**1 599**
5	**54 677**	**-**	**-**	**167 427**	**87 044**	**80 383**
662 682	**19 223**	**-**	**-**	**893 106**	**308 755**	**584 351**
6 189	**-**	**-**	**2 689**	**8 878**	**5 035**	**3 843**
314	**-**	**-**	**266**	**580**	**580**	**-**
-	**-**	**-**	**43 774**	**43 774**	**14 547**	**29 227**
737 673	**73 900**	**1 576**	**46 729**	**1 217 707**	**518 304**	**699 403**

2016						
Loans and receivables	Available-for-sale financial assets	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
64 303	-	-	-	64 303	64 303	-
-	-	1 186	-	40 551	39 264	1 287
4	48 355	-	-	142 648	83 996	58 652
602 861	14 641	-	-	851 405	284 427	566 978
6 578	-	-	3 574	10 152	6 651	3 501
163	-	-	30	193	193	-
-	-	-	40 025	40 025	12 963	27 062
673 909	62 996	1 186	43 629	1 149 277	491 797	657 480

6 ANALYSIS OF ASSETS AND LIABILITIES continued

6.2 Analysis of liabilities

The following table analyses the liabilities in the statement of financial position per category of financial instrument and, therefore, by measurement basis and according to when the liabilities are expected to be settled.

		2017		
	Notes	**Held for trading**	**Designated at fair value through profit or loss**	**Financial liabilities at amortised cost**
LIABILITIES				
Short trading positions	23	**15 276**	**-**	**-**
Derivative financial instruments	8	**43 143**	**-**	**-**
Creditors, accruals and provisions	24	**-**	**-**	**8 519**
Liabilities directly associated with disposal groups held for sale	14	**-**	**-**	**83**
Deposits	25	**-**	**88 349**	**895 180**
Other liabilities	26	**-**	**3 769**	**2 602**
Policyholder liabilities	15	**-**	**3 150**	**-**
Tier 2 liabilities	27	**-**	**-**	**18 933**
Non-financial liabilities		**-**	**-**	**-**
Total liabilities		**58 419**	**95 268**	**925 317**

		2016		
	Notes	Held for trading	Designated at fair value through profit or loss	Financial liabilities at amortised cost
LIABILITIES				
Short trading positions	23	14 263	-	-
Derivative financial instruments	8	49 970	-	-
Creditors, accruals and provisions	24	-	-	8 844
Liabilities directly associated with disposal groups held for sale	14	-	-	49
Deposits	25	-	114 247	805 827
Other liabilities	26	-	4 850	3 434
Policyholder liabilities	15	-	1 090	-
Tier 2 liabilities	27	-	-	18 004
Non-financial liabilities		-	-	-
Total liabilities		64 233	120 187	836 158

	2017				
	Derivatives designated as hedging instruments	**Non-financial instruments**	**Total carrying value**	**Current**	**Non-current**
	-	**-**	**15 276**	**15 276**	**-**
	1 260	**-**	**44 403**	**42 199**	**2 204**
	-	**8 495**	**17 014**	**12 194**	**4 820**
	-	**112**	**195**	**195**	**-**
	-	**-**	**983 529**	**838 397**	**145 132**
	-	**14**	**6 385**	**1 404**	**4 981**
	-	**645**	**3 795**	**426**	**3 369**
	-	**-**	**18 933**	**1 522**	**17 411**
	-	**10 993**	**10 993**	**6 606**	**4 387**
	1 260	**20 259**	**1 100 523**	**918 219**	**182 304**

	2016				
	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
	-	-	14 263	14 263	-
	812	-	50 782	47 661	3 121
	-	8 297	17 141	12 619	4 522
	-	92	141	141	-
	-	-	920 074	762 690	157 384
	-	27	8 311	4 494	3 817
	-	312	1 402	250	1 152
	-	-	18 004	1 132	16 872
	-	11 094	11 094	5 922	5 172
	812	19 822	1 041 212	849 172	192 040

7 CASH AND CASH EQUIVALENTS

R million	2017	2016
Coins and bank notes	**8 670**	8 518
Money at call and short notice	**34 015**	31 768
Balances with central banks	**25 798**	24 017
Total cash and cash equivalents	**68 483**	64 303
Mandatory reserve balances included above	**24 749**	22 959

Banks are required to deposit a minimum average balance, calculated monthly, with the central bank, which is not available for use in the group's day-to-day operations. These deposits bear little or no interest.

8 DERIVATIVE FINANCIAL INSTRUMENTS

Use of derivatives

The group transacts in derivatives for two purposes: to create risk management solutions for clients and to manage and hedge the group's own risk. Derivatives that are classified as hedging instruments are formally designated as hedging instruments as defined in IAS 39.

All other derivatives are classified as held for trading. The held for trading classification includes two types of derivative instruments: those used in sales activities and those that are economic hedges but do not meet the criteria to qualify for hedge accounting.

The group's derivative activities give rise to open positions in portfolios of derivatives. These positions are managed constantly to ensure that they remain within acceptable risk levels, with offsetting deals being utilised to achieve this where necessary.

Held for trading activities

Most of the group’s derivative transactions relate to sales activities. Sales activities include the structuring and marketing of derivative products to customers to enable them to take on, transfer, modify or reduce current or expected risks.

Hedging instruments

Fair value hedges

The group's fair value hedges consist principally of commodity futures used to hedge the price risk associated with physical commodity positions and interest rate swaps used to hedge the fair value risk associated with changes in interest rates. The following amounts were recognised in profit or loss for the year:

R million	2017	2016
(Losses)/gains for the year arising from the change in fair value of fair value hedges		
- on hedging instruments	**111**	226
- on hedged items attributable to the hedged risk	**(139)**	(152)
Total fair value hedges	**(28)**	74

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Cash flow hedges

The group raises funding and holds assets that bear interest at variable and fixed rates. This mix of interest rates in the group's assets and liabilities exposes the group to interest rate risk. Changes in market interest rates have an impact on the group's profit or loss. The group is also exposed to changes in the FirstRand share price associated with the group's long-term incentive scheme. The group has hedges in place to manage this risk. These hedges are accounted for as cash flow hedges.

The group hedges this risk using separate portfolios. These portfolios are managed under separate mandates, which take into account the underlying risk inherent in each portfolio.

The group uses the following derivatives as hedging instruments:

- forward rate agreements are negotiated interest rate futures that call for cash settlement at a future date for the difference between the contractual and market rates of interest, based on a notional principal amount;
- interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (e.g. fixed rate for floating rate). No exchange of principal takes place; and
- a total return swap with external counterparties to hedge itself against the exposure to changes in the FirstRand share price associated with the group's long-term incentive scheme.

During the year the hedging relationships were highly effective and the group deferred the lesser of changes in fair value on the hedging instruments and changes in fair value on the hedged items. As the changes on the hedging instruments were more than the changes on the hedged items, there was ineffectiveness recognised in profit or loss.

R million	**2017**	2016
Hedge ineffectiveness recognised in profit or loss (net of tax)	**(10)**	(4)

The cash flows (gross of tax) on the underlying hedged items are expected to impact profit or loss as follows.

	2017		2016	
R million	**Assets**	**Liabilities**	Assets	Liabilities
0 - 3 months	**32**	**(40)**	24	(40)
4 - 12 months	**285**	**(344)**	147	(269)
1 - 5 years	**597**	**(1 029)**	281	(543)
Over 5 years	**(18)**	**(89)**	8	(77)
Total cash flow hedges	**896**	**(1 502)**	460	(929)

The cash flows (gross of tax) on the hedging instruments are expected to be released to profit or loss as follows.

	2017		2016	
R million	**Assets**	**Liabilities**	Assets	Liabilities
0 - 3 months	**(52)**	**34**	(53)	26
4 - 12 months	**(323)**	**297**	(273)	158
1 - 5 years	**(746)**	**564**	(513)	292
Over 5 years	**(80)**	**(17)**	(69)	5
Total cash flow hedges	**(1 201)**	**878**	(908)	481

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments - assets

	2017		2016	
R million	**Notional**	**Fair value**	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**99 154**	**1 134**	80 923	852
- Interest rate derivatives	**99 154**	**1 134**	80 923	852
Fair value hedges	**35 404**	**442**	25 691	334
- Interest rate derivatives	**35 404**	**442**	23 991	334
- Commodity derivatives	**-**	**-**	1 700	-
Held for trading	**8 562 986**	**33 883**	7 792 852	39 365
- Currency derivatives	**315 409**	**9 243**	283 234	12 731
- Interest rate derivatives	**8 096 365**	**22 425**	7 371 260	23 388
- Equity derivatives	**96 434**	**1 372**	86 363	2 352
- Commodity derivatives	**32 635**	**526**	30 034	621
- Energy derivatives	**6 267**	**245**	3 898	162
- Credit derivatives	**15 876**	**72**	18 063	111
Total derivative assets	**8 697 544**	**35 459**	7 899 466	40 551
Exchange traded	**57 808**	**240**	44 834	62
Over the counter	**8 639 736**	**35 219**	7 854 632	40 489
Total derivative assets	**8 697 544**	**35 459**	7 899 466	40 551

Derivative financial instruments - Liabilities

	2017		2016	
R million	**Notional**	**Fair value**	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**106 560**	**1 013**	56 105	469
- Interest rate derivatives	**105 083**	**931**	56 105	469
- Equity derivatives	**1 477**	**82**	-	-
Fair value hedges	**38 149**	**247**	41 432	343
- Interest rate derivatives	**38 149**	**247**	41 432	343
Held for trading	**8 622 105**	**43 143**	7 890 337	49 970
- Currency derivatives	**326 804**	**16 329**	245 291	20 681
- Interest rate derivatives	**8 221 339**	**22 905**	7 545 101	22 982
- Equity derivatives	**42 980**	**3 207**	55 438	5 053
- Commodity derivatives	**21 852**	**478**	36 521	893
- Energy derivatives	**6 267**	**203**	3 451	134
- Credit derivatives	**2 863**	**21**	4 535	227
Total derivative liabilities	**8 766 814**	**44 403**	7 987 874	50 782
Exchange traded	**42 110**	**281**	45 515	66
Over the counter	**8 724 704**	**44 122**	7 942 359	50 716
Total derivative liabilities	**8 766 814**	**44 403**	7 987 874	50 782

9 COMMODITIES

R million	2017	2016
Agricultural commodities	**2 570**	1 518
Gold	**11 222**	10 996
Palladium	**588**	-
Total commodities	**14 380**	12 514

10 INVESTMENT SECURITIES

R million	**2017**	2016
Negotiable certificates of deposit	**3 818**	429
Treasury bills	**18 558**	28 254
Other government and government guaranteed stock	**101 477**	68 084
Other dated securities	**11 443**	9 254
Other undated securities	**777**	599
Non-recourse investments	**10 369**	11 716
- Dated securities	**10 151**	11 498
- Undated securities	**218**	218
Equities	**17 683**	23 118
Other	**3 302**	1 194
Total investment securities	**167 427**	142 648
Analysis of investment securities		
Equities	**17 683**	23 118
Debt	**149 744**	119 530
Total investment securities	**167 427**	142 648

R61 996 million (2016: R61 035 million) of the financial instruments form part of the group's liquid asset portfolio in terms of the SARB and other foreign banking regulators' requirements.

Information regarding other investments is kept at the group's registered offices.

Non-recourse investments designated at fair value through profit or loss

The group entered into the following conduit transactions:

Entity	Type of conduit	Underlying investment
iNdwa Investment Limited	Asset backed	Short dated investment grade commercial paper
iNkotha Investment Limited	Fixed income fund	Callable investment grade commercial paper
iVuzi Investment Limited	Asset backed	Short dated investment grade commercial paper
iNguza Investments Limited	Commercial paper programme	Debentures linked to specific underlying credit exposure

The performance on the commercial paper is directly linked to the performance and risk of the underlying portfolio of the conduit. The group has no obligations towards other investors beyond the amount already contributed and has no management control or influence over the performance of these investments, which are designated at fair value through profit or loss.

10 INVESTMENT SECURITIES continued

Repurchase agreements

The table below sets out the details of investment securities that have been sold in terms of repurchase agreements:

	Investment securities		Associated liabilities recognised in deposits	
R million	**2017**	2016	**2017**	2016
Repurchase agreements	**25 880**	21 108	**24 175**	20 048

11 ADVANCES

R million	Notes	2017	2016
Notional value of advances		**911 720**	869 247
Contractual interest suspended		**(2 074)**	(1 685)
Gross value of advances		**909 646**	867 562
Category analysis			
Overdrafts and cash management accounts		**78 742**	68 734
Term loans		**53 465**	50 881
Card loans		**25 870**	23 722
Instalment sales and hire purchase agreements		**180 625**	174 297
Lease payments receivable		**5 872**	7 865
Property finance		**234 381**	226 538
Personal loans		**40 639**	36 781
Preference share agreements		**44 459**	39 131
Assets under agreement to resell		**30 885**	43 005
Investment bank term loans		**139 294**	124 177
Long-term loans to group associates and joint ventures		**1 891**	1 861
Other		**29 066**	27 864
Total customer advances		**865 189**	824 856
Marketable advances		**44 457**	42 706
Gross value of advances		**909 646**	867 562
Impairment and fair value of credit of advances	12	**(16 540)**	(16 157)
Net advances		**893 106**	851 405

Instalment sale, hire purchase and lease payments receivable

	2017			2016		
R million	**Instalment sale, hire purchase and lease payments receivable**	**Less: unearned finance charges**	**Net**	Instalment sale, hire purchase and lease payments receivable	Less: unearned finance charges	Net
Within 1 year	**57 479**	**(9 535)**	**47 944**	63 618	(11 238)	52 380
Between 1 and 5 years	**155 881**	**(25 738)**	**130 143**	150 432	(28 951)	121 481
More than 5 years	**10 934**	**(2 454)**	**8 480**	11 044	(2 681)	8 363
Sub-total	**224 294**	**(37 727)**	**186 567**	225 094	(42 870)	182 224
Less: interest in suspense			**(70)**			(62)
Total net instalment sale, hire purchase and lease payments receivable			**186 497**			182 162

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R97 million (2016: R106 million).

11 ADVANCES continued

Securitisation transactions

The following bankruptcy remote structured entities were created in the current and prior financial years to facilitate traditional securitisation transactions for WesBank retail instalment sale advances: Nitro 5 and FAST and in MotoNovo (Turbo Finance 4, 5, 6, 7 and MotoHouse) finance lease receivables.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2017	2016	**2017**	2016
Nitro 5	June 2015	R2.4 billion	**749**	1 475	**749**	1 475
Turbo Finance 4	November 2013	GBP374 million	**692**	2 499	**680**	2 496
Turbo Finance 5	September 2014	GBP420 million	**2 233**	5 980	**2 203**	6 014
Turbo Finance 6	February 2016	GBP392 million	**6 264**	8 729	**6 170**	8 695
Turbo Finance 7	November 2016	GBP568 million	**11 256**	-	**11 009**	-
MotoHouse	August 2015	GBP295 million	**5 820**	6 675	**5 745**	6 645
FAST	July 2016	R6.8 billion	**7 142**	-	**7 062**	-

Transfers and derecognition of advances in structured transactions

Transfers without derecognition

Other transfers/structures/repurchase agreements

Advances of the group with the carrying amount of R951 million have been transferred in exchange for government bonds to the value of R758 million which is held as collateral in terms of a call swap transaction. No associated liabilities have been recognised.

12 IMPAIRMENT AND FAIR VALUE OF CREDIT OF ADVANCES

	FNB		RMB	
R million	Retail	Commer-cial	Investment banking	Corporate banking
Analysis of movement in impairment of advances per class of advance				
Balance as at 1 July 2015	4 587	1 188	3 679	428
Amounts written off	(3 508)	(274)	(573)	(6)
Disposals of subsidiaries	-	-	-	-
Acquisitions/(disposals) of advances	-	-	29	-
Transfers (to)/from other divisions	(62)	94	(154)	264
Transfer from non-current assets or disposal groups held for sale	-	-	45	-
Reclassifications	-	-	-	-
Exchange rate differences	26	-	131	-
Unwinding of discounted present value on NPLs	(66)	(2)	-	-
Net new impairments created/(released)	4 587	430	551	162
Balance as at 30 June 2016	5 564	1 436	3 708	848
(Increase)/decrease in impairments	(4 587)	(430)	(551)	(162)
Recoveries of bad debts previously written off	1 249	40	-	-
Impairment (loss)/profit recognised in profit or loss	(3 338)	(390)	(551)	(162)
Balance as at 1 July 2016	**5 564**	**1 436**	**3 708**	**848**
Amounts written off	**(4 474)**	**(460)**	**(1 030)**	**(46)**
Disposals of subsidiaries	**-**	**-**	**-**	**-**
Disposals of advances	**-**	**-**	**-**	**-**
Transfers (to)/from other divisions	**-**	**-**	**(4)**	**(5)**
Transfer to non-current assets or disposal groups held for sale	**-**	**-**	**(39)**	**-**
Reclassifications	**-**	**-**	**-**	**-**
Exchange rate differences	**(28)**	**(1)**	**(69)**	**-**
Unwinding of discounted present value on NPLs	**(97)**	**(3)**	**-**	**-**
Net new impairments created/(released)	**5 382**	**586**	**400**	**138**
Balance as at 30 June 2017	**6 347**	**1 558**	**2 966**	**935**
(Increase)/decrease in impairments	**(5 382)**	**(586)**	**(400)**	**(138)**
Recoveries of bad debts previously written off	**1 476**	**56**	**-**	**1**
Impairment (loss)/profit recognised in profit or loss	**(3 906)**	**(530)**	**(400)**	**(137)**

	WesBank	FCC and other	Total impairment	Specific impairment	Portfolio impairment
	3 380	1 111	14 373	7 033	7 340
	(3 007)	-	(7 368)	(7 368)	-
	-	-	-	-	-
	(31)	-	(2)	(2)	-
	(80)	(62)	-	-	-
	-	-	45	45	-
	-	-	-	191	(191)
	(6)	-	151	133	18
	(16)	-	(84)	(84)	-
	3 607	(295)	9 042	8 270	772
	3 847	754	16 157	8 218	7 939
	(3 607)	295	(9 042)	(8 270)	(772)
	594	-	1 883	1 883	-
	(3 013)	295	(7 159)	(6 387)	(772)
	3 847	**754**	**16 157**	**8 218**	**7 939**
	(3 494)	**-**	**(9 504)**	**(9 504)**	**-**
	-	**-**	**-**	**-**	**-**
	-	**-**	**-**	**-**	**-**
	8	**1**	**-**	**-**	**-**
	(1)	**-**	**(40)**	**(40)**	**-**
	-	**-**	**-**	**244**	**(244)**
	(51)	**-**	**(149)**	**(83)**	**(66)**
	3	**-**	**(97)**	**(97)**	**-**
	4 017	**(350)**	**10 173**	**9 751**	**422**
	4 329	**405**	**16 540**	**8 489**	**8 051**
	(4 017)	**350**	**(10 173)**	**(9 751)**	**(422)**
	586	**-**	**2 119**	**2 119**	**-**
	(3 431)	**350**	**(8 054)**	**(7 632)**	**(422)**

13 ACCOUNTS RECEIVABLE

R million	Notes	2017	2016
Items in transit		**1 938**	1 936
Interest and commission accrued		**154**	224
Prepayments		**1 453**	1 269
Properties in possession	37.1.4	**11**	3
Sundry debtors		**1 256**	1 170
Fair value hedge interest rate component		**56**	186
Dividends receivable		**1 150**	1 412
- Profit share receivable on insurance cells		**1 129**	1 384
- Other dividends receivable		**21**	28
Other accounts receivable		**2 860**	3 952
Total accounts receivable		**8 878**	10 152

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	2017	2016
Non-current assets held for sale		
Advances	**58**	-
Investments in associates	**23**	30
Total non-current assets held for sale	**81**	30
Disposal groups held for sale		
Advances	**101**	-
Cash and cash equivalents	**18**	4
Accounts receivable	**113**	159
Current tax asset	**2**	-
Deferred income tax asset	**9**	-
Property and equipment	**74**	-
Intangible assets	**79**	-
Other	**103**	-
Total assets included in disposal groups held for sale	**499**	163
Total non-current assets and disposal groups held for sale	**580**	193
Liabilities included in disposal groups held for sale		
Creditors and accruals and provisions	**135**	49
Other liabilities	**11**	33
Current tax liability	**2**	56
Deferred income tax liability	**47**	3
Total liabilities included in disposal group held for sale	**195**	141
Net assets of disposal group held for sale	**304**	22

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

Non-current assets held for sale in 2017

Various investments in RMB private equity associates and related advances met the requirements to be classified as non-current assets held for sale under IFRS 5. Buyers for the investments have been identified and a decision to sell has been made by the investment committees. The sales will be final once the final terms have been agreed by all parties and conditions precedent have been met. It is expected that the sales will be finalised within six months of year end.

Disposal groups held for sale in 2017

FirstRand Rental Services (Pty) Limited, a wholly owned subsidiary of FirstRand Investment Holdings (Pty) Limited, met the requirements to be classified as held for sale on 30 June 2017. WesBank management have identified a buyer and a sales agreement is being drafted. It is expected that the sale will be final within the next financial year, once the final terms have been agreed by all parties and conditions precedent have been met. The disposal group was re-measured to fair value less costs to sell upon classification as held for sale and an impairment of R95 million was recognised. The fair value is based on the sales price as stipulated in the draft sales agreement. Refer to note 33 for detail on the fair value.

A RMB private equity subsidiary met the requirements to be classified as held for sale on 30 June 2017. A buyer has been identified and a decision to sell has been made by the investment committee. The sale will be final once the final terms have been agreed by all parties and conditions precedent have been met. It is expected that the sale will be finalised within the next financial year.

Disposal groups held for sale in 2016

A RMB private equity subsidiary met the requirements to be classified as held for sale on 30 June 2016. A buyer was identified and a decision was made by the investment committee. The sale was finalised in the 2017 financial year.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	**2017**	2016
Policyholder liabilities under insurance contracts and reinsurance assets	15.1	**556**	276
Policyholder liabilities under insurance investment contracts	15.2	**3 150**	1 090
Total policyholder liabilities		**3 706**	1 366

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

	2017		
R million	**Gross**	**Reinsurance asset**	**Net**
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	**314**	**(82)**	**232**
Unearned premiums	**28**	**(1)**	**27**
Long-term insurance contracts	**303**	**(6)**	**297**
Total policyholder liabilities under insurance contracts and reinsurance assets	**645**	**(89)**	**556**

	2016		
R million	Gross	Reinsurance asset	Net
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	249	(36)	213
Unearned premiums	46	-	46
Long-term insurance contracts	17	-	17
Total policyholder liabilities under insurance contracts and reinsurance assets	312	(36)	276

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.1 Reconciliation of outstanding claims and claims incurred but not reported

	2017		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**249**	**(36)**	**213**
Increase in current year claims outstanding	**179**	**(77)**	**102**
Decrease from prior year claims outstanding	**(77)**	**28**	**(49)**
Claims settled in the year	**(37)**	**3**	**(34)**
Closing balance	**314**	**(82)**	**232**

	2016		
R million	Gross	Reinsurance asset	Net
Opening balance	502	(388)	114
Increase in current year claims outstanding	321	(29)	292
Decrease from prior year claims outstanding	(359)	314	(45)
Claims settled in the year	(215)	67	(148)
Closing balance	249	(36)	213

15.1.2 Reconciliation of unearned premiums

	2017		
R million	**Gross**	**Reinsurance asset**	**Net**
Opening balance	**46**	**-**	**46**
Decrease/increase in current year claims outstanding	**(18)**	**(1)**	**(19)**
Closing balance	**28**	**(1)**	**27**

	2016		
R million	Gross	Reinsurance asset	Net
Opening balance	40	-	40
Increase in current year claims outstanding	6	-	6
Closing balance	46	-	46

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.3 Reconciliation of gross long-term insurance contracts

R million	2017	2016
Opening balance	17	-
Acquisitions of portfolios	212	-
Transfer to policyholder liabilities under insurance contracts	74	17
- Increase in retrospective liabilities	23	17
- Outstanding claims reserve	51	-
Closing balance	**303**	17

15.2 Policyholder liabilities under investment contracts

R million	2017	2016
Opening balance	1 090	-
Acquisitions of portfolios	1 355	-
Premiums received	823	1 099
Fees deducted from account balances	(20)	(7)
Policyholder benefits on investment contracts	(25)	(32)
Fair value adjustments recognised in fair value gains or losses	(73)	30
Closing balance	**3 150**	1 090

16 INVESTMENTS IN ASSOCIATES

R million	2017	2016
Analysis of the carrying value of associates		
Shares at cost less impairment	**3 612**	2 940
Share of post-acquisition reserves	**2 312**	2 024
Total investments in associates	**5 924**	4 964
Movement in the carrying value of associates		
Opening balance	**4 964**	5 781
Share of profit of associates after tax	**757**	930
- Income before tax for the year	**1 096**	1 369
- Reversal/(impairments) of associates	**21**	(45)
- Tax for the year	**(360)**	(394)
Net movement resulting from acquisitions, disposals and transfers	**621**	(1 233)
- Acquisition of associates	**685**	286
- Disposal of associates	**(68)**	(1 489)
- Acquisition of subsidiaries with an underlying associate	**27**	-
- Transfer to non-current assets and disposal groups held for sale	**(23)**	(30)
Movement in other reserves	**(89)**	25
Exchange rate differences	**4**	179
Dividends received for the year	**(333)**	(718)
Closing balance	**5 924**	4 964

During the current and prior year no losses were recognised. The cumulative share of losses from associates net of disposals, not recognised is R5 million (2016: R6 million). This was as a result of losses not being recognised historically as the balance of the relevant investment was nil.

The group has no exposure to contingent liabilities as a result of its relationships with associates.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of significant associates

	Toyota Financial Services Proprietary Limited		Primedia Holdings Proprietary Limited		Volkswagen Financial Services SA Proprietary Limited	
Nature of relationship	Vehicle finance		Broadcasting		Vehicle finance	
Place of business	South Africa		South Africa		South Africa	
% ownership	33		22		49	
% voting rights	33		22		49	
R million	**2017**	2016	**2017**	2016	**2017**	2016
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**45**	45	**-**	-	**-**	-
Revenue	**4 195**	3 600	**4 133**	4 177	**2 759**	664
Profit or loss from continuing operations after tax	**454**	446	**(66)**	102	**150**	(2)
Total comprehensive income	**454**	446	**(66)**	102	**150**	(2)
Amounts recognised on the statement of financial position of the investee						
Total assets	**34 666**	30 628	**7 534**	7 989	**27 008**	19 461
- Current assets	**11 823**	9 175	**1 169**	1 545	**10 241**	7 534
- Non-current assets	**22 843**	21 453	**6 365**	6 444	**16 767**	11 927
Total liabilities	**(31 584)**	(27 865)	**(4 670)**	(4 927)	**(25 352)**	(18 155)
- Current liabilities	**(9 973)**	(8 249)	**(839)**	(913)	**(9 006)**	(8 999)
- Non-current liabilities	**(21 611)**	(19 616)	**(3 831)**	(4 014)	**(16 346)**	(9 156)
Net asset value	**3 082**	2 763	**2 864**	3 062	**1 656**	1 306
Group's share of net asset value	**1 017**	912	**630**	674	**811**	640
Notional goodwill	**41**	24	**49**	3	**36**	87
Carrying value of investments	**1 058**	936	**679**	677	**847**	727
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**49**	135
- Discharged by cash	**-**	-	**-**	-	**49**	135
- Non-cash consideration and other purchases	**-**	-	**-**	-	**-**	-

Volkswagen Financial Services SA Proprietary Limited

Additional funding of R49 million (2016: R135 million) was provided to Volkswagen Financial Services SA Proprietary Limited. This did not result in a change in shareholding.

16 INVESTMENTS IN ASSOCIATES continued

Financial information of individually immaterial associates

	RMB private equity associates		Other individually immaterial associates	
R million	**2017**	2016	**2017**	2016
Carrying amount	**2 142**	2 026	**1 198**	598
Group's share of profit or loss after tax from continuing operations	**430**	571	**71**	159
Group's share of other comprehensive (loss)/income	**(69)**	63	**(1)**	(28)
Group's share of total comprehensive income	**361**	634	**70**	131
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**49**	125	**587**	26
- Discharged by cash	**48**	52	**1**	-
- Non-cash consideration and other purchases	**1**	73	**586**	26
Disposal of associates				
Disposal date	**Various**	Various	**-**	-
Interest disposed (%)	**Various**	Various	**-**	-
Total consideration received	**52**	1 159	**37**	772
- Discharged by cash	**1**	1 159	**37**	773
- Non-cash consideration and other purchases	**51**	-	**-**	(1)
Carrying value of the associate on disposal	**(52)**	(967)	**(16)**	(522)
Gains on disposal of associates	**-**	192	**21**	250

Acquisition of associates

During the current year, previously consolidated investments in funds decreased and resulted in the recognition of associates. Refer to note 29.2 for details.

17 INVESTMENTS IN JOINT VENTURES

R million	2017	2016
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**84**	95
Share of post-acquisition reserves	**1 346**	1 249
Carrying value of investments in joint ventures	**1 430**	1 344
Movement in the carrying value of joint ventures		
Opening balance	**1 344**	1 282
Share of profit of joint ventures after tax	**281**	526
- Income before tax for the year	**379**	765
- Impairments of joint ventures	**(25)**	(142)
- Tax for the year	**(73)**	(97)
Net movement resulting from acquisitions and disposals	**15**	2
- Acquisition of joint ventures	**44**	2
- Disposal of joint ventures	**(29)**	-
Movement in other reserves	**(68)**	65
Exchange rate differences	**1**	4
Dividends received for the year	**(143)**	(535)
Closing balance	**1 430**	1 344

Significant impairments for 2016

RMB's Investment Banking division recognised an impairment of R115 million against Main Street 1131 (Pty) Ltd which represents an indirect shareholding in Caxton and CTP Publishers and Printers Limited (Caxton). Caxton was thinly traded and its liquidity had reduced significantly in the prior year. An impairment test was performed and the recoverable amount was determined as the fair value less costs to sell. The fair value was determined by referencing the Caxton share price and a discount rate applied to account for lock in clauses and the complex holding structure.

The valuation of the investment is considered to be within level 3 of the IFRS 13 fair value hierarchy. Refer to note 33 for additional information on these valuation techniques.

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of significant joint ventures

	RMB Morgan Stanley	
Nature of relationship	Equity sales, trading and research	
Place of business	South Africa	
% ownership	50	
% voting rights	50	
R million	**2017**	2016
Amounts recognised in profit or loss and other comprehensive income of the group		
Dividends received	**100**	88
Revenue	**905**	1 048
Profit or loss from continuing operations after tax	**294**	134
Total comprehensive income	**294**	134
Amounts recognised in the statement of financial position of the investee		
Total assets	**17 810**	18 975
- Current assets	**17 767**	18 950
- Non-current assets	**43**	25
Total liabilities	**(16 866)**	(18 128)
- Current liabilities	**(16 837)**	(18 101)
- Non-current liabilities	**(29)**	(27)
Net asset value	**944**	847
Group's share of net asset value	**472**	424
Notional goodwill	**35**	35
Carrying value of investment	**507**	459
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**(322)**	40
Short-term portion of financial liabilities	**(15 932)**	(14 469)
Long-term portion of financial liabilities	**(29)**	(27)
Depreciation and amortisation	**3**	2
Interest income	**16**	17
Interest expense	**(342)**	(153)
Income tax	**(109)**	(116)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		Other	
R million	**2017**	2016	**2017**	2016
Carrying amount	**683**	597	**240**	288
Group's share of profit or loss after tax from continuing operations	**162**	428	**(28)**	(39)
Group's share of other comprehensive (loss)/income	**(68)**	64	**-**	2
Group's share of total comprehensive income/(loss)	**94**	492	**(28)**	(37)
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**-**	-
Interest acquired (%)	**Various**	Various	**-**	-
Total consideration transferred	**28**	2	**16**	-
- Discharged by cash	**28**	-	**16**	-
- Non-cash consideration	**-**	2	**-**	-
Disposal of joint ventures				
Disposal date		-	**-**	-
Interest disposed of (%)		-	**-**	-
Total consideration received	**45**	-	**31**	-
- Discharged by cash	**-**	-	**17**	-
- Non-cash consideration and other purchases	**45**	-	**14**	-
Carrying value of the joint venture on disposal date	**-**	-	**(29)**	-
Gain on disposal of joint ventures	**45**	-	**2**	-

During the current year losses of R46 million (2016: R3 million) were not recognised as the balance of the investment in the joint venture was nil. The cumulative share of losses from joint ventures net of disposals, not recognised is R50 million (2016: R3 million).

18 PROPERTY AND EQUIPMENT

R million	Freehold property	Leasehold premises	Assets held under leasing agreements	Computer equipment	Other equipment	Total
Net book value at 1 July 2015	6 980	2 544	634	2 821	3 309	16 288
Cost	9 157	4 143	1 011	6 622	6 126	27 059
Accumulated depreciation	(2 177)	(1 599)	(377)	(3 801)	(2 817)	(10 771)
Movement for the year	215	(95)	(339)	261	579	621
Acquisitions	611	258	122	1 306	1 838	4 135
Disposals	(79)	(26)	(483)	(42)	(392)	(1 022)
(Disposals)/acquisitions of subsidiaries	(218)	(2)	(3)	4	-	(219)
Exchange rate difference	92	4	83	(6)	(14)	159
Depreciation charge for the year	(218)	(340)	(58)	(953)	(837)	(2 406)
Impairments recognised	-	-	-	(48)	(16)	(64)
Impairments reversed	27	11	-	-	-	38
Transfer to non-current assets and disposal groups held for sale	-	-	-	-	-	-
Net book value at 30 June 2016	**7 195**	**2 449**	**295**	**3 082**	**3 888**	**16 909**
Cost	**8 909**	**4 334**	**454**	**7 514**	**7 149**	**28 360**
Accumulated depreciation	**(1 714)**	**(1 885)**	**(159)**	**(4 432)**	**(3 261)**	**(11 451)**
Movement for the year	**829**	**(164)**	**(84)**	**(325)**	**347**	**603**
Acquisitions	**1 477**	**439**	**23**	**842**	**1 800**	**4 581**
Disposals	**(32)**	**(91)**	**(39)**	**(58)**	**(308)**	**(528)**
Acquisitions of subsidiaries	**-**	**2**	**-**	**2**	**2**	**6**
Exchange rate difference	**(72)**	**(24)**	**-**	**(15)**	**(19)**	**(130)**
Depreciation charge for the year	**(225)**	**(361)**	**(62)**	**(1 090)**	**(990)**	**(2 728)**
Impairments recognised	**(312)**	**-**	**-**	**-**	**-**	**(312)**
Impairments reversed	**-**	**-**	**-**	**-**	**4**	**4**
Transfer to non-current assets and disposal groups held for sale	**(7)**	**(129)**	**(6)**	**(6)**	**(142)**	**(290)**
Net book value at 30 June 2017	**8 024**	**2 285**	**211**	**2 757**	**4 235**	**17 512**
Cost	**10 232**	**4 158**	**394**	**7 546**	**7 784**	**30 114**
Accumulated depreciation	**(2 208)**	**(1 873)**	**(183)**	**(4 789)**	**(3 549)**	**(12 602)**

19 INTANGIBLE ASSETS

R million	Goodwill	Software and develop-ment costs	Trade-marks	Other	Total
Net book value as at 1 July 2015	628	329	15	96	1 068
Cost	1 466	1 405	221	232	3 324
Accumulated amortisation	(838)	(1 076)	(206)	(136)	(2 256)
Movement for the year	301	137	(3)	66	501
Acquisitions	-	289	-	5	294
Acquisitions of subsidiaries	339	1	-	37	377
Transfer from/(to) non-current assets disposal groups held for sale	-	-	-	-	-
Exchange rate differences	(30)	(4)	-	-	(34)
Amortisation for the year	-	(102)	(3)	(3)	(108)
Impairments recognised	(8)	(47)	-	-	(55)
Impairments reversed	-	-	-	27	27
Net book value as at 30 July 2016	**929**	**466**	**12**	**162**	**1 569**
Cost	**1 494**	**1 675**	**223**	**256**	**3 648**
Accumulated amortisation	**(565)**	**(1 209)**	**(211)**	**(94)**	**(2 079)**
Movement for the year	**(145)**	**75**	**104**	**83**	**117**
Acquisitions	**-**	**323**	**1**	**97**	**421**
Acquisitions of subsidiaries	**58**	**30**	**116**	**40**	**244**
Transfer to non-current assets disposal groups held for sale	**(74)**	**(24)**	**(8)**	**-**	**(106)**
Exchange rate differences	**(10)**	**-**	**(1)**	**(2)**	**(13)**
Amortisation for the year	**-**	**(193)**	**(4)**	**(52)**	**(249)**
Impairments recognised	**(119)**	**(61)**	**-**	**-**	**(180)**
Impairments reversed	**-**	**-**	**-**	**-**	**-**
Net book value as at 30 June 2017	**784**	**541**	**116**	**245**	**1 686**
Cost	**1 403**	**1 723**	**307**	**387**	**3 820**
Accumulated amortisation	**(619)**	**(1 182)**	**(191)**	**(142)**	**(2 134)**

Included in other intangible assets is the in-force book representing the acquisition of a portfolio of insurance contracts. Also, included are assets that the group, through RMB, has legal ownership of in terms of a service concession arrangement. In terms of the service concession agreement the group is entitled to charge the user of the asset for usage, the pricing of which has been established in terms of the concession agreement. The group has the obligation to maintain the asset in a workable condition and will deliver ownership of the asset to the government at the conclusion of the concession period. The carrying amount of the intangible asset relating to the service concession arrangement has been estimated taking into account usage levels and the pricing under the arrangement.

Of the intangible assets acquired as a result of the acquisition of subsidiaries, everything but R12 million goodwill relates to the acquisition disclosed in note 29.1.

20 INVESTMENT PROPERTIES

R million	Notes	2017	2016
Opening balance		**386**	460
Net revaluations (included in gains less losses from investing activities)	2.3	**-**	(22)
Additions		**13**	-
Disposal of subsidiaries		**-**	(7)
Disposals		**-**	(45)
Closing balance		**399**	386

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2017	2016
Liability for short-term employee benefits		**6 313**	6 012
Share-based payment liability		**2 406**	2 493
Defined benefit post-employment liability	21.1	**1 131**	1 245
Other long-term employee benefit liability		**34**	21
Defined contribution post-employment liability	21.2	**-**	-
Total employee liabilities		**9 884**	9 771
Defined benefit post-employment asset	21.1	**(5)**	(9)
Net amount due to employees		**9 879**	9 762

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

21.1 Defined benefit post-employment liability

The group operates two defined benefit plans in South Africa, a plan that provides post-employment medical benefits and a pension plan. In terms of these plans, the group is liable to the employees for specific payments on retirement and for any deficit in the provision of these benefits from the plan assets. The liabilities and assets of these plans are reflected as a net asset or liability in the statement of financial position.

Nature of benefits	
Pension	**Medical**
The pension plan provides retired employees with annuity income after service. A separate account (the fund) has been established. The account holds assets that are used solely to pay pension benefits. For current pensioners the fund pays a pension to the members and a dependants' pension to the spouse and eligible children on death of the pensioner. There are also a small number of active members whose benefit entitlement will be determined on a defined benefit basis as prescribed in the rules of the fund. For the small number of defined benefit contributing members in the pension plan, the group is liable for any deficit in the value of accrued benefits exceeding the assets in the fund earmarked for these liabilities. The liability in respect of retiring defined contribution members is equal to the member's share of the fund, which is determined as the accumulation of the member's contributions and employer's contributions (net of deduction for fund expenses and cost of death benefits) as well as any amounts transferred into the fund by the member, increased with the net investment returns earned (positive or negative) on the member's assets. In terms of the existing pensioners in the pension plan, the trustees are responsible for setting the pension increase policy and granting of pension increases subject to the assets of the fund supporting such increases.	The medical scheme provides retired employees with medical benefits after service. The employer's post-employment health care liability consists of a commitment to pay a portion of the members' post-employment medical scheme contributions. This liability is also generated in respect of dependants who are offered continued membership of the medical scheme on the death of the primary member. Members employed on or after 1 December 1998 do not qualify for a post-employment medical subsidy.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Nature of benefits	
Pension	**Medical**
Should the pension account in the fund be in a deficit to the extent that current pensions in payment cannot be maintained, the group is liable to maintain the nominal value of pensions in payment. The fund also provides death, retrenchment and withdrawal benefits. The fund provides a pension that can be purchased with the member's fund credit (equal to member and employer contributions of 7.5% of pensionable salary each year, plus net investment returns).	

Governance	
Pension	**Medical**
The pension plan is regulated by the Financial Services Board in South Africa. Responsibility for governance of the plans including investment decisions and contribution schedules lies jointly with the group and the board of trustees. The board of trustees must be composed of representatives of the group and plan participants in accordance with the plans' regulations. The board consists of four representatives of the bank and four representatives of the plan participants in accordance with the plans' regulations. The trustees serve the board for five years and may be re-elected a number of times. An external auditor performs an audit of the fund on an annual basis and such annual financial statements are submitted to the Regulator of Pension Funds (i.e. to the Financial Services Board). A full actuarial valuation of the pension fund submission to the Financial Services Board is performed every three years, with the last valuation in 2014. Annual interim actuarial valuations are performed for the trustees for IAS 19 purposes. At the last valuation date the fund was financially sound.	The medical plan is regulated by the Registrar of Council for Medical Schemes in South Africa. Governance of the post-employment medical aid subsidy policy lies with the group. The group has established a committee that meets regularly to discuss and review the management and the subsidy. The committee also considers administration and data management issues and analyses demographic and economic risks inherent in the subsidy policy.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Asset-liability matching strategies

The group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the schemes. Within this framework, the group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due. The group actively monitors how the duration and the expected yield of the investments match the expected cash outflows arising from the pension obligations. Investments are well diversified so that the failure of any single investment would not have a material impact on the overall level of assets.

The trustees of the fund have adopted an investment strategy in respect of the pensioner liabilities that largely follows a 70% exposure in fixed interest instruments to immunise the interest rate and inflation risk, and 30% exposure to local growth assets.

The fixed interest instruments consist mainly of long dated South African government issued inflation linked bonds, while the growth assets are allocated to selected local asset managers. The trustees receive monthly reports on the funding level of the pensioner liabilities and an in-depth attribution analysis in respect of changes in the pensioner funding level.

The trustees of the fund aim to apportion an appropriate level of balanced portfolio, conservative portfolio, inflation linked, and money market assets to match the maturing defined benefit active member liabilities. It should be noted that this is an approximate matching strategy as elements such as salary inflation and decrement rates cannot be matched. This is however an insignificant liability compared to the liability of the pension fund.

Risks associated with the plans

Through its defined benefit pension plans and post-employment medical plans, the group is exposed to a number of risks, the most significant of which are detailed below:

Asset volatility - Assets are held in order to provide a return to back the plans' obligations, therefore any volatility in the value of these assets would create a deficit.

Inflation risk - The plans' benefit obligations are linked to inflation and higher inflation will lead to higher liabilities. Consumer price inflation and health care cost inflation forms part of the financial assumptions used in the valuation.

Life expectancy - The plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities.

Demographic movements - The plans' liabilities are determined based on a number of best estimate assumptions on demographic movements of participants, including withdrawal and early retirement rates. This is especially relevant to the post-employment medical aid subsidy liabilities. Should less eligible employees withdraw and/or should more eligible employees retire earlier than assumed, the liabilities could be understated.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Details of the defined benefit plan assets and fund liability are below.

		2017			2016		
R million	Notes	Pension	Medical	Total	Pension	Medical	Total
Post-employment benefit fund liability							
Present value of funded obligation		**9 357**	**3 123**	**12 480**	9 860	3 403	13 263
Fair value of plan assets		**(9 682)**	**(2 024)**	**(11 706)**	(9 998)	(2 191)	(12 189)
- Listed equity instruments		**(2 562)**	**-**	**(2 562)**	(2 629)	-	(2 629)
- Cash and cash equivalents		**(412)**	**-**	**(412)**	(412)	-	(412)
- Debt instruments		**(3 708)**	**-**	**(3 708)**	(3 834)	-	(3 834)
- Derivatives		**(42)**	**-**	**(42)**	(6)	-	(6)
- Qualifying insurance policy		**-**	**(2 024)**	**(2 024)**	-	(2 191)	(2 191)
- Other		**(2 958)**	**-**	**(2 958)**	(3 117)	-	(3 117)
Total employee (asset)/liability*		**(325)**	**1 099**	**774**	(138)	1 212	1 074
Limitation imposed by IAS19 asset ceiling		**352**	**-**	**352**	162	-	162
Total post-employment liability		**27**	**1 099**	**1 126**	24	1 212	1 236
Total net amount recognised on the income statement (included in staff costs)	3	**(10)**	**149**	**139**	(3)	121	118
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**24**	**1 212**	**1 236**	22	918	940
Exchange differences		**6**	**2**	**8**	1	1	2
Current service cost		**4**	**49**	**53**	12	49	61
Net interest		**(14)**	**100**	**86**	(15)	72	57
Benefits paid		**(6)**	**(2)**	**(8)**	(5)	(2)	(7)
Remeasurements: recognised in OCI		**19**	**(260)**	**(241)**	20	174	194
Employer contribution		**(5)**	**(2)**	**(7)**	(2)	-	(2)
Employee contribution		**(1)**	**-**	**(1)**	(9)	-	(9)
Closing balance		**27**	**1 099**	**1 126**	24	1 212	1 236

* *The plan asset is an insurance policy with a limit of indemnity. The insurance policy is backed by assets held through in insurance cell captive. The excess assets of the cell captive belong to a fellow subsidiary of the group and is recognised as an account receivable. The FirstRand group's liability is therefore sufficiently funded.*

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2017			2016		
R million	Pension	Medical	Total	Pension	Medical	Total
Movement in the fair value of plan assets:						
Opening balance	**9 998**	**2 191**	**12 189**	10 027	2 286	12 313
Interest income	**876**	**228**	**1 104**	845	217	1 062
Remeasurements: recognised in OCI	**(467)**	**(237)**	**(704)**	(255)	(168)	(423)
Exchange differences	**(41)**	**-**	**(41)**	8	-	8
Employer contributions	**7**	**-**	**7**	17	-	17
Employee contributions	**1**	**-**	**1**	5	-	5
Benefits paid and settlements	**(692)**	**(158)**	**(850)**	(649)	(144)	(793)
Closing balance	**9 682**	**2 024**	**11 706**	9 998	2 191	12 189
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**162**	**-**	**162**	196	-	196
Interest income	**15**	**-**	**15**	17	-	17
Change in the asset ceiling, excluding amounts included in interest	**175**	**-**	**175**	(51)	-	(51)
Closing balance	**352**	**-**	**352**	162	-	162
The actual return on plan assets was:	**9%**			9%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**42**	**-**	**42**	31	-	31
Total exposure to FirstRand	**42**	**-**	**42**	31	-	31

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

Each sensitivity analysis is based on changing one assumption while keeping all other remaining assumptions constant. In practice this is unlikely to occur, and changes in some of the assumptions may be correlated. The sensitivity analysis has been calculated in terms of the projected unit credit method and illustrates how the value of the liability would change in response to certain changes in actuarial assumptions.

	2017		2016	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**8.2**	**-**	8.8	-
Long-term increase in health cost	**-**	**8.4**	-	8.8
The effects of a 1% movement in the assumed health cost rate (medical) were and the expected rates of salary (pension) were:				
Increase of 1%				
Effect on the defined benefit obligation (R million)	**6.5**	**419.5**	7.7	499.9
Effect on the aggregate of the current service cost and interest cost (R million)	**0.7**	**52.4**	1.0	60.5
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(5.9)**	**(347.8)**	(7.0)	(409.2)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.8)**	**(43.1)**	(0.9)	(49.1)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**325.0**	**105.6**	353.2	122.4
Effect on the aggregate of the current service cost and interest cost (R million)	**30.5**	**12.1**	33.1	13.5
Decrease in life expectancy by 1 year				
Effect on the defined benefit obligation (R million)	**(321.4)**	**(104.7)**	(348.4)	(120.8)
Effect on the aggregate of the current service cost and interest cost (R million)	**(30.3)**	**(12.0)**	(32.7)	(13.4)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**4**	**-**	4	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**2.4**	**1.9**	1.8	1.0
The weighted average duration of the defined benefit obligation is (years)	**9.7**	**13.5**	10.1	14.8

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

The expected maturity analysis of undiscounted pension and post-employment medical benefits is below.

R million	Within 1 year	Between 1-5 years	More than 5 years	Total
Pension benefits	**747**	**3 123**	**35 770**	**39 640**
Post-employment medical benefits	**156**	**772**	**26 025**	**26 953**
Total as at 30 June 2017	**903**	**3 895**	**61 795**	**66 593**

The normal retirement age for active members of the pension fund and post-employment medical benefits is 60.

The mortality rate table used for active members and pensioners of the pension fund and post-employment medical benefits is PA(90)-2. PA(90)-2 refers to standard actuarial mortality tables for current and prospective pensioners on a defined benefit plan where the chance of dying after early or normal retirement is expressed at each age for each gender.

The mortality rate table used for the active members of the post-employment medical benefits is SA 85-90. SA 85-90 refers to standard actuarial mortality tables for active members on a defined benefit plan where the chance of dying before normal retirement is expressed at each age for each gender.

The average life expectancy in years of a pensioner retiring at age 65 on the reporting date for pension and medical is 17 for males and 21 for females. The average life expectancy of a pensioner retiring at age 65, 20 years after the reporting date for pension and medical is 18 for males and 22 for females.

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

	2017	2016
Pension		
The number of employees covered by the scheme:		
Active members	**2 210**	2 421
Pensioners	**6 085**	6 258
Deferred plan participants	**282**	291
Total employees	**8 577**	8 970
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**9 238**	9 740
Benefits accrued but not vested at the end of the reporting period (R million)	**119**	119
Conditional benefits (R million)	**33**	33
Amounts attributable to future salary increases (R million)	**96**	123
Other benefits (R million)	**9 228**	9 704
Medical		
The number of employees covered by the scheme:		
Active members	**4 062**	4 459
Pensioners	**5 323**	5 379
Total employees	**9 385**	9 838
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**2 094**	2 201
Benefits accrued but not vested at the end of the reporting period (R million)	**1 029**	1 201
Conditional benefits (R million)	**1 061**	1 241
Other benefits (R million)	**2 062**	2 162

21.2 Defined contribution post-employment liability

R million	2017	2016
Post-employment defined contribution plan		
Present value of obligation	**17 166**	17 281
Present value of assets	**(17 166)**	(17 281)
Net defined contribution liability	**-**	-

The defined contribution scheme allows active qualifying members to purchase a pension from the defined benefit plan on retirement. The purchase price for the pension is determined based on the purchasing member's demographic details, the pension structure and economic assumptions at time of purchase. Should a member elect to purchase a pension, the group becomes exposed to longevity and other actuarial risks. However, because of the way that the purchase is priced the employer is not exposed to any asset return risk prior to the election of this option. On the date of the purchase the defined benefit liability and the plan assets will increase for the purchase amount and thereafter the accounting treatment applicable to defined benefit plans will be applied to the purchased pension.

22 DEFERRED INCOME TAX

Movement on the deferred income tax account is shown below.

R million	2017	2016
Deferred income tax asset		
Opening balance	**1 866**	1 540
Acquisitions of subsidiaries	**46**	8
Exchange rate difference	**(3)**	(1)
Creation to profit or loss	**389**	135
Deferred income tax on amounts charged directly to other comprehensive income	**(27)**	184
Transfer to non-current assets and disposal group held for sale	**(69)**	-
Total deferred income tax asset	**2 202**	1 866
Deferred income tax liability		
Opening balance	**(1 053)**	(913)
Acquisitions of subsidiaries	**(13)**	(51)
Exchange rate difference	**14**	(31)
Release/(creation) to profit or loss	**7**	(82)
Deferred income tax on amounts charged directly to other comprehensive income	**170**	(2)
Transfer to non-current assets and disposal group held for sale	**47**	19
Other	**(4)**	7
Total deferred income tax liability	**(832)**	(1 053)
Net deferred income tax asset	**1 370**	813

22 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities arise from:

	As at 30 June		Recognised on income statement	
R million	**2017**	2016	**2017**	2016
Deferred income tax asset				
Tax losses	**18**	215	**(171)**	17
Provision for loan impairment	**832**	755	**77**	(44)
Provision for post-employment benefits	**303**	332	**91**	29
Other provisions	**636**	741	**(87)**	(232)
Cash flow hedges	**(61)**	(120)	**37**	-
Financial instruments	**5**	8	**(3)**	5
Instalment credit assets	**(119)**	(138)	**19**	331
Accruals	**20**	(60)	**69**	20
Available-for-sale securities	**224**	67	**85**	-
Capital gains tax	**165**	116	**49**	8
Share-based payments	**2**	-	**2**	-
Other	**177**	(50)	**221**	1
Total deferred income tax asset	**2 202**	1 866	**389**	135
Deferred income tax liability				
Provision for loan impairment	**97**	49	**2**	-
Provision for post-employment benefits	**12**	15	**(53)**	1
Other provisions	**(127)**	(170)	**44**	(88)
Cash flow hedges	**-**	-	**(37)**	-
Financial instruments	**225**	133	**87**	(7)
Instalment credit assets	**(306)**	(284)	**(20)**	(7)
Accruals	**(147)**	(137)	**(11)**	(50)
Available-for-sale securities	**(221)**	(227)	**(85)**	-
Capital gains tax	**(6)**	(5)	**(1)**	1
Other	**(359)**	(427)	**81**	68
Total deferred income tax liability	**(832)**	(1 053)	**7**	(82)
Net deferred income tax asset	**1 370**	813	**396**	53

Dividends declared by South African entities are subject to shareholders' withholding tax. The group would therefore incur no additional tax if the total reserves of R100 868 million (2016: R91 737 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R1 188 million (2016: R1 149 million) relating to tax losses.

23 SHORT TRADING POSITIONS

R million	2017	2016
Government and government guaranteed stock	**15 162**	14 177
Other dated securities	**88**	81
Undated securities	**26**	5
Total short trading positions	**15 276**	14 263

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	2017	2016
Other accounts payable	**12 065**	12 497
Fair value hedge interest rate component	**275**	220
Withholding tax for employees	**471**	453
Deferred income	**1 556**	1 377
Operating lease liability arising from straight lining of lease payments	**106**	105
Payments received in advance	**314**	355
Accrued interest	**16**	13
Accrued expenses	**1 813**	1 512
Audit fees accrued	**133**	127
Provisions (including litigations and claims)	**265**	482
Total creditors, accruals and provisions	**17 014**	17 141

Reconciliation of provisions

R million	2017	2016
Opening balance	**482**	529
Acquisitions of subsidiaries	**44**	1
Transfer to non-current assets and disposal groups held for sale	**(143)**	-
Exchange rate differences	**(4)**	-
Charge to profit or loss	**(68)**	132
- Additional provisions created	**113**	203
- Unused provisions reversed	**(181)**	(71)
Utilised	**(46)**	(180)
Closing balance	**265**	482

25 DEPOSITS

R million	2017	2016
Category analysis		
Deposits from customers	**715 101**	668 010
- Current accounts	**208 673**	193 524
- Call deposits	**196 314**	181 304
- Savings accounts	**11 950**	11 117
- Fixed and notice deposits	**273 977**	263 545
- Other deposits from customers	**24 187**	18 520
Debt securities	**179 115**	153 727
- Negotiable certificates of deposit	**60 987**	64 841
- Fixed and floating rate notes	**116 165**	86 403
- Exchange traded notes	**1 963**	2 483
Asset-backed securities	**35 445**	29 305
- Securitisation issuances	**25 076**	17 589
- Non-recourse deposits	**10 369**	11 716
Other	**53 868**	69 032
- Repurchase agreements	**28 377**	35 868
- Securities lending	**4 098**	4 759
- Cash collateral and credit linked notes	**21 393**	28 405
Total deposits	**983 529**	920 074

26 OTHER LIABILITIES

R million	Notes	2017	2016
Finance lease liabilities	26.1	**14**	27
Funding liabilities		**6 371**	8 284
- Preference shares		**4 204**	5 381
- Other		**2 167**	2 903
Total other liabilities		**6 385**	8 311

26.1 Finance lease liabilities

	2017	2016
Not later than 1 year	**14**	13
Later than 1 year and not later than 5 years	**-**	14
Total finance lease liabilities	**14**	27

Refer to note 18 for assets that secure finance lease liabilities.

27 TIER 2 LIABILITIES

Subordinated bonds issued on or after 1 January 2013 can, at the discretion of the Registrar, either be written down or converted into the most subordinated form of equity upon the occurrence of a trigger event, being the point at which the issuing bank is considered to be non-viable. The debt component of such bonds has been included in tier 2 liabilities.

R million	Maturity dates	Interest rate	2017	2016
Fixed rate bonds			**3 519**	3 494
- ZAR denominated	1 December 2016 to 2 June 2021	8.5% - 12.35%	**3 365**	3 347
- Other currencies	1 December 2016 and 29 March 2017	7.25% - 8.88%	**154**	147
Floating rate bonds			**15 414**	14 510
- ZAR denominated	10 June 2016 to 2 June 2021	Three month JIBAR +70 bps to 400 bps	**12 618**	11 465
- USD denominated	9 April 2019	LIBOR + 415 bps	**2 288**	2 556
- Other currencies	1 December 2016 and 29 March 2017	Three month JIBAR +165 bps and bank rate + 190 bps	**508**	489
Total tier 2 liabilities			**18 933**	18 004

As required by Basel III and the SARB Regulations relating to banks, qualifying Tier 2 instruments require a loss absorbency feature in the form of either a write-off or conversion to ordinary shareholders equity at the point of non-viability. As at 30 June, the instruments compliant with Basel III amounted to:

R million	2017	2016
With conversion feature	**2 288**	2 556
With write-off feature	**11 417**	9 146

28 SHARE CAPITAL AND SHARE PREMIUM

28.1 Share capital and share premium classified as equity

Authorised shares

	2017	2016
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares - unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares - listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares - unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares - unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

Issued shares

	2017			2016		
	Number of shares	**Ordinary share capital R million**	**Share premium R million**	Number of shares	Ordinary share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Treasury shares	**(311 919)**	**-**	**(96)**	(2 201 270)	-	(104)
Total issued share capital attributable to ordinary equityholders	**5 609 176 082**	**56**	**7 960**	5 607 286 731	56	7 952
B preference shares	**45 000 000**	**-**	**4 519**	45 000 000	-	4 519
Total issued share capital attributable to equityholders		**56**	**12 479**		56	12 471

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

The shareholding of subsidiaries in FirstRand Limited was 0.01% (2016: 0.04%) of total issued ordinary shares and these shares have been treated as treasury shares.

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS

The group is an integrated financial services group comprising banking, insurance and asset management operations. The majority of the group's operations are in Africa with branches in India and London.

The group's operations are conducted through its five significant wholly-owned subsidiaries:

Subsidiary	Operation
FirstRand Bank Limited	Banking
FirstRand EMA Proprietary Limited	Financial services
FirstRand Investment Management Holdings Limited	Investment management
FirstRand Investment Holdings Proprietary Limited	Other activities
FirstRand Insurance Holdings Proprietary Limited	Insurance

With the exception of the mandatory balances with central banks, there are no other significant restrictions on the ability to transfer cash or other assets to or from entities within the group. Refer to section D of the annual financial statements for a simplified group structure.

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

29.1 Acquisitions of subsidiaries

Identifiable assets acquired and liabilities assumed at the acquisition date fair value are as follows:

	MotoVantage Holdings Proprietary Limited		Other insignificant acquisitions	
R million	**2017**	2016	**2017**	2016
ASSETS				
Cash and cash equivalents	**-**	439	**71**	451
Accounts receivable	**-**	141	**43**	2
Current tax asset	**-**	-	**1**	-
Advances	**-**	-	**84**	-
Investment securities	**-**	424	**67**	3
Investments in associates	**-**	-	**28**	-
Property and equipment	**-**	7	**6**	-
Deferred income tax asset	**-**	12	**46**	-
Intangible assets	**-**	-	**186**	-
Total assets acquired	**-**	1 023	**532**	456
LIABILITIES				
Creditors and accruals	**-**	453	**83**	1
Current tax liability	**-**	28	**2**	-
Deposits	**-**	-	**159**	-
Employee liabilities	**-**	6	**1**	-
Other liabilities	**-**	23	**4**	-
Deferred income tax liability	**-**	52	**13**	-
Total liabilities acquired	**-**	562	**262**	1
Net asset value as at date of acquisition	**-**	461	**270**	455
29.1.1 Acquisition that results in obtaining control				
Total goodwill is calculated as follows:				
Total cash consideration transferred	**-**	570	**328**	501
Total non-cash consideration transferred	**-**	107	**-**	-
Contingent consideration transferred	**-**	1	**-**	-
Less: net identifiable asset value as at date of acquisition	**-**	(461)	**(270)**	(455)
Add: Non-controlling interests at acquisition	**-**	189	**-**	-
Goodwill on acquisition	**-**	406	**58**	46

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

Significant acquisitions in 2016

MotoVantage Holdings Proprietary Limited

WesBank, together with Hollard Insurance Company, formed a new holding company, MotoVantage Holdings Proprietary Limited (MotoVantage) during the prior year. FirstRand Investment Holdings Proprietary Limited through its wholly-owned subsidiary Newinvest 231 Proprietary Limited is the majority shareholder with 81.1% shareholding in MotoVantage. The company acquired two subsidiaries, Motorite and SMART. Motorite offers a variety of vehicle warranty and maintenance products, while SMART specialises in body repair cover and offers paint and dent protection policies. By combining resources it is envisaged that going forward WesBank will be in a very strong position to provide innovative and competitively priced value-added solutions for customers. The goodwill recognised as a result of these transactions represents the synergies envisaged.

Other insignificant acquisitions in 2017

Other insignificant acquisitions include the acquisition of a 100% equity interest in a number of companies to enable FNB to become a leading financial services provider in Namibia. The effective date of the acquisition was 30 March 2017. This transaction included the acquisition of a commercial bank and a group of companies that provide investment and wealth management services. This acquisition resulted in the recognition of goodwill of R45 million.

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

29.1.2 Acquisition that does not result in a change of control

	RMB private equity		Direct Axis SA Proprietary Limited		Other insignificant acquisitions	
R million	**2017**	2016	**2017**	2016	**2017**	2016
Carrying amount of non-controlling interest acquired	**32**	-	**-**	270	**134**	10
Consideration paid to non-controlling interest acquired	**(121)**	-	**-**	(1 335)	**(41)**	(22)
- Discharged by cash consideration	**(121)**	-	**-**	(1 335)	**(41)**	(22)
- Non-cash consideration	**-**	-	**-**	-	**-**	-
(Loss)/gain recognised directly in equity	**(89)**	-	**-**	(1 065)	**93**	(12)

Significant acquisitions in 2016

Direct Axis SA Proprietary Limited

WesInvest Holdings Proprietary Limited, a wholly-owned subsidiary of FirstRand Investment Holdings Proprietary Limited, acquired the remaining 34.5% non-controlling interests in Direct Axis SA Proprietary Limited on 1 July 2015 for a total consideration of R1 335 million. The transaction resulted in Direct Axis moving from a partly-owned subsidiary to a wholly-owned subsidiary of WesInvest Holdings. As the transaction occurred between equityholders, R1 065 million economic goodwill was recognised directly in equity by WesInvest during the prior year.

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

29.2 Disposals of subsidiaries

29.2.1 Disposals of interest in subsidiaries with loss in control

	RMB private equity		Other insignificant disposals	
R million	**2017**	2016	**2017**	2016
ASSETS				
Cash and cash equivalents	**-**	30	**-**	3
Accounts receivable	**-**	468	**-**	-
Advances	**-**	-	**2 391**	-
Property and equipment	**-**	133	**-**	94
Intangible assets	**-**	74	**-**	-
Investment properties	**-**	7	**-**	-
Deferred income tax asset	**-**	-	**-**	4
Non-current assets and disposal groups held for sale	**674**	-	**-**	-
Total assets disposed of	**674**	712	**2 391**	101
LIABILITIES				
Creditors and accruals	**-**	27	**2 420**	-
Current tax liability	**-**	1	**-**	-
Employee liabilities	**-**	17	**-**	-
Other liabilities	**-**	155	**-**	11
Liabilities directly associated with disposal groups held for sale	**647**	-	**-**	-
Total liabilities disposed of	**647**	200	**2 420**	11
Net asset value as at date of disposal	**27**	512	**(29)**	90
Total gain on disposal is calculated as follows:				
Total consideration received	**1 823**	617	**-**	166
Total cash consideration received	**1 815**	455	**-**	166
Total non-cash consideration received	**8**	162	**-**	-
Add: non-controlling share of net asset value at disposal date	**(8)**	(33)	**-**	(68)
Less: group's portion of the net asset value on disposal	**(27)**	(512)	**29**	(90)
Gain on disposal of controlling interest in a subsidiary	**1 788**	72	**29**	8
Cash flow information				
Discharged by cash consideration	**1 815**	455	**-**	166
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**-**	(30)	**-**	(3)
Net cash inflow on disposal of subsidiaries	**1 815**	425	**-**	163

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

RMB Private Equity

FirstRand Investment Holdings (Pty) Limited disposed of a private equity subsidiary that was held via RMB Investments and Advisory (Pty) Limited (RMBIA). A gain of R1 788 million was made on the disposal of the subsidiary.

The group consolidates entities, including investment funds, that it controls. When the investment funds are initially established the group provides seed capital and as a result of a significant interest and other factors, the group consolidate these funds. Refer to the basis of consolidation and equity accounting section of the accounting policies for details of when the group controls investment funds in line with the requirements of IFRS 10. As the external investors increase, the group's interest decreases and the group loses control over the fund.

Other insignificant disposals

During the current financial year, it was assessed that the group no longer controls one of these investment funds, but retains significant influence. The fund is no longer consolidated, but accounted for as an investment in associate.

During the prior year, various RMB Private Equity and other individually insignificant subsidiaries were disposed of.

29 SUBSIDIARIES AND NON-CONTROLLING INTERESTS continued

29.3 Non-controlling interests

The only subsidiaries that give rise to a significant non-controlling interest are First National Bank of Namibia Holdings Limited and First National Bank of Botswana Holdings Limited.

The group holds 100% of the shares in First National Bank Holdings Botswana Limited. The non-controlling interests recognised by the group results from First National Bank Holdings Botswana Limited's shareholding in FNB Botswana Limited. The non-controlling interests own 30.54% of FNB Botswana Limited.

In addition to the above the group owns less than 100% of the issued share capital of a number of private equity subsidiaries and other investments in the RMBIA sub-consolidation. The non-controlling interests recognised by the group result from RMBIA's shareholding in these subsidiaries. There is no individually significant non-controlling interest.

	First National Bank of Namibia Holdings Limited		**First National Bank Botswana Limited**	
Country of incorporation		**Namibia**		**Botswana**
% ownership held by NCI		**40.1**		**30.5**
% voting rights by NCI		**40.1**		**30.5**
R million	**2017**	2016	**2017**	2016
Balances included in the consolidated statement of financial position				
Total assets	**37 810**	34 197	**30 129**	29 678
Balances with central banks*	**334**	1 052	**1 178**	1 038
Total liabilities	**33 269**	30 144	**26 573**	26 207
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**3 283**	2 866	**1 844**	1 759
Non-interest revenue	**1 654**	1 611	**1 255**	1 238
Profit or loss before tax	**1 637**	1 751	**877**	884
Total comprehensive income	**1 100**	1 217	**446**	938
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**232**	221	**128**	168
Profit or loss attributable to non-controlling interests	**459**	499	**209**	198
Accumulated balance of non-controlling interests	**1 859**	1 648	**1 036**	1 007

** These balances are not available to the group for day-to-day operational use.*

30 INVESTMENT MANAGEMENT ACTIVITIES

The following table sets out the market value of assets for which the group provides investment management services, but does not recognise the asset on its statement of financial position:

R million	**2017**	2016
Assets under management	**141 613**	125 123
- Traditional products	**86 588**	79 216
- Alternative products	**55 025**	45 907

Traditional products usually comprise investments in assets such as equity shares, bonds and cash, primarily listed instruments. Alternative products managed by the group include RMB Westport associate, ETFs, credit funds, private equity funds and structured products.

31 REMUNERATION SCHEMES

R million	Notes	**2017**	2016
The charge to profit or loss for share-based payments is as follows:			
Conditional share plan		**1 613**	1 171
Other subsidiary schemes		**1**	1
Amount included in profit or loss	3	**1 614**	1 172

The purpose of these schemes is to appropriately attract, incentivise and retain managers and employees within the group.

31 REMUNERATION SCHEMES continued

Description of schemes and vesting conditions:

Conditional share scheme	
IFRS 2 treatment	Cash settled
Description	The conditional award comprises a number of full shares with no strike price.
Vesting conditions	These awards vest conditionally after three years. The number of shares that vest is determined by the extent to which the performance conditions are met. Conditional awards are made annually and vesting is subject to specified financial and non-financial performance set annually by the group's remuneration committee. These corporate performance targets are set out on page C158.
Valuation methodology	The conditional share plan (CSP) is valued using the Black Scholes option pricing model with a zero strike price. The scheme is cash settled and is therefore repriced at each reporting date.
Valuation assumptions	
Dividend data	Management’s estimates of future discrete dividends.
Market related	➢ Interest rate is the risk free rate of return as recorded on the last day of the financial year, on a swap curve of a term equal to the expected life of the plan.
Employee related	The weighted average forfeiture rate used is based on historical forfeiture data over all schemes.

The group also has a bonus conditional incentive. These incentives are the same as those described above except that they are subject to vesting conditions that are either based on continuous employment over the performance period or continuous employment over the performance period and the fulfillment of certain performance conditions. These awards vest over two years

31 REMUNERATION SCHEMES continued

Corporate performance targets

The FirstRand Limited group remuneration committee sets the corporate performance targets (CPT's) based on the expected prevailing macroeconomic conditions anticipated during the performance period for the group's long-term incentive schemes, the conditional share plan and the conditional incentive plan. These criteria, which must be met or exceeded to enable vesting, vary from year to year, depending on the macro conditions expected to prevail over the vesting period.

In terms of the scheme rules, participants are not entitled to any dividends on their conditional share schemes long-term incentive (LTI) allocations during the performance period, nor do these accrue to them during the performance period.

The criteria for the expired and currently open schemes are as follows:

Expired schemes

2012 (vested in September 2015) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 3% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2012 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period.

2013 (vested in September 2016) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 1.5% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2013 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period**.**

Currently open

2014 (vests in 2017) - FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 2% growth on a cumulative basis over the life of the conditional award, from base year end 30 June 2014 to the financial year end immediately preceding the vesting date. In addition, NIACC must be positive over the three-year performance period.

2015 (vests in 2018) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP plus 1% growth on a cumulative basis over a three-year period, from base year end 30 June 2015 to the financial year end immediately preceding the vesting date. In addition, ROE must be equal to or greater than cost of equity plus 5% over the three-year performance period. Should nominal GDP plus 1% not be achieved, remuneration committee may sanction a partial vesting of conditional shares, which is calculated *pro rata* to the performance which exceeds nominal GDP.

2016 (vests in 2019) – FirstRand Limited must achieve growth in normalised EPS which equals or exceeds South African nominal GDP growth, on a cumulative basis, over the performance period from the base year-end immediately preceding the vesting period date. Nominal GDP is advised by the FirstRand group treasury, macro strategy unit, and the company delivers ROE of 18-22% over the performance period.

31 REMUNERATION SCHEMES continued

The significant weighted average assumptions used to estimate the fair value of options and share transactions granted are detailed below.

	2017			2016		
	Conditional share plan	**FNB Botswana**	**FNB Namibia**	Conditional share plan	FNB Botswana	FNB Namibia
Option life (years)	**2 - 3**	**5**	**5**	2 - 3	5	5
Risk free rate (%)	**6.92 - 7.46**	**7.29 - 9.45**	**5.81 - 7.69**	4.82 - 7.07	7.29 - 9.45	5.81 - 7.69
Expected dividend yield (%)	**-**	**-**	**4.52**	-	-	4.52
Expected dividend growth (%)	**-**	**15 - 20**	**-**	-	15 - 20	-

	Conditional share plan (FSR shares)	
Options and share awards outstanding	**2017**	2016
Number of options and share awards in force at the beginning of the year (millions)	**89.7**	97.7
Number of options and share awards granted during the year (millions)	**39.5**	31.8
Number of options and shares awards exercised/released during the year (millions)	**(35.2)**	(36.0)
- Market value range at date of exercise/release (cents)*	**1 969 - 5 317**	1 851 - 5 631
- Weighted average (cents)	**4 813**	5 057
Number of options and share awards cancelled/lapsed during the year (millions)	**(3.6)**	(3.8)
Number of options and share awards in force at the end of the year (millions)	**90.4**	89.7

	Conditional share plan			
	2017		2016	
Options and share awards outstanding**	**Weighted average remaining life (years)**	**Outstanding option (millions)**	Weighted average remaining life (years)	Outstanding option (millions)
Vesting during 2017	**0.29**	**29.3**	0.29	35.0
Vesting during 2018	**1.31**	**29.7**	1.29	30.9
Vesting during 2019	**2.32**	**31.2**	2.30	23.8
Total options and share awards		**90.2**		89.7
Number of participants		**3 569**		3 073

* *Market values indicated above include those instances where a probability of vesting is applied to accelerated share option vesting prices due to a no-fault termination, as per the rules of the scheme.*

** *Years referenced in the rows relate to calendar years and not financial years.*

32 CONTINGENCIES AND COMMITMENTS

R million	**2017**	2016
Contingencies and commitments		
Guarantees (endorsements and performance guarantees)	**34 006**	34 733
Letters of credit	**6 731**	7 339
Total contingencies	**40 737**	42 072
Irrevocable commitments	**119 325**	101 418
Committed capital expenditure	**3 936**	4 264
Operating lease commitments	**3 779**	3 599
Other	**306**	379
Contingencies and commitments	**168 083**	151 732
Legal proceedings		
There are a number of legal or potential claims against the group, the outcome of which cannot at present be foreseen. These claims are not regarded as material either on an individual or a total basis		
Provision made for liabilities that are expected to materialise	**129**	93
Commitments		
Commitments in respect of capital expenditure and long-term investments by the directors	**3 936**	4 264

32 CONTINGENCIES AND COMMITMENTS continued

32.1 Commitments under operating leases where the group is the lessee

The group's significant operating leases relate to property rentals of office premises and the various branch network channels represented by full service branches, agencies, mini branches and ATM lobbies. The rentals have fixed monthly payments, often including a contingent rental based on a percentage contribution of the monthly operating costs of the premises. Escalation clauses are based on market related rates and vary between 5% and 12%.

The leases are usually for a period of one to five years. The leases are non-cancellable and certain of the leases have an option to renew for a further leasing period at the end of the original lease term.

Restrictions are more an exception than the norm and usually relate to the restricted use of the asset for the business purposes specified in the lease contract.

	2017		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Office premises	**1 031**	**2 097**	**139**
Recoverable under subleases	**(10)**	**(63)**	**(12)**
Net office premises	**1 021**	**2 034**	**127**
Equipment and motor vehicles	**188**	**213**	**197**
Total operating lease commitments	**1 209**	**2 247**	**324**

	2016		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Office premises	1 164	1 899	116
Recoverable under subleases	(8)	(45)	(7)
Net office premises	1 156	1 854	109
Equipment and motor vehicles	99	208	173
Total operating lease commitments	1 255	2 062	282

32 CONTINGENCIES AND COMMITMENTS continued

32.2 Future minimum lease payments receivable under operating leases where the group is the lessor

The group owns various assets that are leased to third parties under non-cancellable operating leases as part of the group's revenue-generating operations. The operating leases have various lease terms ranging from two to fifteen years.

The minimum future lease payments under non-cancellable operating leases on assets where the group is the lessor are detailed below.

	2017		
R million	**Within 1 year**	**Between 1 and 5 years**	**More than 5 years**
Property	**40**	**86**	**60**
Motor vehicles	**914**	**1 549**	**-**
Total operating lease commitments	**954**	**1 635**	**60**

	2016		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Property	33	75	-
Motor vehicles	780	1 295	-
Total operating lease commitments	813	1 370	-

33 FAIR VALUE MEASUREMENTS

33.1 Valuation methodology

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

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

Non-recurring fair value measurements

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

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

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

Financial instruments

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

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

Financial instruments not measured at fair value

This category includes assets and liabilities not measured at fair value but for which fair value disclosures are required under another IFRS e.g. financial instruments at amortised cost. Except for the amounts included under section 33.4 below, for all other financial instruments at amortised cost the carrying value is equal to or a reasonable approximation of the fair value.

33 FAIR VALUE MEASUREMENTS continued

33.2 Fair value hierarchy and measurements

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

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

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

33 FAIR VALUE MEASUREMENTS continued

Measurement of assets and liabilities at level 2

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Derivative financial instruments			
Forward rate agreements	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date is determined in terms of legal documents.	Market interest rates, curves and credit spreads
Swaps	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. The reset date of each swaplet is determined in terms of legal documents.	Market interest rates and curves
Options	Option pricing model	The Black Scholes model is used.	Strike price of the option, market related discount rate, forward rate and cap and floor volatility
Forwards	Discounted cash flows	Future cash flows are projected using a forward curve and then discounted using a market-related discount curve over the contractual period. Projected cash flows are obtained by subtracting the strike price of the forward contract from the market projected forward value.	Market interest rates and curves
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Market interest rates, curves, volatilities, dividends and share prices

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Loans and advances to customers			
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year, it may become significant in future. In the event that credit spreads are observable for a counterparty, loans and advances to customers are classified as level 2 of the fair value hierarchy.	Market interest rates, curves and credit spreads
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates observable inputs, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds listed in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates observable inputs for credit risk, level 2 of the fair value hierarchy is deemed appropriate.	Market interest rates and curves
Unlisted equities	Price earnings (P/E) model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place in which case level 2 classifications are used.	Market transactions

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Investment securities continued			
Negotiable certificates of deposit	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Inputs to these models include information that is consistent with similar market quoted instruments, where available.	Market interest rates and curves
Treasury bills	JSE Debt Market bond pricing model	The JSE Debt Market bond pricing model uses the JSE Debt Market mark-to-market bond yield.	Market interest rates and curves
Non-recourse investments	Discounted cash flows	Future cash flows are discounted using a discount rate which is determined as a base rate plus a spread. The base rate is determined by the legal agreements as either a bond or swap curve. The spread approximates the level of risk attached to the cash flows. When there is a change in the base rate in the market, the valuation is adjusted accordingly. The valuation model is calibrated to reflect transaction price at initial recognition.	Market interest rates and curves
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are listed, these third party valuations can be corroborated with reference to listed share prices and other market data and are thus classified in level 2 of the fair value hierarchy.	Market transactions (listed)
Deposits			
Call and non-term deposits	None - the undiscounted amount is used	The undiscounted amount of the deposit is the fair value due to the short-term nature of the instruments. These deposits are financial liabilities with a demand feature and the fair value is not less than the amount payable on demand i.e. the undiscounted amount of the deposit.	None - the undiscounted amount approximates fair value and no valuation is performed

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Deposits continued			
Non-recourse deposits	Discounted cash flows	Fair value for interest rate and foreign exchange risk with no valuation adjustment for own credit risk. Valuation adjustments are affected by changes in the applicable credit ratings of the assets.	Market interest rates, foreign exchange rates and credit inputs
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Market interest rates and curves
Other liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates. Where the value of a liability is linked to the performance of an underlying and the underlying is observable, these liabilities are classified at level 2.	Market interest rates or performance of underlying
Policyholder liabilities under investment contracts			
Unit-linked contracts or contracts without fixed benefits	Adjusted value of underlying assets	The underlying assets related to the contracts are recognised by the group. The investment contracts require the group to use these assets to settle the liabilities. The fair value of investment contract liabilities, therefore, is determined with reference to the fair value of the underlying assets. The fair value is determined using the current unit price of the underlying unitised assets linked to the liability and multiplying this by the number of units attributed to the policyholders at reporting date. The fair value of the liability is never less than the amount payable on surrender, discounted for the required notice period where applicable.	Spot price of underlying
Contracts with fixed and guaranteed terms	Discounted cash flows	The liability fair value is the present value of the future payments, adjusted using appropriate market-related yield curves to maturity.	Market interest rates and curves

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Observable inputs
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Market interest rates and curves

Measurement of assets and liabilities at level 3

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

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Derivative financial instruments			
Option	Option pricing model	The Black Scholes model is used.	Volatilities
Equity derivatives	Industry standard models	The models calculate fair value based on input parameters such as share prices, dividends, volatilities, interest rates, equity repo curves and, for multi-asset products, correlations. Unobservable model inputs are determined by reference to liquid market instruments and applying extrapolation techniques to match the appropriate risk profile.	Volatilities and unlisted share prices

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Loans and advances to customers			
Investment banking book	Discounted cash flows	The group has elected to designate the investment banking book of advances at fair value through profit or loss. Credit risk is not observable and could have a significant impact on the fair value measurement of these advances and as such, these advances are classified as level 3 on the fair value hierarchy. Future cash flows are discounted using market-related interest rates. To calculate the fair value of credit the group uses a valuation methodology based on the credit spread matrix, which considers loss given default, tenor and the internal credit committee rating criteria. The fair value measurement includes the original credit spread and is repriced when there is a change in rating of the counterparty. A decline in credit rating would result in an increase in the spread above the base rate for discounting purposes and consequently a reduction of the fair value of the advance. Similarly an increase in credit rating would result in a decrease in the spread below the base rate and an increase of the fair value of the advance.	Credit inputs
Other loans and advances	Discounted cash flows	Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Although the fair value of credit is not significant year-on-year it may become significant in future. For this reason, together with the fact that the majority of South African counterparties do not have actively traded or observable credit spreads, the group has classified other loans and advances to customers at level 3 of the fair value hierarchy.	Credit inputs

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities			
Equities listed in an inactive market	Discounted cash flows	For listed equities, the listed price is used where the market is active (i.e. level 1). However, if the market is not active and the listed price is not representative of fair value, a valuation technique is used to determine the fair value. The valuation technique will be based on risk parameters of comparable securities and the potential pricing difference in spread and/or price terms with the traded comparable is considered. Future cash flows are discounted using market-related interest rates. Where the valuation technique incorporates unobservable inputs for equities, e.g. PE ratios, level 3 of the fair value hierarchy is deemed appropriate.	Unobservable PE ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. Future cash flows are discounted using market-related interest rates adjusted for credit inputs, over the contractual period. Where the valuation technique incorporates unobservable inputs for credit risk, level 3 of the fair value hierarchy is deemed appropriate.	Credit inputs
Unlisted equities	P/E model and discounted cash flows	For unlisted equities, the earnings included in the model are derived from a combination of historical and budgeted earnings depending on the specific circumstances of the entity whose equity is being valued. The P/E multiple is derived from current market observations taking into account an appropriate discount rate for unlisted companies. The valuation of these instruments may be corroborated by a discounted cash flow valuation or by the observation of other market transactions that have taken place.	Growth rates and P/E ratios

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Investment securities continued			
Investments in funds and unit trusts	Third party valuations	For certain investments in funds (such as hedge funds) or unit trusts, where an internal valuation technique is not applied, the group places reliance on valuations from third parties such as broker quotes or valuations from asset managers. Where considered necessary, the group applies minority and marketability or liquidity discount adjustments to these third party valuations. Third party valuations are reviewed by the relevant franchise's investment committee on a regular basis. Where these underlying investments are unlisted, the group has classified these at level 3 of the fair value hierarchy, as there is no observable market data to which to compare the third party valuations.	None (unlisted) – third party valuations used, minority and marketability adjustments
Investment properties	Adjusted market prices	The fair value of investment properties is determined by obtaining a valuation from an independent professional valuer not related to the group. This fair value is based on observable market prices adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. Variables are obtained through surveys and comparable recent market transactions not publicly quoted. These valuations are reviewed annually by a combination of independent and internal valuation experts. The fair value is based on unobservable income capitalisation rate inputs. These rates are impacted predominantly by expected market rental growth, contract tenure, occupancy rates and vacant periods that arise on expiry of existing contracts. The fair value of these properties will change favourably with increases in the expected market rental growth, contract tenure and occupancy rates and decreases in the average vacant period; and unfavourably if the inverse occurs.	Income capitalisation rates

33 FAIR VALUE MEASUREMENTS continued

Instrument	Valuation technique	Description of valuation technique and main assumptions	Significant unobservable inputs of level 3 items
Deposits			
Deposits that represent collateral on credit-linked notes	Discounted cash flows	These deposits represent the collateral leg of credit-linked notes. The forward curve adjusted for liquidity premiums and business unit margins is used. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs on related advances
Other deposits	Discounted cash flows	The forward curve adjusted for liquidity premiums and business unit margins. The valuation methodology does not take early withdrawals and other behavioural aspects into account.	Credit inputs
Other liabilities	Discounted cash flows	For preference shares which require the group to share a portion of profits of underlying contracts with a third party, the value of the liability is linked to the performance of the underlying. Where the underlying is not observable, these liabilities are classified as level 3. Future cash flows are discounted using market-related interest rates, adjusted for the performance of the underlying contracts.	Performance of underlying contracts
Financial assets and liabilities not measured at fair value but for which fair value is disclosed	Discounted cash flows	Future cash flows are discounted using market-related interest rates and curves adjusted for credit inputs.	Credit inputs

33 FAIR VALUE MEASUREMENTS continued

Non-recurring fair value measurements

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

There were two business combination transactions resulting in investments in subsidiaries at 30 June 2017. The assets and liabilities of these subsidiaries were measured at fair value on acquisition date and classified as level 2 and 3 on the fair value hierarchy, depending on the nature of the assets and liabilities. Further details have been provided in note 29.

An investment in a subsidiary was classified as a disposal group held for sale at 30 June 2017. The assets and liabilities in the disposal group were measured at fair value less costs to sell and classified as level 2 and level 3 on the fair value hierarchy, depending on the nature of the specific underlying asset and liability. Further details have been provided in note 14.

During the current year impairments were recognised for assets that are measured at fair value on a non-recurring basis. For further detail please refer to note 3.

During the prior year an investment in a joint venture was impaired. The impairment was as a result of the carrying amount exceeding the recoverable amount. The recoverable amount was determined as the fair value less costs to sell. Further detail has been provided in note 17.

33 FAIR VALUE MEASUREMENTS continued

33.2.1 Fair value hierarchy

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

	2017			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	268	35 183	8	35 459
Advances	-	31 236	199 179	230 415
Investment securities	86 118	38 931	2 230	127 279
Non-recourse investments	-	10 369	-	10 369
Commodities	14 380	-	-	14 380
Investment properties	-	-	399	399
Total fair value assets - recurring	100 766	115 719	201 816	418 301
Non-recurring fair value measurements				
Assets acquired in business combinations	-	49	166	215
Non-current assets and disposal groups held for sale	-	188	79	267
Total fair value assets - non-recurring	-	237	245	482
Liabilities				
Recurring fair value measurements				
Short trading positions	15 276	-	-	15 276
Derivative financial instruments	307	43 863	233	44 403
Deposits	1 962	75 482	536	77 980
Non-recourse deposits	-	10 369	-	10 369
Other liabilities	-	2 226	1 543	3 769
Policyholder liabilities under investment contracts	-	3 150	-	3 150
Total fair value liabilities - recurring	17 545	135 090	2 312	154 947
Non-recurring fair value measurements				
Liabilities acquired in business combinations	-	-	215	215
Liabilities associated with disposal groups held for sale	-	123	-	123
Total fair value liabilities - non-recurring	-	123	215	338

33 FAIR VALUE MEASUREMENTS continued

R million	2016 Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	241	40 248	62	40 551
Advances	148	43 646	204 736	248 530
Investment securities	83 464	32 154	2 380	117 998
Non-recourse investments	-	11 716	-	11 716
Commodities	12 514	-	-	12 514
Investment properties	-	-	386	386
Total fair value assets - recurring	96 367	127 764	207 564	431 695
Non-recurring fair value measurements				
Assets acquired in business combinations	427	890	164	1 481
Non-current assets and disposal groups held for sale	-	-	-	-
Total fair value assets - non-recurring	427	890	164	1 481
Liabilities				
Recurring fair value measurements				
Short trading positions	14 263	-	-	14 263
Derivative financial instruments	121	50 533	128	50 782
Deposits	2 406	99 446	679	102 531
Non-recourse deposits	-	11 716	-	11 716
Other liabilities	-	3 371	1 479	4 850
Policyholder liabilities under investment contracts	-	1 090	-	1 090
Total fair value liabilities - recurring	16 790	166 156	2 286	185 232
Non-recurring fair value measurements				
Liabilities acquired in business combinations	-	-	562	562
Liabilities associated with disposal groups held for sale	-	-	-	-
Total fair value liabilities - non-recurring	-	-	562	562

33 FAIR VALUE MEASUREMENTS continued

33.3 Additional disclosures for level 3 financial instruments

33.3.1 Transfers between fair value hierarchy levels

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

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

	2016		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	-	(2 821)	There were no transfers into level 1.
Level 2	-	(522)	There were no transfers into level 2.
Level 3	3 343	-	The market for certain bonds listed in South Africa became inactive because of stresses in the macro environment. The market price is, therefore, not representative of fair value and a valuation technique was applied. Because of credit valuation being unobservable the bonds were classified from level 1 into level 3 of the hierarchy. An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3. An evaluation of the significant inputs utilised in determining the fair value of investment property, considering current market factors, resulted in a transfer of R415 million out of level 2 of the fair value hierarchy and into level 3.
Total transfers	3 343	(3 343)	

33 FAIR VALUE MEASUREMENTS continued

33.3 Additional disclosures for level 3 financial instruments

33.3.2 Changes in level 3 instruments with recurring fair value measurements

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

R million	Derivative financial assets	Advances	Investment securities	Investment properties
Balance as at 30 June 2015	70	185 513	2 042	-
Gains/losses recognised in profit or loss	9	13 009	682	(22)
Gains/losses recognised in other comprehensive income	-	-	16	-
Purchases, sales, issue and settlements	(19)	1 351	(369)	-
Acquisitions/disposals of subsidiaries	-	-	-	(7)
Transfer into level 3	-	2 821	-	415
Exchange rate differences	2	2 042	9	-
Balance as at 30 June 2016	**62**	**204 736**	**2 380**	**386**
Gains/losses recognised in profit or loss	**(54)**	**15 295**	**80**	**-**
Gains/losses recognised in other comprehensive income	**-**	**(1)**	**(21)**	**-**
Purchases, sales, issue and settlements	**-**	**(18 910)**	**(192)**	**13**
Acquisitions/disposals of subsidiaries	**-**	**(947)**	**-**	**-**
Transfer into level 3	**-**	**-**	**-**	**-**
Exchange rate differences	**-**	**(994)**	**(17)**	**-**
Balance as at 30 June 2017	**8**	**199 179**	**2 230**	**399**

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

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

	Derivative financial liabilities	Other liabilities	Deposits
	5	-	1 273
	13	36	67
	-	-	-
	3	1 422	(669)
	-	21	-
	107	-	-
	-	-	8
	128	**1 479**	**679**
	71	**175**	**(33)**
	-	**-**	**-**
	(5)	**(110)**	**(103)**
	-	**-**	**-**
	38	**-**	**-**
	1	**(1)**	**(7)**
	233	**1 543**	**536**

33 FAIR VALUE MEASUREMENTS continued

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

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

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

	2017		2016	
R million	**Gains/losses recognised in the income statement**	**Gains/losses recognised in other comprehensive income**	Gains/losses recognised in the income statement	Gains/losses recognised in other comprehensive income
Assets				
Derivative financial instruments	**8**	**-**	9	-
Advances*	**12 148**	**(1)**	12 301	-
Investment securities	**257**	**(21)**	586	16
Investment properties	**-**	**-**	(22)	-
Total	**12 413**	**(22)**	12 874	16
Liabilities				
Derivative financial instruments	**(72)**	**-**	19	-
Deposits	**(27)**	**-**	(58)	-
Other liabilities	**97**	**-**	19	-
Total	**(2)**	**-**	(20)	-

* *Amount is mainly accrued interest on fair value loans and advances and movements in interest rates that have been economically hedged. This is the portion of RMB's advances that are classified as fair value to effectively manage the interest rate and foreign exchange risk on these portfolios. These are classified as level 3 primarily as credit spreads could be a significant input, and are not observable for loans and advances in most of RMB's key markets. Refer to page C186 where the income statement impact of the credit fair value adjustments is disclosed. Inputs relating to interest rates and foreign currencies are regarded as observable.*

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

33 FAIR VALUE MEASUREMENTS continued

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

The table below illustrates the sensitivity of the significant inputs when changed to reasonably possible alternative inputs.

Asset/liability	Significant unobservable inputs	Unobservable input to which reasonably possible changes are applied	Reasonably possible changes applied
Derivative financial instruments	Volatilities	Volatilities	Increased and decreased by 10%.
Advances	Credit	Scenario analysis	A range of senarios are run as part of the group's credit risk management process for advances measured at fair value through profit or loss to determine credit losses and change in credit spreads in various economic conditions. The probability of default is adjusted either upwards or downwards versus the base case.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Credit, growth rates or P/E ratios of unlisted investments	Increased and decreased by 10%.
Deposits	Credit risk of the cash collateral leg of credit linked notes	Credit migration matrix	The deposits included in level 3 of the hierarchy represent the collateral leg of credit-linked notes. The most significant unobservable input in determining the fair value of the credit-linked notes is the credit risk component. The sensitivity to credit risk has been assessed in the same way as for advances using the credit migration matrix with the deposit representing the cash collateral component thereof.
Other liabilities	Performance of underlying contracts	Profits on the underlying contracts	Increased and decreased by 1%.

33 FAIR VALUE MEASUREMENTS continued

R million	2017 Reasonably possible alternative fair value			2016 Reasonably possible alternative fair value		
	Fair value	**Using more positive assump-tions**	**Using more negative assump-tions**	Fair value	Using more positive assump-tions	Using more negative assump-tions
Assets						
Derivative financial instruments	**8**	**11**	**4**	62	71	55
Advances	**199 179**	**199 854**	**198 783**	204 736	205 560	202 747
Investment securities	**2 230**	**2 394**	**2 100**	2 380	3 111	2 430
Total financial assets measured at fair value in level 3	**201 417**	**202 259**	**200 887**	207 178	208 742	205 232
Liabilities						
Derivative financial instruments	**233**	**227**	**246**	128	124	129
Deposits	**536**	**526**	**547**	679	614	784
Other liabilities	**1 543**	**1 526**	**1 561**	1 479	1 462	1 626
Total financial liabilities measured at fair value in level 3	**2 312**	**2 279**	**2 354**	2 286	2 200	2 539

33 FAIR VALUE MEASUREMENTS continued

33.4 Financial instruments not measured at fair value

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

	2017				
R million	**Carrying value**	**Total fair value**	**Level 1**	**Level 2**	**Level 3**
Assets					
Advances	**662 691**	**667 600**	**-**	**105 381**	**562 219**
Investment securities	**29 779**	**29 843**	**22 121**	**6 995**	**727**
Total financial assets at amortised cost	**692 470**	**697 443**	**22 121**	**112 376**	**562 946**
Liabilities					
Deposits	**895 180**	**897 677**	**41**	**888 725**	**8 911**
Other liabilities	**2 602**	**2 601**	**-**	**967**	**1 634**
Tier 2 liabilities	**18 933**	**19 242**	**-**	**19 242**	**-**
Total financial liabilities at amortised cost	**916 715**	**919 520**	**41**	**908 934**	**10 545**

	2016				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	602 875	606 713	-	96 693	510 020
Investment securities	12 934	12 931	444	12 083	404
Total financial assets at amortised cost	615 809	619 644	444	108 776	510 424
Liabilities					
Deposits	805 827	805 469	7 897	794 523	3 049
Other liabilities	3 434	3 437	-	1 851	1 586
Tier 2 liabilities	18 004	18 216	-	18 216	-
Total financial liabilities at amortised cost	827 265	827 122	7 897	814 590	4 635

33.5 Day 1 profit or loss

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

R million	**2017**	2016
Opening balance	**39**	11
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	**17**	37
Amount recognised in profit or loss as a result of changes which would be observable by market participants	**(5)**	(9)
Closing balance	**51**	39

33 FAIR VALUE MEASUREMENTS continued

33.6 Financial instruments designated at fair value through profit or loss

Financial instruments designated at fair value through profit or loss	
Different methods are used to determine the current period and cumulative changes in fair value attributable to credit risk due to the differing inherent credit risk of these instruments. The methods used are:	
Financial assets	**Advances** The change in credit risk is the difference between the fair value of advances based on the original credit spreads (as determined using the group's credit spread pricing matrix) and the fair value of advances based on the most recent credit spreads where there has been a change in the credit risk of the counterparty. The group uses its own annual credit review process to determine if there has been a change in the credit rating or PD of the counterparty. **Investment securities** The change in fair value due to credit risk for investments designated at fair value through profit or loss is calculated by stripping out the movements that result from a change in market factors that give rise to market risk. The change in fair value due to credit risk is then calculated as the balancing figure, after deducting the movement due to market risk from the total movement in fair value.
Financial liabilities	Determined with reference to changes in the mark-to-market yields of own issued bonds. The change in fair value of financial liabilities due to changes in credit risk is R nil.

33 FAIR VALUE MEASUREMENTS continued

33.6.1 Loans and receivables designated as at fair value through profit or loss

Certain financial assets designated at fair value also meet the definition of loans and receivables in terms of IAS 39. The table below contains details on the change in credit risk attributable to these financial assets.

	2017			
			Change in fair value	
			Due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**211 192**	**4 460**	**(63)**	**(2 137)**
Investment securities	**6 416**	**-**	**-**	**-**
Non-recourse investments	**10 369**	**-**	**-**	**-**
Total	**227 977**	**4 460**	**(63)**	**(2 137)**

	2016			
			Change in fair value	
			Due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	233 889	3 559	(433)	(3 741)
Investment securities	7 338	-	(20)	(20)
Non-recourse investments	11 716	-	-	-
Total	252 943	3 559	(453)	(3 761)

Losses are indicated with brackets.

33.6.2 Financial liabilities designated at fair value through profit or loss

	2017		2016	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**77 980**	**78 068**	102 531	115 565
Non-recourse deposits	**10 369**	**6 263**	11 716	10 785
Other liabilities	**3 769**	**3 706**	4 850	4 763
Policyholder liabilities under investment contracts	**3 150**	**3 150**	1 090	1 090
Total	**95 268**	**91 187**	120 187	132 203

The change in the fair value of these liabilities due to own credit risk is not material.

33 FAIR VALUE MEASUREMENTS continued

33.7 Total fair value income included in profit or loss for the year

R million	**2 017**	2 016
Total fair value income for the year has been disclosed as:		
Fair value gains and losses included in non-interest revenue	**6 231**	4 137
Fair value of credit of advances included in impairment of advances	**(274)**	(257)

34 SEGMENT INFORMATION

34.1 Reportable segments

Segment reporting		
Group's chief operating decision maker	Chief executive officer.	
Identification and measurement of operating segments	Aligned with internal reporting provided to the CEO and reflects the risks and rewards related to the segments' specific products and services offered in their specific markets. Operating segments whose total revenue, absolute profit or loss for the period or total assets are 10% or more of all the segments' revenue, profit or loss or total assets, are reported separately.	
Major customers	The FirstRand group has no major customer as defined (i.e. revenue from the customer exceeds 10% of total revenue) and is, therefore, not reliant on the revenue from one or more major customers.	
Reportable segments		
	Products and services	**Footprint**
FNB *Retail and commercial*	FNB offers a diverse set of financial products and services to market segments including consumer, small business, agricultural, medium corporate, parastatals and government entities. FNB's products cover the entire spectrum of financial services – transactional, lending, insurance, investment and savings – and include mortgage loans, credit and debit cards, personal loans, funeral policies, and savings and investment products. Services include transactional and deposit-taking, card acquiring, credit facilities and FNB distribution channels (branch network, ATMs, call centres, cellphone and online).	FNB operates in South Africa, Namibia, Botswana, Lesotho, Swaziland, Zambia, Mozambique, Tanzania and Ghana.
	Products and services	**Footprint**
RMB *Corporate and investment banking*	RMB offers advisory, financing, trading, corporate banking and principal investing solutions. RMB's business units include global markets, investment banking, private equity and corporate banking.	RMB has offices in South Africa, Namibia, Botswana and Nigeria, and manages FirstRand Bank's representative offices in Kenya and Angola. It also operates in the UK, India, China and the Middle East (through FirstRand Bank branches and representative offices), and in Zambia, Tanzania, Mozambique, Swaziland, Lesotho and Ghana through FNB's subsidiaries.

34 SEGMENT INFORMATION CONTINUED

Reportable segments		
	Products and services	**Footprint**
WesBank *Instalment finance*	WesBank offers asset-based finance in the retail, commercial and corporate segments, operating primarily through alliances and JVs with leading motor manufacturers, suppliers and dealer groups where it has built up a strong point-of-sale presence. WesBank also provides personal loans through its subsidiary, Direct Axis. Through the MotoVantage brand, WesBank provides insurance and related value-added products into the motor sector.	WesBank offers asset-based finance and personal loans in South Africa and Africa. Through MotoNovo Finance, it operates in the asset-based motor finance sector in the UK.
FCC and other		
Key group-wide functions	Group-wide functions include group treasury (capital, liquidity and financial resource management), group finance, group tax, enterprise risk management, regulatory risk management and group internal audit. FCC has a custodianship mandate which includes managing relationships on behalf of the group with key external stakeholders (e.g. shareholders, debt holders, regulators) and the ownership of key group strategic frameworks (e.g. performance measurement, risk/reward). Its objective is to ensure the group delivers on its commitments to stakeholders. The reportable segment includes all management accounting and consolidated entries. Ashburton Investments offers focused traditional and alternative investment solutions to individual and institutional investors and combines established active fund management expertise with alternative investment solutions from product providers across the FirstRand group. Ashburton Investments' results are included in this reportable segment as these are not material on a segmental basis.	

34.2 Description of normalised adjustments

Normalised adjustments
The group believes that normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational items and accounting anomalies. IFRS earnings are, therefore, adjusted to take into account headline earnings adjustments, non-operational items and accounting anomalies. This is, therefore, the measurement basis used by the chief operating decision maker to manage the group on a daily basis. These adjustments include reallocation entries where amounts are moved between income statement lines and lines of the statement of financial position, without having an impact on the IFRS profit or loss for the year, and total assets and total liabilities reported in terms of IFRS. Other normalised adjustments have an impact on the profit or loss reported for the period. In the past, these normalised adjustments were processed at a total profit for the year level. Based on a change in the internal method of management reporting, these entries are now processed above the profit line on a line-by-line basis at a franchise level. In order to facilitate comparability, the segment report for 30 June 2016 has been presented in line with the updated internal method of management reporting.

34 SEGMENT INFORMATION CONTINUED

34.2 Description of normalised adjustments continued

Normalised adjustments	
Consolidated private equity subsidiaries	In accordance with IFRS, operating costs of consolidated private equity subsidiaries are included in profit or loss as part of operating expenses. When calculating normalised results, these operating costs are reclassified to NIR, where income earned from these entities is included. This presentation of net income earned from consolidated private equity subsidiaries more accurately reflects the underlying economic substance of the group's relationship with these entities.
FirstRand shares held for client trading activities	The group invests in FirstRand shares to offset its exposure as a result of client trading positions. Depending on the nature of the client trading position and resulting risks, FirstRand shares may be held long or sold short by the group. In terms of IAS 32, FirstRand shares held by the group are deemed to be treasury shares for accounting purposes. For the statement of financial position, the cost price of FirstRand shares held long is deducted from equity and the consideration received from selling FirstRand shares short is added back to equity. All gains and losses on FirstRand shares are reversed to profit or loss. In addition, in terms of IAS 28, upstream and downstream profits are eliminated when equity accounting is applied, and, in terms of IAS 32, profits or losses cannot be recognised on an entity's own equity instruments. For the income statement, the group's portion of the fair value change in FirstRand shares is, therefore, deducted from equity-accounted earnings and the investment recognised using the equity-accounted method. Changes in the fair value of FirstRand shares and dividends declared on these shares affect the fair value of client trading positions reflected in the statement of financial position, unless the client trading position is itself an equity instrument. The change in the fair value of client trading positions is recognised in profit or loss. However, because of the rules relating to treasury shares and the elimination of upstream and downstream profits when equity accounting is applied, the corresponding fair value changes (or the group's portion of the fair value changes) in the FirstRand shares held to match client trading positions are reversed or eliminated. This results in a mismatch in the overall equity and profit or loss of the group. For purposes of calculating normalised results, the adjustments described above are reversed and FirstRand shares held for client trading positions are treated as issued to parties external to the group. Where the client trading position is itself an equity instrument, then neither gains nor losses on client trading positions or FirstRand shares held to hedge these are reflected in profit or loss or on the statement of financial position.

34 SEGMENT INFORMATION CONTINUED

Normalised adjustments	
Margin-related items included in fair value income	In terms of IFRS, the bank is required to or has elected to measure certain financial assets and liabilities at fair value through profit or loss. In terms of the group's IFRS accounting policies, the gains or losses on these assets and liabilities are included in fair value income within non-interest revenue (NIR). This results in NIR including gains or losses that are related to lending, borrowing and economic interest rate hedges. In order to reflect the economic substance of these amounts, the amount of fair value income that relates to margin is presented in net-interest income (NII) in the normalised results. The amount reclassified from NIR to NII includes the following items: • net interest income on the wholesale advances book in RMB; • fair value gains on derivatives that are used as interest rate hedges but which do not qualify for hedge accounting; and • currency translations and associated costs inherent to the USD funding and liquidity pool.
Classification of impairment on restructured advance	Included in gross advances and impairment of advances is an amount in respect of an advance that was restructured to an equity investment. Post the restructure the group has significant influence over the counterparty and an investment in associate was recognised. The group believes that the circumstances that led to the impairment arose prior to the restructure while the advance relates to credit events rather than equity performance of the associate. For normalised reporting, therefore, the group retained the gross advance and impairment. These amounts are classified in advances rather than investments in associates as this more accurately reflects the nature of the balance.
IAS 19 Remeasurement of plan assets	In terms of IAS 19, interest income is recognised on the plan assets and set off against staff costs in the income statement. All other remeasurements of plan assets are recognised in other comprehensive income. In instances where the plan asset is a qualifying insurance policy, which has a limit of indemnity, the fair value of the plan asset is limited to that limit of indemnity. The limit of indemnity continually reduces as payments are made in terms of the insurance policy. After the recognition of interest income on the plan asset, any further adjustment required to revalue the plan asset to the limit of indemnity is recognised in other comprehensive income. To the extent, therefore, that interest income on plan assets results in an increase in the fair value of the plan asset above the limit of indemnity, a downward fair value measurement is recognised in other comprehensive income. Economically, the value of the plan asset has simply reduced with claims paid. Normalised results are adjusted to reflect this by increasing staff costs for the value of the interest on the plan assets and increasing other comprehensive income.

34 SEGMENT INFORMATION CONTINUED

Normalised adjustments	
Realisations on the sale of private equity subsidiaries	In terms of *Circular 2/2015 Headline Earnings*, gains or losses from the sale of subsidiaries are excluded from headline earnings. The circular includes specific industry rules. Rule 1 allows entities to include in headline earnings gains or losses associated with private equity investments that are associates or joint ventures, which form part of trading or operating activities. This exclusion, however, does not apply to gains or losses associated with private equity investments that are subsidiaries. The group includes gains or losses on the sale of private equity subsidiaries in normalised results to reflect the nature of these investments.
Cash settled share-based payments and the economic hedge	The group entered into a total return swap (TRS) with external parties to economically hedge itself against the exposure to changes in the FirstRand share price associated with the group's share schemes. In terms of IAS 39 the TRS is accounted for as a derivative instrument at fair value with the full fair value change recognised in NIR. In accordance with IFRS 2, the expense resulting from these option schemes is recognised over the vesting period of the schemes. This leads to a mismatch in the recognition of the profit or loss of the hedge and the share-based payment expense. When calculating normalised results, the group defers the recognition of the fair value gain or loss on the hedging instrument to the specific reporting period in which the IFRS 2 impact will manifest in the group's results. This reflects the economic substance of the hedge and associated IFRS 2 impact for the group. In addition, the portion of the share-based payment expense which relates to the remeasurement of the liability arising from changes in the share price is reclassified from operating expenses into NIR in accordance with the economics of the transaction. The share-based payment expense included in operating expenses is equal to the grant date fair value of the awards given.
Headline earnings adjustments	All adjustments 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 amount of these adjustments are provided in the reconciliation between headline earnings and IFRS profit.

34 SEGMENT INFORMATION continued

	2017		
R million	FNB	FNB Africa**	
Net interest income before impairment of advances	**24 100**	**3 178**	
Impairment and fair value of credit of advances	**(3 648)**	**(788)**	
Net interest income after impairment of advances	**20 452**	**2 390**	
Non-interest revenue	**21 490**	**3 237**	
Net income from operations	**41 942**	**5 627**	
Operating expenses	**(23 471)**	**(4 603)**	
Share of profit of associates after tax	**(4)**	**3**	
Share of profit of joint ventures after tax	**6**	**-**	
Income before tax	**18 473**	**1 027**	
Indirect tax	**(525)**	**(147)**	
Profit for the year before tax	**17 948**	**880**	
Income tax expense	**(5 026)**	**(415)**	
Profit for the year	**12 922**	**465**	
The income statement includes:			
Depreciation	**(1 604)**	**(264)**	
Amortisation	**(120)**	**(16)**	
Net impairment charges	**(9)**	**-**	
The statement of financial position includes:			
Investments in associated companies	**233**	**8**	
Investments in joint ventures	**12**	**-**	
Total assets	**348 562**	**49 959**	
Total liabilities*	**330 301**	**49 982**	

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

* *Total liabilities are net of interdivisional balances.*

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

Geographical segments

	2017					
R million	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	**29 383**	**3 913**	**3 371**	**72**	**124**	**36 863**
Non-interest revenue*	**37 530**	**4 211**	**(387)**	**151**	**455**	**41 960**
Non-current assets**	**24 143**	**2 563**	**238**	**2**	**5**	**26 951**

* *Includes share of profit of associates and joint ventures after tax.*

** *Excludes financial instruments, accounts receivable, deferred income tax assets, current tax assets, post-employment benefit assets and rights arising under insurance contracts.*

	2017						
	RMB						
	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group - normalised	Normalised adjustments	FirstRand group - IFRS
	4 430	2 023	10 510	2 385	46 626	(1 709)	44 917
	(400)	(137)	(3 431)	350	(8 054)	-	(8 054)
	4 030	1 886	7 079	2 735	38 572	(1 709)	36 863
	8 752	2 325	4 552	(2 129)	38 227	2 695	40 922
	12 782	4 211	11 631	606	76 799	986	77 785
	(5 586)	(2 468)	(6 225)	(1 420)	(43 773)	(812)	(44 585)
	675	-	439	(356)	757	-	757
	345	-	-	(67)	284	(3)	281
	8 216	1 743	5 845	(1 237)	34 067	171	34 238
	(115)	(12)	(233)	(49)	(1 081)	-	(1 081)
	8 101	1 731	5 612	(1 286)	32 986	171	33 157
	(2 272)	(485)	(1 543)	2 790	(6 951)	(67)	(7 018)
	5 829	1 246	4 069	1 504	26 035	104	26 139
	(127)	(5)	(671)	(19)	(2 690)	(38)	(2 728)
	(47)	-	(60)	(3)	(246)	(3)	(249)
	(1)	(9)	(1)	(17)	(37)	(586)	(623)
	2 851	-	2 238	594	5 924	-	5 924
	1 384	-	-	(17)	1 379	51	1 430
	401 157	45 872	214 222	157 973	1 217 745	(38)	1 217 707
	392 412	43 634	207 809	76 385	1 100 523	-	1 100 523

34 SEGMENT INFORMATION continued

	2016#		
R million	FNB	FNB Africa**	
Net interest income before impairment of advances	22 216	2 730	
Impairment and fair value of credit of advances	(3 175)	(553)	
Net interest income after impairment of advances	19 041	2 177	
Non-interest revenue	20 072	3 297	
Net income from operations	39 113	5 474	
Operating expenses	(22 105)	(4 056)	
Share of profit of associates after tax	(9)	1	
Share of profit of joint ventures after tax	6	-	
Income before tax	17 005	1 419	
Indirect tax	(419)	(122)	
Profit for the year before tax	16 586	1 297	
Income tax expense	(4 645)	(491)	
Profit for the year	11 941	806	
The income statement includes:			
Depreciation	(1 395)	(221)	
Amortisation	(19)	(8)	
Net impairment charges	3	(53)	
The statement of financial position includes:			
Investments in associated companies	237	5	
Investments in joint ventures	6	-	
Total assets	334 199	49 217	
Total liabilities*	317 633	49 309	

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

* *Total liabilities are net of interdivisional balances.*

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

The segment report for June 2016 has been presented in line with the updated internal method of management reporting. Refer to section 34.2 for additional details.

Geographical segments

	2016					
R million	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	29 168	3 740	1 771	75	128	34 882
Non-interest revenue*	32 633	4 059	790	490	418	38 390
Non-current assets**	22 772	2 271	95	3	31	25 172

* *Includes share of profit of associates and joint ventures after tax.*

** *Excludes financial instruments, accounts receivable, deferred income tax assets, current tax assets, post-employment benefit assets and rights arising under insurance contracts.*

2016#						
RMB						
Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	FirstRand group - normalised	Normalised adjustments	FirstRand group - IFRS
4 321	1 882	10 142	2 439	43 730	(1 689)	42 041
(551)	(162)	(3 013)	295	(7 159)	-	(7 159)
3 770	1 720	7 129	2 734	36 571	(1 689)	34 882
7 669	2 234	3 946	(2 229)	34 989	1 945	36 934
11 439	3 954	11 075	505	71 560	256	71 816
(5 526)	(2 479)	(5 623)	(1 153)	(40 942)	(715)	(41 657)
1 017	-	215	(294)	930	-	930
615	-	88	(186)	523	3	526
7 545	1 475	5 755	(1 128)	32 071	(456)	31 615
(93)	(9)	(237)	(48)	(928)	-	(928)
7 452	1 466	5 518	(1 176)	31 143	(456)	30 687
(2 101)	(410)	(1 540)	2 403	(6 784)	172	(6 612)
5 351	1 056	3 978	1 227	24 359	(284)	24 075
(218)	(5)	(535)	67	(2 307)	(99)	(2 406)
(14)	-	(62)	(1)	(104)	(4)	(108)
22	(3)	(107)	18	(120)	(5)	(125)
2 744	-	1 983	(5)	4 964	-	4 964
1 305	-	-	(17)	1 294	50	1 344
395 822	39 311	205 016	125 761	1 149 326	(49)	1 149 277
385 887	37 435	199 686	51 262	1 041 212	-	1 041 212

35 RELATED PARTIES

35.1 Balances with related parties

R million	2017	2016
Advances		
Entities that have significant influence over the group and its subsidiaries	**5 577**	5 235
Associates*	**16 867**	12 613
Joint ventures	**13 086**	9 637
Key management personnel	**29**	49
Accounts receivable		
Associates*	**400**	294
Joint ventures	**33**	24
Derivative assets		
Notional		
Entities that have significant influence over the group and its subsidiaries	**-**	80
Associates	**400**	435
Joint ventures	**36 002**	27 073
Fair value		
Entities that have significant influence over the group and its subsidiaries	**-**	2
Associates	**4**	13
Joint ventures	**9**	359
Investment securities		
Associates	**266**	86
Investments under the co-investment scheme		
Key management personnel	**66**	65
Deposits		
Entities that have significant influence over the group and its subsidiaries	**45**	4
Associates	**1 042**	312
Joint ventures	**3 354**	2 606
Key management personnel	**224**	426
Accounts payable		
Entities that have significant influence over the group and its subsidiaries	**2**	2
Associates	**48**	66
Joint ventures	**42**	32
Derivative liabilities		
Notional		
Entities that have significant influence over the group and its subsidiaries	**-**	5
Joint ventures	**-**	25
Fair value		
Joint ventures	**1**	1
Commitments		
Associates*	**1 219**	3 498
Joint ventures	**1**	-

** Prior year amounts have been restated.*

The amounts advanced to key management personnel consist of mortgages, instalment finance agreements, credit cards and other loans. The amounts deposited by key management personnel are held in cheque and current accounts and other term accounts and are at market related rates, terms and conditions.

35 RELATED PARTIES continued

35.2 Transactions with related parties

R million	2017	2016
Interest received		
Associates*	**566**	613
Joint ventures	**468**	420
Key management personnel	**3**	3
Interest paid		
Entities that have significant influence over the group and its subsidiaries	**(1)**	-
Associates	**(41)**	(42)
Joint ventures	**(220)**	(161)
Key management personnel	**(7)**	(13)
Non-interest revenue		
Entities that have significant influence over the group and its subsidiaries	**111**	216
Associates*	**700**	591
Joint ventures	**512**	950
Operating expenses		
Associates	**(825)**	(804)
Joint ventures	**(118)**	4
Dividends received		
Associates	**215**	245
Joint ventures	**16**	232
Net investment return credited in respect of investments under the co-investment scheme		
Key management personnel	**12**	9
Financial consulting fees and other		
Key management personnel	**4**	8
Salaries and other employee benefits		
Key management personnel**	**241**	369
- Salaries and other short-term benefits	**158**	179
- Share-based payments	**83**	190

* *Prior year amounts have been restated.*

** *The current year benefits are down on the prior year as the prior year includes shares issued under the BEE schemes and the definition of key management was amended to reflect changes to governance structures.*

Deferred compensation of R48 million (2016: R48 million) is due to key management personnel and is payable in FirstRand shares. A list of the board of directors of the group is available in the corporate governance section.

During the financial year, no contracts were entered into in which directors or officers of the company had an interest and which significantly affected the business of the group.

The directors had no interest in any third party or company responsible for managing any of the business activities of the group except to the extent that they are shareholders in RMB Holdings Limited, which together with Remgro, has significant influence over FirstRand.

35 RELATED PARTIES continued

35.3 Post-retirement benefit fund

Details of transactions between the group and the group's post-employment benefit plan are listed below:

R million	**2017**	2016
Dividend income	**10**	5
Deposits held with the group	**450**	766
Interest expense	**36**	33

36 STRUCTURED ENTITIES

The group uses structured entities in the ordinary course of business to support its own and customers' financing and investing needs.

Consolidated structured entities

Consolidated structured entities include securitisation vehicles, conduit vehicles, investment funds and a structured entity that has been established for the purpose of creating high quality liquid assets that can be pledged as collateral under the SARB's committed liquidity facility, if required. For details on any financial or other support provided to the group's securitisation and conduit vehicles refer to the liquidity facilities section later in this note.

Other than these facilities specified the group has not provided any additional financial or other support to these entities in the current year. The group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

Interests in unconsolidated structured entities

In addition to the controlled structured entities above the group has financial interests in other structured entities that expose the group to the variable income of those entities without resulting in control. The table below sets out the nature of those relationships and the impact of those relationships on the financial position and performance of the group.

	Property finance transactions	**Joint funding SPV**
Nature of the relationship	The group owns the ordinary shares in structured entities that own properties. These properties serve as security for the loans raised to acquire the properties. External parties hold a right to purchase these shares for a fixed price at a future date. The group is, therefore, exposed to the variable income of the structured entity based on the value of the option compared to the value of the property in the entity.	The group together with a co-funder has provided preference share funding to a SPV structure which in turn has provided funding to a corporate counterparty. The group has exposure to variable returns due to the preference share funding it provides to the SPV.

36 STRUCTURED ENTITIES continued

Impact on statement of financial position of the group is below.

	Property finance transactions		Joint funding SPV	
R million	**2017**	2016	**2017**	2016
Advances	**-**	-	**252**	140
Investment securities	**-**	61	**-**	-
Maximum exposure to loss	**-**	61	**252**	140

The group has not made any commitments on behalf of these entities and has not provided any additional financial support to these entities in the current or prior year. The group does not have the intention to provide additional support in the foreseeable future and as such is not exposed to any additional risks from the relationship with these entities.

Sponsorships of unconsolidated structured entities

The group has also provided letters of support to several external structured entities. None of these entities are consolidated by the group. However, a subsidiary of the group, FRIHL, does hold immaterial interests in some of these entities. During the current and prior year no assets were transferred by the group to these sponsored entities.

Liquidity facilities

The following table provides a summary of the liquidity facilities provided by the group.

R million	**2017**	2016
Own transactions	**1 531**	988
- iVuzi	**1 531**	988
Third party transactions	**31**	31
Total liquidity facilities	**1 562**	1 019

All liquid facilities granted to the transactions in the table above rank senior in terms of payment priority in the event of a drawdown. Economic capital is allocated to the liquidity facility extended to iVuzi as if the underlying assets were held by the group.

37 FINANCIAL AND INSURANCE RISK

Overview of financial and insurance risks

The financial instruments recognised on the group's statement of financial position, expose the group to various financial risks.

The information presented in this note represents the quantitative information required by IFRS 7 and sets out the group's exposure to these financial and insurance risks. This section also contains details about the group's capital management process. A description of how the risks arise and the group's objectives, policies and processes for managing these financial and insurance risks and capital, are provided in the summary risk and capital management report in section A.

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Credit risk</td><td colspan="2">Credit risk is the risk of loss due to the non-performance of a counterparty in respect of any financial or other obligation. For fair value portfolios, the definition of credit risk is expanded to include the risk of losses through fair value changes arising from changes in credit spreads.</td></tr>
<tr><td>Credit risk arises primarily from the following instruments:
➢ advances; and
➢ certain investment securities.

Other sources of credit risk are:
➢ reinsurance assets;
➢ cash and cash equivalents;
➢ accounts receivable;
➢ derivative balances; and
➢ off-balance sheet exposures.</td><td>The following information is presented for these assets:
➢ Summary of all credit assets (37.1.1);
➢ Information about the quality of credit assets (37.1.2);
➢ Exposure to concentration risk (37.1.3); and
➢ Credit risk mitigation techniques and collateral held (37.1.4).</td></tr>
<tr><td rowspan="2">Liquidity risk</td><td colspan="2">Liquidity risk is the risk that the group is unable to meet its obligations when these fall due and payable. It is also the risk of not being able to realise assets when required to meet repayment obligations in a stress scenario.</td></tr>
<tr><td>All assets and liabilities with differing maturity profiles expose the group to liquidity risk.</td><td>The following information is presented for these assets and liabilities:
➢ Undiscounted cash flow analysis of financial liabilities (37.2.1);
➢ Discounted cash flow analysis of total assets and liabilities (37.2.2); and
➢ Collateral pledged (37.2.3).</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISK continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="4">Market risk</td><td colspan="2">The group distinguishes between market risk in the trading book and non-traded market risk. For non-traded market risk, the group distinguishes between interest rate risk in the banking book and structural foreign exchange risk.

Market risk in the trading book is the risk of adverse revaluation of any financial instrument as a consequence of changes in the market prices or rates.</td></tr>
<tr><td>Market risk in the trading book (37.3.1) emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products and is taken and managed by RMB.</td><td>The following information is presented for market risk in the trading book:
➢ 1 day 99% value at risk (VaR) analysis; and
➢ 10 day 99% VaR analysis.</td></tr>
<tr><td>Interest rate risk in the banking book (37.4.1) originates from the differing repricing characteristics of balance sheet positions/instruments, yield curve risk, basis risk and client optionality embedded in banking book products.</td><td>The following information is presented for interest rate risk in the banking book:
➢ projected NII sensitivity to interest rate movements; and
➢ banking book NAV sensitivity to interest rate movements as a percentage of total group capital.</td></tr>
<tr><td>Structural foreign exchange risk (37.4.2) arises from balances denominated in foreign currencies and group entities with functional currencies other than the South African rand.</td><td>Information about the group’s net structural foreign exposure and the sensitivity of the exposure is presented.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISK continued

<table>
<tr><th colspan="3">Overview of financial and insurance risks</th></tr>
<tr><td rowspan="2">Equity investment risk</td><td colspan="2">The risk of an adverse change in the fair value of an investment in a company, fund or any other financial instrument, whether listed, unlisted or bespoke.</td></tr>
<tr><td>Equity investment risk (37.5) arises primarily from equity exposures from private equity and investment banking activities in RMB, and strategic investments held by WesBank, FNB and FCC. Ashburton Investments also exposes the group to equity investment risk through the seeding of new traditional and alternative funds, both locally and offshore, which exposes the group until these investments are taken up by external parties.</td><td>The following information is presented for these assets
➢ investment risk exposure and sensitivity of investment risk exposure; and
➢ estimated sensitivity of remaining investment balances.</td></tr>
<tr><td rowspan="2">Insurance risk</td><td colspan="2">Insurance risk exists when it is expected that the present value of the benefits payable in terms of the policy on the occurrence of an insured event will materially differ from the amount payable had the insured event not occurred.</td></tr>
<tr><td colspan="2">The risk arises from the group’s long and short term insurance operations, underwritten through its subsidiaries FirstRand Life Assurance Limited and FirstRand Insurance Services Company Limited.</td></tr>
<tr><td>Capital management</td><td colspan="2">The overall capital management objective is to maintain sound capital ratios and a strong credit rating to ensure confidence in the group’s solvency and quality of capital during calm and turbulent periods in the economy and financial markets. The group, therefore, maintains capitalisation ratios aligned to its risk appetite and appropriate to safeguard operations and stakeholder interests. The key focus areas and considerations of capital management are to ensure an optimal level and composition of capital, effective allocation of resources including capital and risk capacity and a sustainable dividend policy.</td></tr>
</table>

37 FINANCIAL AND INSURANCE RISK continued

37.1 Credit risk

37.1.1 Credit assets

The following assets and off-balance sheet amounts expose the group to credit risk. For all on-balance sheet exposures, the carrying amount recognised on the statement of financial position represents the maximum exposure to credit risk, before taking into account collateral and other credit enhancements.

R million	**2017**	2016
On-balance sheet exposures		
Cash and short-term funds	**59 813**	55 785
- Money at call and short notice	**34 015**	31 768
- Balances with central banks	**25 798**	24 017
Gross advances	**909 646**	867 562
- FNB	**377 569**	361 774
- Retail	**249 099**	240 208
- Commercial*	**83 580**	77 957
- Rest of Africa**	**44 890**	43 609
- WesBank	**208 470**	199 297
- RMB	**282 944**	264 983
- Investment banking	**240 708**	228 813
- Corporate banking	**42 236**	36 170
- FCC (including Group Treasury)	**40 663**	41 508
Derivatives	**35 459**	40 551
Debt investment securities (excluding non-recourse investments)	**139 375**	107 814
Accounts receivable	**8 878**	10 152
Reinsurance assets	**89**	36
Off-balance sheet exposures	**164 209**	149 744
Total contingencies	**40 737**	42 072
- Guarantees	**34 006**	34 733
- Letters of credit#	**6 731**	7 339
Irrevocable commitments	**119 325**	101 418
Credit derivatives	**4 147**	6 254
Total	**1 317 469**	1 231 644

* *Includes public sector.*

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

Includes acceptances.

37 FINANCIAL AND INSURANCE RISK continued

37.1.2 Quality of credit assets

Age analysis of advances

	2017				
		Past due but not specifically impaired			
R million	Neither past due nor impaired	One full instalment past due	Two full instalments past due	Impaired (NPLs)	Total
FNB	**354 550**	**6 743**	**4 048**	**12 228**	**377 569**
- Retail	**235 014**	**4 008**	**2 506**	**7 571**	**249 099**
- Commercial*	**80 625**	**175**	**500**	**2 280**	**83 580**
- Rest of Africa**	**38 911**	**2 560**	**1 042**	**2 377**	**44 890**
WesBank	**193 086**	**4 944**	**2 509**	**7 931**	**208 470**
RMB	**281 133**	**62**	**3**	**1 746**	**282 944**
- Investment banking#	**238 962**	**37**	**3**	**1 706**	**240 708**
- Corporate banking	**42 171**	**25**	**-**	**40**	**42 236**
FCC (including Group Treasury)	**40 663**	**-**	**-**	**-**	**40 663**
Total	**869 432**	**11 749**	**6 560**	**21 905**	**909 646**
Percentage of total book (%)	**95.6**	**1.3**	**0.7**	**2.4**	**100.0**

* *Includes public sector.*
** *Includes FNB's activities in India.*
# *Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.*

	2016				
		Past due but not specifically impaired			
R million	Neither past due nor impaired	One full instalment past due	Two full instalments past due	Impaired (NPLs)	Total
FNB	341 721	5 951	3 129	10 973	361 774
- Retail	226 658	3 988	2 293	7 269	240 208
- Commercial*	75 785	129	102	1 941	77 957
- Rest of Africa**	39 278	1 834	734	1 763	43 609
WesBank	184 915	5 483	2 160	6 739	199 297
RMB	261 235	38	140	3 570	264 983
- Investment banking#	225 195	38	140	3 440	228 813
- Corporate banking	36 040	-	-	130	36 170
FCC (including Group Treasury)	41 508	-	-	-	41 508
Total	829 379	11 472	5 429	21 282	867 562
Percentage of total book (%)	95.6	1.3	0.6	2.5	100.0

* *Includes public sector.*
** *Includes FNB's activities in India.*
# *Impaired advances for RMB investment banking are net of cumulative credit fair value adjustments on the non-performing book.*

37 FINANCIAL AND INSURANCE RISK continued

The following tables provide the credit quality of advances in the in-force portfolio.

Credit quality of performing advances (neither past due nor impaired)

	2017					
		FNB				
R million	**Total**	**Retail**	**Commercial***	**Rest of Africa****	**WesBank**	
FR 1 - 25	**251 729**	**39 023**	**9 234**	**5 913**	**15 332**	
FR 26 - 90	**604 675**	**189 781**	**70 214**	**30 020**	**175 274**	
Above FR 90	**13 028**	**6 210**	**1 177**	**2 978**	**2 480**	
Total	**869 432**	**235 014**	**80 625**	**38 911**	**193 086**	

	2016					
		FNB				
R million	Total	Retail	Commercial*	Rest of Africa**	WesBank	
FR 1 - 25	238 488	41 128	7 153	9 534	14 987	
FR 26 - 90	577 570	179 380	66 919	28 071	167 928	
Above FR 90	13 321	6 150	1 713	1 673	2 000	
Total	829 379	226 658	75 785	39 278	184 915	

* *Includes public sector.*

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

For more detail about the FR rating scales and the link to rating agency scales refer to the credit risk section in the summary risk and capital management report in section A.

	2017		
	RMB investment banking	**RMB corporate banking**	**FCC (including Group Treasury)**
	119 688	**21 516**	**41 023**
	119 097	**20 652**	**(363)**
	177	**3**	**3**
	238 962	**42 171**	**40 663**

	2016		
	RMB investment banking	RMB corporate banking	FCC (including Group Treasury)
	109 898	16 685	39 103
	113 686	19 188	2 398
	1 611	167	7
	225 195	36 040	41 508

37 FINANCIAL AND INSURANCE RISK continued

Analysis of impaired advances (NPLs)

	2017		
R million	Total net of interest in suspense	Security held and expected recoveries	Specific impairment
NPLs by class			
FNB	**12 228**	**7 253**	**4 975**
- Retail	**7 571**	**4 623**	**2 948**
- Commercial	**2 280**	**1 225**	**1 055**
- Rest of Africa	**2 377**	**1 405**	**972**
WesBank	**7 931**	**5 274**	**2 657**
RMB	**1 746**	**889**	**857**
- Investment banking	**1 706**	**868**	**838**
- Corporate banking	**40**	**21**	**19**
Total NPLs	**21 905**	**13 416**	**8 489**
NPLs by category			
Overdrafts and cash management accounts	**2 382**	**1 042**	**1 340**
Term loans	**1 659**	**874**	**785**
Card loans	**982**	**319**	**663**
Instalment sales and hire purchase agreements	**6 536**	**4 387**	**2 149**
Lease payments receivable	**243**	**141**	**102**
Property finance	**5 648**	**4 472**	**1 176**
Personal loans	**2 922**	**1 396**	**1 526**
Preference share agreements	**387**	**324**	**63**
Investment bank term loans	**721**	**337**	**384**
Long-term loans to group associates and joint ventures	**400**	**117**	**283**
Other	**25**	**7**	**18**
Total NPLs	**21 905**	**13 416**	**8 489**

37 FINANCIAL AND INSURANCE RISK continued

	2016		
R million	Total net of interest in suspense	Security held and expected recoveries	Specific impairment
NPLs by class			
FNB	10 973	6 582	4 391
- Retail	7 269	4 432	2 837
- Commercial	1 941	993	948
- Rest of Africa	1 763	1 157	606
WesBank	6 739	4 414	2 325
RMB	3 570	2 068	1 502
- Investment banking	3 440	1 990	1 450
- Corporate banking	130	78	52
Total NPLs	21 282	13 064	8 218
NPLs by category			
Overdrafts and cash management accounts	2 224	980	1 244
Term loans	1 501	982	519
Card loans	807	262	545
Instalment sales and hire purchase agreements	5 548	3 682	1 866
Lease payments receivable	261	155	106
Property finance	5 358	4 220	1 138
Personal loans	2 482	1 046	1 436
Investment bank term loans	2 632	1 567	1 065
Long-term loans to group associates and joint ventures	405	137	268
Other	64	33	31
Total NPLs	21 282	13 064	8 218

37 FINANCIAL AND INSURANCE RISK continued

Other credit assets (excluding advances)

Credit quality of other financial assets (excluding advances) neither past due nor impaired

R million	Debt investment securities	Derivatives	Cash and short-term funds	Reinsurance assets	Accounts receivable	Total
	2017					
AAA- to BBB-	**117 588**	**29 190**	**55 075**	**46**	**2 222**	**204 121**
BB+ to B-	**21 268**	**6 264**	**4 368**	**43**	**3 721**	**35 664**
CCC	**519**	**-**	**354**	**-**	**3**	**876**
Unrated	**-**	**5**	**16**	**-**	**15**	**36**
Total	**139 375**	**35 459**	**59 813**	**89**	**5 961**	**240 697**

R million	Debt investment securities	Derivatives	Cash and short-term funds	Reinsurance assets	Accounts receivable	Total
	2016					
AAA- to BBB-	98 550	33 530	52 511	36	760	185 387
BB+ to B-	8 798	6 996	2 987	-	5 551	24 332
CCC	456	17	287	-	5	765
Unrated	10	8	-	-	154	172
Total	107 814	40 551	55 785	36	6 470	210 656

37 FINANCIAL AND INSURANCE RISK continued

The age analysis of financial instruments included in accounts receivable is provided in the table below.

	2017					
	Neither past due nor impaired	**Past due but not impaired**				
R million		**1 - 30 days**	**31 - 60 days**	**61 - 90 days**	**Impaired**	**Total**
Items in transit	**1 708**	**-**	**-**	**1**	**-**	**1 709**
Interest and commission accrued	**154**	**-**	**-**	**-**	**-**	**154**
Sundry debtors	**1 236**	**4**	**2**	**5**	**9**	**1 256**
Other accounts receivable	**2 863**	**113**	**35**	**50**	**7**	**3 068**
Total financial accounts receivable	**5 961**	**117**	**37**	**56**	**16**	**6 187**

	2016					
	Neither past due nor impaired	Past due but not impaired				
R million		1 - 30 days	31 - 60 days	61 - 90 days	Impaired	Total
Items in transit	1 349	-	-	-	-	1 349
Interest and commission accrued	224	-	-	-	-	224
Sundry debtors	1 142	11	2	14	1	1 170
Other accounts receivable	3 755	48	3	29	-	3 835
Total financial accounts receivable	6 470	59	5	43	1	6 578

37.1.3 Concentration risk

Credit concentration risk is the risk of loss to the group arising from an excessive concentration of exposure to a single counterparty, industry, market, product, financial instrument or type of security, country or region, or maturity. This concentration typically exists when a number of counterparties are engaged in similar activities and have similar characteristics that would cause their ability to meet contractual obligations to be similarly affected by changes in economic or other conditions.

Concentration risk is managed based on the nature of the credit concentration in each portfolio. The group's credit portfolio is well diversified, achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines for these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

37 FINANCIAL AND INSURANCE RISK continued

The following tables provide a breakdown of credit exposure across geographical areas.

Geographic concentration of significant credit asset exposure

	2017							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	38 701	6 142	7 736	2 145	4 636	274	179	59 813
Total advances	751 596	86 003	59 041	5 521	1 890	1 474	4 121	909 646
NPLs	18 690	2 681	294	103	88	-	49	21 905
Derivatives	20 463	799	11 706	1 682	475	-	334	35 459
Debt investment securities (excluding non-recourse investments)	113 641	15 576	2 173	1 207	2 062	-	4 716	139 375
Accounts receivable	6 253	1 152	931	32	279	165	66	8 878
Reinsurance assets	52	-	37	-	-	-	-	89
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	31 287	5 326	30	719	263	95	3 017	40 737
Irrevocable commitments	105 624	9 995	636	2 731	176	34	129	119 325

37 FINANCIAL AND INSURANCE RISK continued

Geographic concentration of significant credit asset exposure continued

	2016							
R million	South Africa	Rest of Africa	United Kingdom	Other Europe	North and South America	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	34 111	6 516	7 377	3 169	4 181	227	204	55 785
Total advances	715 648	83 580	53 616	6 206	1 501	2 407	4 604	867 562
NPLs	17 111	3 569	247	113	99	1	142	21 282
Derivatives	20 760	1 325	14 512	3 281	463	24	186	40 551
Debt investment securities (excluding non-recourse investments)	79 644	12 162	612	1 078	9 424	4	4 890	107 814
Accounts receivable	6 104	1 475	801	22	209	1 416	125	10 152
Reinsurance assets	35	1	-	-	-	-	-	36
Off-balance sheet exposures								
Guarantees, acceptances, and letters of credit	32 285	5 815	560	871	333	64	2 144	42 072
Irrevocable commitments	87 944	10 545	707	1 874	119	76	153	101 418

37 FINANCIAL AND INSURANCE RISK continued

Sector analysis concentration of advances

Advances expose the group to concentration risk to the various industry sectors. The tables below set out the group's exposure to the various industry sectors for total advances and NPLs.

	2017			
		NPLs		
R million	Total advances	Total value net of ISP	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	**33 147**	**788**	**619**	**169**
Banks	**4 960**	**3**	**-**	**3**
Financial institutions	**134 248**	**113**	**60**	**53**
Building and property development	**48 460**	**1 396**	**699**	**697**
Government, Land Bank and public authorities	**25 096**	**28**	**8**	**20**
Individuals	**433 989**	**15 171**	**9 731**	**5 440**
Manufacturing and commerce	**105 415**	**2 416**	**1 339**	**1 077**
Mining	**18 827**	**277**	**161**	**116**
Transport and communication	**20 121**	**310**	**169**	**141**
Other services	**85 383**	**1 403**	**630**	**773**
Gross value of advances	**909 646**	**21 905**	**13 416**	**8 489**
Impairment and fair value of credit of advances	**(16 540)**			
Net advances	**893 106**			

	2016			
		NPLs		
R million	Total advances	Total value net of ISP	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	31 351	574	459	115
Banks	11 294	45	35	10
Financial institutions*	137 548	92	49	43
Building and property development*	49 991	1 454	719	735
Government, Land Bank and public authorities	21 802	13	5	7
Individuals	417 638	13 670	8 743	4 927
Manufacturing and commerce	100 085	1 554	727	827
Mining	19 741	2 024	1 303	721
Transport and communication	21 015	288	121	167
Other services*	76 407	1 568	903	666
Gross value of advances	867 562	21 282	13 064	8 218
Impairment and fair value of credit of advances	(16 157)			
Net advances	851 405			

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

37 FINANCIAL AND INSURANCE RISK continued

37.1.4 Credit risk mitigation and collateral held

Since taking and managing credit risk is core to its business, the group aims to optimise the amount of credit risk it takes to achieve its return objectives. Mitigation of credit risk is an important component of this, beginning with the structuring and approval of facilities for only those clients and within those parameters that fall within risk appetite.

Although, in principle, credit assessment focuses on the counterparty's ability to repay the debt, credit mitigation instruments are used where appropriate to reduce the group's lending risk, resulting in security against the majority of exposures. These include financial or other collateral, netting agreements, guarantees or credit derivatives. The collateral types are driven by portfolio, product or counterparty type.

Credit risk mitigation instruments

- Mortgage and instalment sale finance portfolios in FNB Homeloans, FNB Wealth and WesBank are secured by the underlying assets financed;
- FNB commercial credit exposures are secured by the assets of the SME counterparties and commercial property finance deals are secured by the underlying property and associated cash flows.
- Structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets.
- Counterparty credit risk in RMB is mitigated through the use of netting agreements and financial collateral. For additional information relating to the use of the netting agreements refer to page C218.
- Personal loans, overdrafts and credit card exposures are generally unsecured or secured by guarantees and securities; and
- Working capital facilities in RMB corporate banking are secured.

The group employs strict policies governing the valuation and management of collateral across all business areas. Collateral is managed internally to ensure that title is retained over collateral taken over the life of the transaction. Collateral is valued at inception of the credit agreement and subsequently where necessary through physical inspection or index valuation methods. For corporate and commercial counterparties, collateral is reassessed during the annual review of the counterparty's creditworthiness to ensure that proper title is retained. For mortgage portfolios, collateral is revalued on an ongoing basis using an index model and physical inspection are performed at the beginning of the recovery process. For asset finance, the total security reflected represents only the realisation value estimates of the vehicles repossessed at the date of repossession. Where the repossession has not yet occurred, the realisation value of the vehicle is estimated using internal models and is included as part of total recoveries.

Concentrations in credit risk mitigation types, such as property, are monitored and managed in the three credit portfolios. FNB HomeLoans, Housing Finance and Wealth monitor exposure to a number of geographical areas, as well as within loan-to-value bands.

Collateral is taken into account for capital calculation purposes through the determination of LGD. Collateral reduces LGD, and LGD levels are determined through statistical modelling techniques based on historical experience of the recovery processes.

37 FINANCIAL AND INSURANCE RISK continued

37.1.4 Credit risk mitigation and collateral held continued

The table below sets out the financial effect of collateral per class of advance.

Collateral held per class of advance

R million	2017	2016
FNB	**6 102**	5 529
- Retail	**4 696**	4 518
- Commercial	**1 119**	743
- Rest of Africa	**287**	268
WesBank	**2 361**	2 482
RMB	**1 589**	2 260
- Investment banking	**1 306**	1 848
- Corporate banking	**283**	412
Total	**10 052**	10 271

The financial effect of collateral and other credit enhancements has been calculated separately per class of advance for the performing book (IBNR and portfolio specific impairments) and the non-performing book. The amounts disclosed above represent the difference between the impairment recognised on the statement of financial position using the actual LGD and a proxy LGD for all secured portfolios. The proxy LGD is based on the LGD used to determine the impairment recognised on the statement of financial position for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect is calculated.

37 FINANCIAL AND INSURANCE RISK continued

The table below sets out the cash collateral held against the net derivative position.

Collateral held against derivative positions

R million	**2017**	2016
Cash collateral held	**3 942**	5 852

This is the collateral that the group holds that it has the ability to sell or repledge in the absence of default by the owner of the collateral.

Collateral held in structured transactions

	2017		2016	
R million	**Fair value**	**Fair value of collateral sold or repledged in the absence of default**	Fair value	Fair value of collateral sold or repledged in the absence of default
Cash and cash equivalents	**5 878**	**-**	7 311	-
Investment securities	**35 525**	**23 195**	48 364	34 232
Total collateral pledged	**41 403**	**23 195**	55 675	34 232

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

The table below sets out the reconciliation of collateral taken possession of and recognised on the statement of financial position.

Collateral taken possession of

		Property	
R million	Notes	**2017**	2016
Opening balance		**3**	75
Additions		**8**	1
Disposals and write-offs		**-**	(73)
Closing balance	13	**11**	3

When the group takes possession of collateral that is not cash or not readily convertible into cash, the group determines a minimum sale amount (pre-set sale amount) and auctions the asset for the pre-set sale amount. Where the group is unable to obtain the pre-set sale amount in an auction, the group will continue to hold the asset while actively marketing it to ensure an appropriate value is obtained.

37 FINANCIAL AND INSURANCE RISK continued

Offsetting of financial assets and financial liabilities

Where appropriate, various instruments are used to mitigate the potential exposure to certain counterparties. These include financial or other collateral in line with common credit risk practices, as well as netting agreements, guarantees and credit derivatives. In addition, the group has set up a function to clear OTC derivatives centrally as part of risk mitigation.

The group uses international Swaps and Derivatives Association (ISDA) and International Securities Market Association agreements for the purpose of netting derivative transactions and repurchase transactions respectively. These master agreements as well as associated credit support annexes (CSA) set out internationally accepted valuation and default covenants, which are evaluated and applied daily, including daily margin calls based on the approved CSA thresholds.

The tables below include information about financial assets and financial liabilities that are:

- offset and the net amount presented in the group's statement of financial position in accordance with the requirements of IAS 32; and
- subject to enforceable MNA or similar agreements where the amounts have not been offset because one or both of the requirements of IAS 32 are not met or the amounts relate to financial collateral (cash or non-cash) that mitigates credit risk.

Structured transactions refer to reverse repurchase, securities borrowing and similar arrangements, repurchase in the asset table, securities lending and similar arrangements on the liability section of the table.

The net amount reported on the statement of financial position represents the net amount of financial assets and financial liabilities where offsetting has been applied in terms of IAS 32 and financial instruments that are subject to MNA and similar agreements but no offsetting has been applied.

37 FINANCIAL AND INSURANCE RISK continued

The financial collateral included in the table below is limited to the net statement of financial position exposure in line with the requirements of IFRS 7 and excludes the effect of any over-collateralisation. The amount of collateral included in the table for IFRS 7 disclosure purposes has been determined at a business unit level. If these limits were determined on a group wide level, the amount of collateral included in this table could increase. The total amount reported on the statement of financial position is the sum of the net amount reported in the statement of financial position and the amount of financial instruments not subject to set off or MNA.

	Derivatives		Structured transactions		Other advances/deposits	
R million	**2017**	2016	**2017**	2016	**2017**	2016
Assets						
Offsetting applied						
Gross amount	**43 987**	51 404	**37 490**	49 483	**-**	300
Amount set off	**(10 478)**	(13 949)	**(9 305)**	(11 729)	**-**	(300)
Net amount reported on the statement of financial positions	**33 509**	37 455	**28 185**	37 754	**-**	-
Offsetting not applied						
Financial instruments subject to MNA and similar agreements	**(27 480)**	(27 569)	**(44)**	(4 179)	**-**	-
Financial collateral	**(2 277)**	(3 698)	**(28 141)**	(33 575)	**-**	-
Net amount	**3 752**	6 188	**-**	-	**-**	-
Financial instruments not subject to set off or MNA	**1 950**	3 096	**2 700**	5 251	**862 221**	808 400
Total statement of financial position	**35 459**	40 551	**30 885**	43 005	**862 221**	808 400
Liabilities						
Offsetting applied						
Gross amount	**49 796**	59 320	**37 681**	46 816	**-**	300
Amount set off	**(10 477)**	(13 949)	**(9 305)**	(11 729)	**-**	(300)
Net amount reported on the statement of financial positions	**39 319**	45 371	**28 376**	35 087	**-**	-
Offsetting not applied						
Financial instruments subject to MNA and similar agreements	**(27 480)**	(27 569)	**(44)**	(4 179)	**-**	-
Financial collateral	**(929)**	(729)	**(27 660)**	(30 908)	**-**	-
Net amount	**10 910**	17 073	**672**	-	**-**	-
Financial instruments not subject to set off or MNA	**5 084**	5 411	**4 099**	5 540	**951 054**	879 447
Total statement of financial position	**44 403**	50 782	**32 475**	40 627	**951 054**	879 447

37 FINANCIAL AND INSURANCE RISK continued

37.2 Liquidity risk

37.2.1 Undiscounted cash flows

The following table presents the group's undiscounted cash flows of financial liabilities and off-balance sheet amounts and includes all cash outflows related to principal amounts as well as future payments. These balances will not reconcile to the statement of financial position for the following reasons:

- balances are undiscounted amounts whereas the statement of financial position is prepared using discounted amounts;
- table includes cash flows not recognised on the statement of financial position;
- all instruments held for trading purposes are included in the call to three-month bucket and not by maturity as trading instruments are typically held for short periods; and
- cash flows relating to principal and associated future coupon payments have been included on an undiscounted basis.

	2017			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	1 062 815	692 110	161 927	208 778
Short trading positions	15 276	15 276	-	-
Derivative financial instruments	44 651	41 951	716	1 984
Creditors and accruals	16 744	10 830	1 210	4 704
Tier 2 liabilities	25 413	349	2 927	22 137
Other liabilities	7 168	756	810	5 602
Policyholder liabilities	3 795	217	209	3 369
Off-balance sheet exposures				
Financial and other guarantees	40 737	39 281	1 149	307
Operating lease commitments	3 779	343	866	2 570
Other contingencies and commitments	4 249	1 540	2 146	563
Facilities not drawn	119 325	119 325	-	-

37 FINANCIAL AND INSURANCE RISK continued

	2016			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months and non-contractual
On-balance sheet exposures				
Deposits and current accounts	991 806	633 287	146 175	212 344
Short trading positions	14 263	14 263	-	-
Derivative financial instruments	51 609	46 760	1 103	3 746
Creditors and accruals	16 560	11 311	929	4 320
Tier 2 liabilities	24 487	312	2 486	21 689
Other liabilities	8 560	1 315	3 406	3 839
Policyholder liabilities	1 402	52	198	1 152
Off-balance sheet exposures				
Financial and other guarantees	42 072	36 480	2 101	3 491
Operating lease commitments	3 599	505	749	2 345
Other contingencies and commitments	2 115	1 712	188	215
Facilities not drawn	101 418	101 418	-	-

37 FINANCIAL AND INSURANCE RISK continued

37.2.2 Discounted cash flows

The following table represents the group's contractual discounted cash flows of total assets, liabilities and equity for the group. Relying solely on the liquidity mismatch when assessing a bank's maturity analysis would overstate risk, since this represents an absolute worst case assessment of cash flows at maturity.

Due to South Africa's structural liquidity position, banks tend to have a particularly pronounced negative gap in the shorter term due to short-term institutional funds which represent a significant proportion of banks' liabilities. These are used to fund long-term assets, e.g. mortgages.

Discounted cash flow analysis - maturity analysis of total assets, liabilities and equity based on the present value of the expected payment

	2017			
		Term to maturity		
R million	**Carrying amount**	**Call - 3 months**	**4 - 12 months**	**> 12 months**
Total assets	**1 217 707**	**385 508**	**132 796**	**699 403**
Total equity and liabilities	**1 217 707**	**762 794**	**155 425**	**299 488**
Net liquidity gap	**-**	**(377 286)**	**(22 629)**	**399 915**
Cumulative liquidity gap	**-**	**(377 286)**	**(399 915)**	**-**

	2016			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months
Total assets	1 149 277	367 636	124 161	657 480
Total equity and liabilities	1 149 277	709 363	139 809	300 105
Net liquidity gap	-	(341 727)	(15 648)	357 375
Cumulative liquidity gap	-	(341 727)	(357 375)	-

As illustrated in the table above, the negative liquidity short-term gap increased in the short end on a cumulative basis. This is aligned to the funding strategy to grow the deposit franchise via transactional deposit accounts. Management continues to align stress funding buffers both locally and offshore, taking into account prevailing economic and market conditions.

37 FINANCIAL AND INSURANCE RISK continued

37.2.3 Collateral pledged

The group pledges assets under the following terms and conditions:

- mandatory reserve deposits are held with the central bank in accordance with statutory requirements these deposits are not available to finance the group's day-to-day operations;
- assets are pledged as collateral under repurchase agreements with other banks and for security deposits relating to local futures and options; and
- collateral in the form of cash and other investment securities is pledged when the group borrows equity securities from third parties. These transactions are conducted under the terms and conditions that are usual and customary to standard securities lending arrangements.

All other pledges are conducted under terms which are usual and customary to lending arrangements.
The following assets have been pledged to secure the liabilities set out in the table below. These assets are not available in the normal course of business.

R million	**2017**	2016
Cash and cash equivalents	**2 259**	2 083
Advances	**1 801**	124
Investment securities - held under repurchase agreements	**25 880**	21 108
Investment securities - other	**1 677**	949
Total assets pledged	**31 617**	24 264

The following liabilities have been secured by the group pledging either its own or borrowed financial assets, except for the short trading positions which are covered by borrowed securities only.

R million	**2017**	2016
Short trading positions	**15 276**	14 263
Total deposits	**33 495**	41 618
- Deposits under repurchase agreements	**28 377**	35 868
- Deposits in securities lending transactions	**4 098**	4 726
- Other secured deposits	**1 020**	1 024
Other	**4 052**	1 704
Total liabilities secured	**52 823**	57 585

Securities lending transactions include only those where cash is placed against the securities borrowed. Transactions where securities are lent and borrowed and other securities placed against the borrowing and lending are excluded.

37 FINANCIAL AND INSURANCE RISK continued

37.2.4 Concentration analysis of deposits

R million	**2017**	2016
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**70 264**	61 803
Public sector entities	**39 062**	34 927
Local authorities	**8 426**	9 581
Banks	**72 700**	81 185
Securities firms	**14 567**	17 107
Corporate customers	**503 703**	432 716
Retail customers	**272 452**	279 703
Other	**2 355**	3 052
Total deposits	**983 529**	920 074
Geographical analysis		
South Africa	**820 690**	764 575
Rest of Africa	**93 526**	83 402
UK	**52 715**	48 124
Other	**16 598**	23 973
Total deposits	**983 529**	920 074

37 FINANCIAL AND INSURANCE RISK continued

37.3 Market risk

The group distinguishes between market risk in the trading book and non-traded market risk.

37.3.1 Market risk in the trading book

VaR analysis by risk type

The following table reflects VaR over a 1-day holding period at a 99% confidence level.

1-day 99% VaR analysis by instrument

	2017				2016
R million	Min*	Max*	Average	Period end	Period end
Risk type#					
Equities	0.6	48.0	7.0	5.3	2.3
Interest rates**	23.4	130.8	47.7	59.0	95.5
Foreign exchange	5.9	100.1	35.3	23.8	48.1
Commodities	3.6	78.0	13.8	19.2	16.8
Traded credit	6.3	16.1	11.1	8.0	12.7
Diversification effect				(75.0)	(108.5)
Diversified total	20.5	108.4	54.5	40.3	66.9

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

** *Interest rate risk in the trading book.*

\# *Excludes foreign branches and subsidiaries in the rest of Africa, which are reported on the standardised approach for market risk.*

The following table reflects the 10-day VaR and sVaR at the 99% confidence level.

The 10-day VaR calculation is performed using 10-day scenarios created from the past 260 trading days, whereas the 10-day sVaR is calculated using scenario data from the static stress period.

	2017								2016	
	VaR				sVaR				Period end	
R million	Min*	Max*	Average	Period end	Min	Max	Average	Period end	VaR	sVaR
Risk type#										
Equities	1.7	77.5	15.0	12.0	6.3	98.3	18.5	27.0	4.9	13.6
Interest rates**	33.0	346.9	170.3	85.4	70.4	192.2	127.4	115.2	248.1	95.3
Foreign exchange	9.3	202.1	74.4	86.8	18.9	288.4	100.9	116.6	88.5	133.1
Commodities	7.1	295.4	28.4	38.6	7.8	350.9	33.8	35.4	24.7	32.0
Traded credit	14.6	29.5	21.1	17.9	16.6	34.5	26.3	21.9	26.7	34.1
Diversification effect				(152.8)				(115.3)	(245.4)	(161.8)
Diversified total	48.5	387.5	159.9	88.0	87.2	347.9	172.4	200.8	147.5	146.3

* *The maximum and minimum VaR figures for each asset class did not necessarily occur on the same day. Consequently, a diversification effect was omitted from the above table.*

** *Interest rate risk in the trading book.*

\# *Excludes foreign branches and subsidiaries in the rest of Africa, which are reported on the standardised approach for market risk. The sVaR numbers relates to FirstRand Bank SA only.*

37 FINANCIAL AND INSURANCE RISK continued

37.4 Non-traded market risk

37.4.1 Interest rate risk in the banking book

Earning sensitivity

Earnings models are run on a monthly basis to provide a measure of the NII sensitivity of the existing banking book balance sheet to shocks in interest rates. Underlying transactions are modelled on a contractual basis and behavioural adjustments are applied where relevant. The calculation assumes, assuming a constant balance sheet size and product mix over the forecast horizon. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at management of the group's discretion. This assumption is based on historical product behaviour.

The following tables show the 12-month NII sensitivity for a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates.

Most of the NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R192 billion (2016: R162.5 billion) for the year.

Projected ZAR NII sensitivity to interest rate movements

	2017		
	Change in projected 12-month NII		
R million	**FirstRand Bank**	**Subsidiaries in the rest of Africa and foreign branches**	**FirstRand**
Downward 200 bps	**(1 498)**	**(568)**	**(2 066)**
Upward 200 bps	**957**	**409**	**1 366**

	2016		
	Change in projected 12-month NII		
R million	FirstRand Bank	Subsidiaries in the rest of Africa and foreign branches	FirstRand
Downward 200 bps	(1 821)	(498)	(2 319)
Upward 200 bps	1 475	381	1 856

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel 200 bps decrease in interest rates would result in a reduction in projected 12 -month NII of R2 066 million (2016: R2 319 million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 366 million (2016: R1 856 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Economic value of equity (EVE)

An EVE sensitivity measure is used to assess the impact on the total NAV of the group as a result of a shock to underlying rates. Unlike the trading book, where a change in rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation of a rate move in the banking book will impact the distributable and non-distributable reserves to varying degrees and is reflected in the NII margin more as an opportunity cost/benefit over the life of the underlying positions. As a result, a purely forward-looking EVE sensitivity measure is applied to the banking book, be it a 1 bps shock or a full stress shock, which is monitored relative to total risk limit, appetite levels and current economic conditions.

The EVE shock applied is based on regulatory guidelines and is a sustained, instantaneous parallel 200 bps downward and upward shock to interest rates. This is applied to risk portfolios as managed by Group Treasury which, as a result of the risk transfer through the internal funds transfer pricing process, captures relevant open risk positions in the banking book. This measure does not take into account the unrealised economic benefit embedded as a result of the banking book products which are not recognised at fair value.

The following table:
- highlights the sensitivity of banking book NAV as a percentage of total capital; and
- reflects a point-in-time view which is dynamically managed and can fluctuate over time.

Banking book NAV sensitivity to interest rate movements as a percentage of total group capital

%	**2017**	2016
Downward 200 bps	**1.91**	0.08
Upward 200 bps	**(1.71)**	(0.05)

37 FINANCIAL AND INSURANCE RISK continued

37.4.2 Structural foreign exchange risk

The table below provides an overview of the group's exposure to entities with functional currencies other than the South African rand and the pre-tax impact on equity of a 15% change in the exchange rate between the South African rand and the relevant functional foreign currencies. There were no significant structural hedging strategies employed by the group in the financial year.

Net structural foreign exposures

	2017		2016	
Currency million	**Carrying value of net investment**	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment	Pre-tax impact on equity from 15% currency translation shock
Functional currency				
Botswana pula	**3 819**	**573**	3 714	557
United States dollar	**3 696**	**554**	4 016	602
Sterling	**3 015**	**452**	2 308	346
Nigerian naira	**1 069**	**160**	1 131	170
Australian dollar	**756**	**113**	1 454	218
Zambian kwacha	**1 004**	**151**	792	119
Mozambican metical	**520**	**78**	652	98
Indian rupee	**634**	**95**	737	111
Ghanaian cedi	**403**	**60**	493	74
Tanzanian shilling	**539**	**81**	774	116
Common Monetary Area (CMA) countries*	**5 876**	**881**	5 345	802
Total	**21 331**	**3 198**	21 416	3 213

* *Currently Namibia, Swaziland and Lesotho are part of the CMA. Unless these countries decide to exit, the CMA, rand volatility will not impact these countries' rand reporting values.*

37 FINANCIAL AND INSURANCE RISK continued

37.5 Equity investment risk

The table below shows the equity investment risk exposure and sensitivity. The 10% sensitivity movement is calculated on the carrying value of investments excluding investments subject to the expected tail loss (ETL) process and includes the carrying value of investments in associates and joint ventures. The impact of the sensitivity movements would be recognised in profit or loss.

Investment risk exposure and sensitivity of investment risk exposure

R million	**2017**	2016
Listed investment risk exposure included in the equity investment risk ETL process	**21**	66
ETL on above equity investment risk exposures	**-**	5
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**238**	367

37 FINANCIAL AND INSURANCE RISK continued

37.6 Insurance risk

The group is exposed to insurance risk through short-term and life insurance policies that are underwritten. Insurance risk is influenced by the frequency of the claims, severity of claims, actual benefits paid and subsequent development of long-term claims. The objective of the group, therefore, is to ensure that sufficient reserves are available to cover these liabilities.

Insurance risk mitigation

The risk exposure is mitigated by diversification across a portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The group purchases reinsurance as part of its risk mitigation programme. The reinsurances agreements spread the risk and of loss and minimise the effect of losses. The risk retention levels depend on the evaluation of specific risk, subject to certain circumstance, to maximum limits based on the characteristics of coverage. For life insurance products reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the group's net exposure to catastrophe losses. Amounts recoverable from reinsurers are estimated in a manner consistent with outstanding claims.

Life insurance products

Life insurance contracts offered by the group include: whole life, term assurance, pure endowments, and investment contracts. Whole life and term assurance are conventional regular premium products when lump sum benefits are payable on death or disability.

The main risks the group is exposed to as a result of underwriting life insurance products are as follows:

- Mortality risk – risk of loss arising due to policyholder death experience being different than expected.
- Morbidity risk – risk of loss arising due to policyholder health experience being different than expected.
- Expense risk – risk of loss arising from expense experience being different than expected.
- Lapse risk – risk of loss arising from policyholder behaviour being different than expected.

The group's underwriting strategy is designed to ensure that the risks are well diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography, the use of medical screening in order to ensure pricing takes account of current health conditions and family medical history, regular review of actual claims experience and product pricing, as well as detailed claims' handling procedures. For contracts for which death or disability is the insured risk, the significant factors that could increase the overall frequency of claims are epidemics, widespread changes in lifestyle and natural disasters, resulting in earlier or more claims than expected.

Mortality and Morbidity risk

Exposure by size of sum assured

	Before Reinsurance		After Reinsurance	
Retail sums assured at risk	**R million**	**%**	**R million**	**%**
2017				
1 - 499 999	**100 394**	**84.4**	**98 932**	**92.4**
500 000 - 999 999	**9 174**	**7.7**	**7 504**	**7.0**
1 000 000 - 1 999 999	**5 672**	**4.8**	**632**	**0.6**
2 000 000 and above	**3 700**	**3.1**	**2**	**-**
Total	**118 940**	**100.0**	**107 070**	**100.0**
2016				
1 - 499 999	17 084	98.5	17 062	99.8
500 000 - 999 999	92	0.5	9	0.1
1 000 000 - 1 999 999	103	0.6	10	0.1
2 000 000 and above	70	0.4	-	-
Total	17 349	100.0	17 081	100.0

37 FINANCIAL AND INSURANCE RISK continued

Sensitivities

An analysis was performed in the current year for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit before tax and equity. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities. To demonstrate the impact of changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that the movements in these assumptions are non-linear. Sensitivity information also varies according to the current economic assumptions, mainly due to the impact of the changes to both the intrinsic cost and time value of options and guarantees. When options and guarantees exist, these are the main reason for the asymmetry of sensitivities. Since the policyholder liabilities are retrospective in nature, there is no sensitivity because of changes in assumptions in the current financial year. Due to the zerorisation of negative reserves, sensitivities are absorbed in the margins.

Short-term insurance products

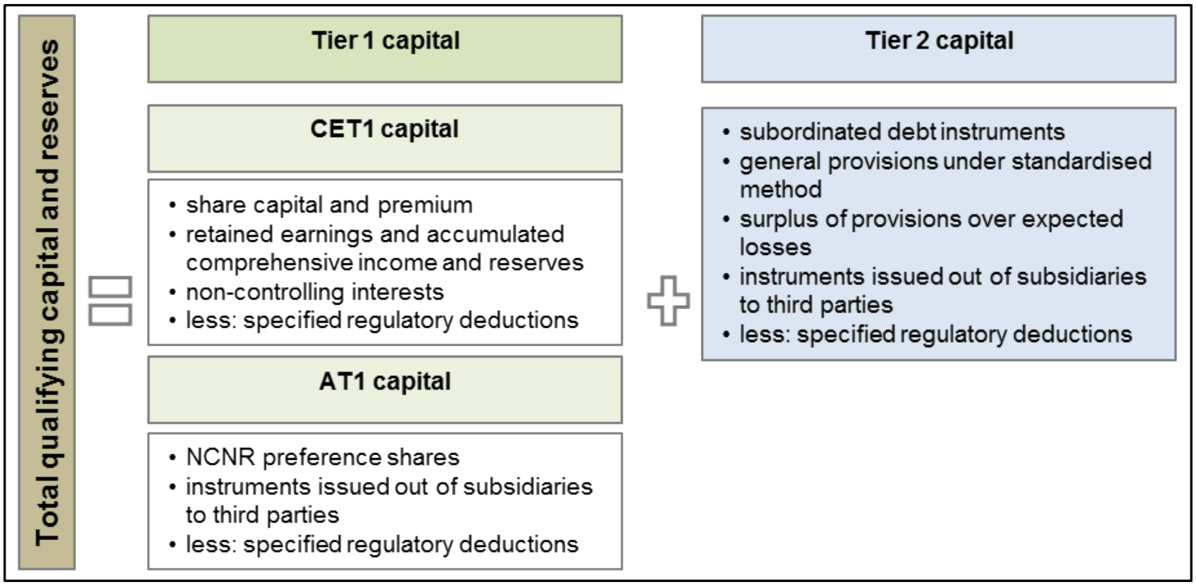
The terms and conditions of short-term insurance contracts have a material effect on the amount, timing and uncertainty of future cash flows. The key risks associated with general insurance contracts are claims experience. The provisions for these contracts are refined at least annually. As claims experience develops, certain claims are settled, further claims are revised and new claims are reported. The reasonableness of the estimation process is tested by management and reviewed on a regular basis. The group believes that the liability for claims carried at the end of the year is adequate.

The short term insurance products offered by the group include:

- Liability – provides cover for risks relating to the incurring of a liability other than from risk covered more specifically under another insurance contract.
- Motor – provides indemnity cover relating to the possession, use or ownership of a motor vehicle. The cover includes comprehensive cover, third party, fire and theft, and third party liabilities.
- Personal accident – provides compensation arising out of the death or disability directly caused by an accident occurring anywhere in the world, provided that death or disability occurs within 12 months of this injury.
- Property – provides indemnity relating to movable and immovable property caused by perils such as fire, explosion, earthquakes, acts of nature, burst geysers and pipes, malicious damage, impact, alterations and additions.

37 FINANCIAL AND INSURANCE RISK continued

37.7 Capital management



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

The group continues to focus on maintaining strong capital and leverage levels, with focus on the quality of capital and optimisation of the group's RWA and capital mix.

The group comfortably operated above its capital and leverage targets during the year. The internal targets set by management are more stringent than the regulatory imposed targets. The table below summarises the group's capital and leverage targets as at 30 June 2017.

37 FINANCIAL AND INSURANCE RISK continued

Composition of capital analysis

	CET1 capital	Tier 1 capital	Total qualifying capital
Internal targets	**10% - 11%**	**> 12%**	**> 14%**

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

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

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following new and revised standards and interpretations are applicable to the business of the group. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS7 (amended)	**Disclosure Initiative (Amendments to IAS 7)** The amendments to IAS 7 require additional disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities. These amendments are applicable prospectively and will have no impact on the amounts reported by the group but will introduce additional disclosures.	Annual periods commencing on or after 1 January 2017
IAS 12 (amended)	**Recognition of Deferred Tax Assets for Unrealised Losses (Amendments to IAS 12)** The amendments clarify that unrealised losses on debt instruments that are measured at fair value for accounting purposes but at cost for tax purposes, can give rise to deductible temporary differences and consequently a deferred tax asset may need to be recognised. The carrying amount of the asset does not limit the estimation of probable future taxable profits. These amendments are to be applied retrospectively in the 2018 financial year. FirstRand is in the process of assessing the impact of this amendment on the annual financial statements; however, a significant impact is not anticipated as a result of South African tax laws.	Annual periods commencing on or after 1 January 2017

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IAS 28 (amended) and IFRS 10 (amended)	**Sale or Contribution of Assets between an Investor and its Associate or Joint Venture (Amendments to IAS 28 and IFRS 10)** The amendment clarifies the treatment of the sale or contribution of assets from an investor to its associate or joint venture. The amendment requires: ➢ full recognition in the investor's financial statements of the gains or losses arising on the sale or contribution of assets that constitute a business (as defined in IFRS 3); and ➢ the partial recognition of gains or losses where the assets do not constitute a business, i.e. a gain or loss is recognised only to the extent of the unrelated investors' share in that associate or joint venture. These requirements apply regardless of the legal form of the transaction, e.g. whether the sale or contribution of assets occurs by an investor transferring shares in a subsidiary that holds the assets (resulting in loss of control of the subsidiary), or by the direct sale of the assets themselves. The amendments are applicable prospectively and the group will assess the impact of the amendment on each transaction as and when they occur.	The effective date is currently being reviewed by the IASB and will most likely be deferred indefinitely until the completion of a research project on the equity method of accounting conducted by the IASB.

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 2 (amended)	**Classification and Measurement of Share-Based Payment Transactions** As a result of work by the IFRS Interpretations Committee, several amendments have been made to IFRS 2 to clarify how to account for certain share-based payment transactions. The amendments to IFRS 2 are related to the following areas: ➢ Accounting for the effects of vesting and non-vesting conditions on the measurement of the liability of cash-settled share-based payment transactions; ➢ The classification of share-based payment transactions with net settlement features for withholding tax obligations; and ➢ Accounting for a modification to the terms and conditions of a share-based payment that changes the transaction from cash-settled to equity-settled. The FirstRand group currently only has cash-settled share-based payment schemes. The group is currently in line with the first two amendments as the group is accounting for these items in line with the clarifications. The third amendment will be considered when such transactions take place and will be applied prospectively to any modifications made on or after the adoption date.	Annual periods commencing on or after 1 January 2018

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 4 (amended)	**Applying IFRS 9 with IFRS 4** The amendment addresses concerns around temporary volatility in reported results arising from implementing IFRS 9 before implementing the insurance contracts standard that is being developed and that will replace IFRS 4. The amendment introduces two approaches: ➢ The overlay approach - An option for all issuers of insurance contracts to remove from profit or loss the effects of some mismatches that may occur before adoption of IFRS 4, and recognise those impacts temporarily. The adjustment only applies to financial assets that are designated as relating to contracts in scope of IFRS 4 and measured at FVTPL in accordance with IFRS 9, but would have been measured in their entirety as at FVTPL under IAS 39. ➢ Temporary exemption - Reporting entities whose activities are predominantly connected with insurance are temporarily exempt from applying IFRS 9 and will continue to apply IAS 39 until the new insurance contracts standard is issued. All entities in the FirstRand group, including those who issue insurance contracts, will apply IFRS 9 for annual periods commencing on or after 1 January 2018 and therefore the two approaches made available under this amendment will not be elected and the amendment will have no impact on the group.	Annual periods commencing on or after 1 January 2018

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 9	**Financial Instruments** IFRS 9 incorporates amendments to the classification and measurement guidance as well as accounting requirements for impairment of financial assets measured at amortised cost and the general hedge accounting model. The significant amendments are: ➢ Classification and measurement of financial assets under IFRS 9 is based on both the business model and the rationale for holding the instruments as well as the contractual characteristics of the instruments. ➢ Impairments in terms of IFRS 9 will be determined based on an expected loss model that considers significant changes to the asset's credit risk and the expected loss that will arise in the event of default. ➢ Classification and measurement of financial liabilities is effectively the same as under IAS 39 i.e. IFRS 9 allows financial liabilities not held for trading to be measured at either amortised cost or fair value. If, however, fair value is elected then changes in the fair value as a result of changes in own credit risk should be recognised in other comprehensive income. ➢ General hedge accounting requirements under IFRS 9 are closely aligned with how entities undertake risk management activities when hedging financial and non-financial risk exposures. Hedge effectiveness will now be proved based on management's risk management objectives, rather than the 80%-125% band that was previously stipulated. IFRS 9 also allows for rebalancing of the hedge and deferral of costs of hedging. IFRS 9 does not include requirements that address the accounting treatment of macro hedges. The group is well positioned to implement IFRS 9 for the financial year ending 30 June 2019. In order to prepare for the implementation, the group has constituted a steering committee which is supported by a number of working groups. The working groups have made sound progress in setting, *inter alia*, the accounting policies, determining the classification of instruments under IFRS 9, developing pilot models for credit modelling, and designing reporting templates. The impact is expected to be significant, however, the development of models is ongoing and still subject to independent internal and external validation. It is, therefore, not possible to provide an accurate indication of the amount.	Annual periods commencing on or after 1 January 2018

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 15	**Revenue from Contracts with Customers** IFRS 15 provides a single, principle based model to be applied to all contracts with customers. The core principle of IFRS 15 is that an entity will recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The new standard also provides guidance for transactions that were not previously comprehensively addressed and improves guidance for multiple-element arrangements. The standard also introduces enhanced disclosures about revenue. The impact of IFRS 15 is being assessed as part of the IFRS 9 project. The group is well positioned to implement IFRS 15 for the financial year ending 30 June 2019. The group has made progress with regards to the impact of IFRS 15.	Annual periods commencing on or after 1 January 2018
IFRS 16	**Leases** IFRS 16 establishes principles for the recognition, measurement, presentation and disclosure of leases, with the objective of ensuring that lessees and lessors provide relevant information that faithfully represent those transactions. The group is in the process of assessing the impact IFRS 16 will have on the financial statements. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2019

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRS 17	**Insurance Contracts** IFRS 17 is the new standard that deals with the accounting for insurance contracts and will replace IFRS 4. IFRS 4 currently contains no requirements to account for insurance contracts in a specific way. The accounting treatment differs between different jurisdictions, which make it very difficult to compare one insurance company to another. IFRS 17 contains specific requirements and aims to provide more transparency and comparability between insurance companies and other industries. IFRS 17 provides a prescriptive approach on determining policyholder liabilities as well as the release of profit in these contracts to the income statement. The recognition of insurance revenue will be consistent with that of IFRS 15. Insurance revenue is derived by the movement in the liability for remaining insurance coverage. The insurance contract liability is initially made up of : • the fulfilment cash flows, which represents the risk-adjusted present value of the entity's rights and obligations to the policyholders; and • the contractual service margin (CSM), which represents the unearned profit the entity will recognise as it provides services over the coverage period. Subsequently, the liability comprises the liability for remaining coverage (fulfilment cash flows and the CSM) and the liability for incurred claims (fulfilment cash flows for claims and expenses already incurred but not yet paid). The group is in the process of assessing the impact that IFRS 17 will have on the group's insurance business. Until the process has been completed, the group is unable to determine the significance of the impact.	Annual periods commencing on or after 1 January 2021
IAS 40	**Transfers of Investment Property (Amendments to IAS 40)** The amendments introduce clarification of the requirements on transfers to, or from investment properties when there has been a change in use of the property The clarified requirements will be applied by the group to any transfer to or from investment property, when these transactions take place.	Annual periods commencing on or after 1 January 2018

38 STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Standard	Impact assessment	Effective date
IFRIC 22	**Foreign Currency Transaction and Advance Consideration** This interpretation clarifies the accounting treatment for transactions that involves the advance receipt or payment of consideration in a foreign currency. The group is in the process of assessing the impact on the annual financial statements but it is not expected to have a significant impact.	Annual periods commencing on or after 1 January 2018
IFRS 23	**Uncertainty over Income Tax Treatments** This interpretation is to be applied to the determination of taxable profit or loss, tax bases, unused tax losses, unused tax credits and tax rates, when there is uncertainty over income tax treatments under IAS 12. This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities, whilst also aiming to enhance transparency. When considering that the filing deadlines for tax returns and financial statement may be months apart, IFRIC 23 may require more rigour when finalising the judgements about the amounts to be included in the tax return before the financial statements are finalised. The group is in the process of assessing the impact on the annual financial statements but it is not expected to have a significant impact.	Annual periods commencing on or after 1 January 2019
Annual Improvements	**Improvements to IFRS** The IASB issued the *Annual Improvements to IFRS Standards 2014-2016 Cycle*. These annual improvements include amendments to IFRS 1, IFRS 12 and IAS 28. The annual improvement project's aim is to clarify and improve accounting standards. The amendments have been assessed and are not expected to have a significant impact on the group.	Annual periods commencing on or after 1 January 2017 (IFRS 12 amendments) and 1 January 2018 (IAS 12 and IAS 28)

39 EVENTS AFTER REPORTING PERIOD

The directors are not aware of any material events that have occurred between the date of the statement of financial position and the date of this report.

Audited
Financial statements
for the year ended
30 June 2017

FirstRand Company

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	**2017**	2016
Revenue	2	**14 134**	13 769
Net interest income	3	**20**	19
Income from operations		**14 154**	13 788
Operating expenses	4	**(182)**	(191)
Income before indirect tax		**13 972**	13 597
Indirect tax	5.1	**(2)**	(2)
Profit before income tax		**13 970**	13 595
Income tax expense	5.2	**(7)**	(24)
Profit for the year		**13 963**	13 571
Other comprehensive income		**-**	-
Total comprehensive income for the year		**13 963**	13 571
Attributable to			
Ordinary equityholders		**13 607**	13 242
NCNR preference shareholders		**356**	329
Total comprehensive income for the year		**13 963**	13 571

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2017	2016
ASSETS			
Cash and cash equivalents	7	**78**	69
Accounts receivable	8	**1**	3
Current tax asset		**2**	15
Investments in subsidiaries	9	**59 236**	58 917
Total assets		**59 317**	59 004
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**87**	78
Employee liabilities	11	**168**	177
Total liabilities		**255**	255
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**46 431**	46 118
Capital and reserves attributable to ordinary equityholders		**54 543**	54 230
NCNR preference shares	12	**4 519**	4 519
Total equity		**59 062**	58 749
Total equity and liabilities		**59 317**	59 004

STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

		Ordinary share capital and ordinary equityholders' funds		
R million	Notes	Share capital	Share premium	**Share capital and share premium**
Balance as at 1 July 2015		56	8 056	**8 112**
Ordinary dividends		-	-	**-**
Preference dividends		-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2016		56	8 056	**8 112**
Ordinary dividends		-	-	**-**
Preference dividends		-	-	**-**
Total comprehensive income for the year		-	-	**-**
Balance as at 30 June 2017		56	8 056	**8 112**

	Ordinary share capital and ordinary equityholders' funds				
	Capital redemption reserve	Retained earnings	**Reserves attributable to ordinary equityholders**	**NCNR preference shares**	**Total equity**
	1	45 496	**45 497**	**4 519**	**58 128**
	-	(12 621)	**(12 621)**	**-**	**(12 621)**
	-	-	**-**	**(329)**	**(329)**
	-	13 242	**13 242**	**329**	**13 571**
	1	46 117	**46 118**	**4 519**	**58 749**
	-	(13 294)	**(13 294)**	**-**	**(13 294)**
	-	-	**-**	**(356)**	**(356)**
	-	13 607	**13 607**	**356**	**13 963**
	1	46 430	**46 431**	**4 519**	**59 062**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2017	2016
Cash flows from operating activities			
Interest received		**22**	24
Trading and other income		**34**	48
Interest payments		**(2)**	(5)
Other operating expenses		**(84)**	(69)
Dividends received		**14 100**	13 720
Dividends paid		**(13 650)**	(12 950)
Cash generated from operating activities		**420**	768
Movement in operating assets and liabilities			
Accounts receivable		**2**	(2)
Employee liabilities		**(107)**	(97)
Creditors and accruals		**9**	(14)
Taxation paid		**4**	(44)
Net cash generated from operating activities		**328**	611
Cash flows from investing activities			
Increase in investments in subsidiaries		**(350)**	(647)
Net cash decrease in loans to subsidiaries		**31**	44
Net cash outflow from investing activities		**(319)**	(603)
Net increase in cash and cash equivalents		**9**	8
Cash and cash equivalents at the beginning of the year	7	**69**	61
Cash and cash equivalents at the end of the year	7	**78**	69

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

for the year ended 30 June

1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The annual financial statements of FirstRand Limited are prepared according to the same accounting policies used in preparing the consolidated financial statements of the group other than the accounting policies on consolidation, equity accounting and translation of foreign operations that are specific to group financial statements. For detailed accounting policies refer to pages C22 to C78 of the 2017 annual financial statements. The financial statements are prepared on the going concern basis in accordance with IFRS.

Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Functional and presentation currency of the company	South African rand (R)
Level of rounding	All amounts presented in millions of rands. The company has a policy of rounding up in increments of R500 000. Therefore, amounts less than R500 000 will round down to Rnil and are presented as a dash.

2 REVENUE

R million	2017	2016
Fees from subsidiaries	**32**	45
Other fees on non-financial instruments	**2**	3
Total fee and commission income	**34**	48
Gains less losses from investing activities		
Dividends received from subsidiaries - unlisted shares		
Ordinary dividends	**13 863**	13 501
Preference dividends	**237**	219
Fair value income on listed shares	**-**	1
Total gains less losses from investing activities	**14 100**	13 721
Total revenue	**14 134**	13 769

3 INTEREST INCOME AND EXPENSE

R million	2017	2016
Interest and similar income		
Cash and cash equivalents	**22**	23
Interest on accounts receivable	**-**	1
Interest and similar income	**22**	24
Interest expense and similar charges		
Borrowed funds	**(2)**	(5)
Interest expense and similar charges	**(2)**	(5)
Total net interest income	**20**	19

4 OPERATING EXPENSES

R million	Notes	2017	2016
Fees for other services		**-**	(1)
Directors fees		**(36)**	(36)
Direct staff costs		**(123)**	(133)
- Salaries, wages and allowances		**(65)**	(52)
- Contributions to employee benefit funds		**(1)**	(3)
- Share-based payment expense	11	**(56)**	(76)
- Social security levies		**(1)**	(2)
Travel		**(2)**	(4)
Operating lease charges		**(2)**	(2)
Professional fees		**(6)**	(3)
Registrar fees		**(2)**	(2)
Stock exchange fees		**(1)**	(1)
Corporate memberships		**(2)**	(2)
Other operating expenditure		**(8)**	(7)
Total operating expenses		**(182)**	(191)

5 INDIRECT AND INCOME TAX EXPENSE

	R million	2017	2016
5.1	**Indirect tax**		
	Value added tax (net)	**(2)**	(2)
	Total indirect tax	**(2)**	(2)
5.2	**Income tax expense**		
	South African income tax		
	Normal tax - current year	**(7)**	(24)
	Total income tax expense	**(7)**	(24)

Tax rate reconciliation - South African normal tax

%	2017	2016
Standard rate of income tax	**28**	28
Total tax has been affected by:		
Dividends received	**(28)**	(28)
Effective rate of tax	**-**	-

6 ANALYSIS OF ASSETS AND LIABILITIES BY CATEGORY

The principal accounting policies on pages C22 to C78 describe how the classes of financial instruments are measured and how income and expenses, including fair value gains and losses, are recognised.

The following table analyses the financial assets and liabilities in the statement of financial position per category of financial instrument to which they are assigned and therefore by measurement basis and according to when the assets are expected to be realised and liabilities settled.

		2017		
R million	Notes	**Loans and receivables**	**Financial liabilities at amortised cost**	**Non-financial instruments**
ASSETS				
Cash and cash equivalents	7	**78**	**-**	**-**
Accounts receivable	8	**1**	**-**	**-**
Current tax asset		**-**	**-**	**2**
Investment in subsidiaries	9	**-**	**-**	**59 236**
Total assets		**79**	**-**	**59 238**
LIABILITIES				
Creditors and accruals	10	**-**	**82**	**5**
Employee liabilities	11	**-**	**-**	**168**
Total liabilities		**-**	**82**	**173**

		2016		
R million	Notes	Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments
ASSETS				
Cash and cash equivalents	7	69	-	-
Accounts receivable	8	3	-	-
Current tax asset		-	-	15
Investment in subsidiaries	9	-	-	58 917
Total assets		72	-	58 932
LIABILITIES				
Creditors and accruals	10	-	67	11
Employee liabilities	11	-	-	177
Total liabilities		-	67	188

At the reporting date all accounts receivables are considered to be neither past due nor impaired.

The carrying value of cash and cash equivalents, and accounts receivable and creditors and accruals approximates the fair value.

2017			
	Total carrying value	**Current**	**Non-current**
	78	**78**	**-**
	1	**1**	**-**
	2	**2**	**-**
	59 236	**168**	**59 068**
	59 317	**249**	**59 068**
	87	**87**	**-**
	168	**137**	**31**
	255	**224**	**31**

2016			
	Total carrying value	Current	Non-current
	69	69	-
	3	3	-
	15	15	-
	58 917	199	58 718
	59 004	286	58 718
	78	78	-
	177	118	59
	255	196	59

7 CASH AND CASH EQUIVALENTS

R million	**2017**	2016
Money at call and short notice	**78**	69
Cash and cash equivalents	**78**	69

8 ACCOUNTS RECEIVABLE

R million	**2017**	2016
Other accounts receivable	**1**	3
Total accounts receivable	**1**	3

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	**% voting rights**	**Nature of business**	**Shares at cost**	
				2017 R million	2016 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 207**	7 207
Non-redeemable preference shares	**100**	100		**3 000**	3 000
FirstRand Bank Limited			Banking		
Ordinary shares	**100**	100		**40 194**	40 194
FirstRand Investment Holdings Proprietary Limited			Other activities		
Ordinary shares	**100**	100		**7 338**	7 338
FirstRand Investment Management Holdings Limited (previously Ashburton Investment Holdings Limited)			Investment management		
Ordinary shares	**100**	100		**259**	259
FirstRand Insurance Holdings Proprietary Limited			Insurance services		
Ordinary shares	**100**	100		**653**	303
Total				**58 651**	58 301
Investment through equity settled share incentive scheme			Equity settled share scheme	**417**	417
Amounts owing by subsidiaries				**168**	199
Total investments in subsidiaries				**59 236**	58 917

With the exception of FREMA, that offers financial services across Africa, the principal place of business for all of the company's subsidiaries is South Africa.

10 CREDITORS AND ACCRUALS

R million	**2017**	2016
Unclaimed dividends	**66**	59
Accounts payable and accrued liabilities	**14**	12
Audit fee accrual	**7**	7
Total creditors and accruals	**87**	78

11 EMPLOYEE LIABILITIES

Liability for short-term employee liabilities

R million	**2017**	2016
Opening balance	**38**	38
Additional provisions created	**42**	29
Utilised during the year	**(14)**	(29)
Total liability for short-term employee benefits	**66**	38
Share-based payment liability		
Opening balance	**139**	115
Transfer between legal entities within the group	**-**	16
Share-based payment settlement (cash)	**(93)**	(68)
Charge to profit or loss	**56**	76
Total share-based payment liability	**102**	139
Total employee liabilities	**168**	177
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation rights scheme*	**56**	76
Amount included in profit or loss	**56**	76

** This scheme was fully vested as at 30 June 2016.*

For a detailed description of share option schemes and trusts in which FirstRand Limited participates refer to note 31 of the consolidated annual financial statements.

12 SHARE CAPITAL AND SHARE PREMIUM

12.1 Share capital and share premium classified as equity

Authorised shares

	2017	2016
Ordinary shares	**6 001 688 450**	6 001 688 450
A preference shares - unlisted variable rate cumulative convertible redeemable	**198 311 550**	198 311 550
B preference shares - listed variable rate non-cumulative non-redeemable	**100 000 000**	100 000 000
C preference shares - unlisted variable rate convertible non-cumulative redeemable	**100 000 000**	100 000 000
D preference shares - unlisted variable rate cumulative redeemable	**100 000 000**	100 000 000

Issued shares

	2017			2016		
	Number of shares	**Ordinary Share capital R million**	**Share premium R million**	Number of shares	Ordinary Share capital R million	Share premium R million
Opening balance	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
B preference shares	**45 000 000**	**-**	**4 519**	45 000 000	-	4 519
Total issued share capital attributable to ordinary equityholders		**56**	**12 575**		56	12 575

The unissued ordinary shares are under the control of the directors until the next annual general meeting.

Dividends on the B preference shares are calculated at a rate of 75.56% of the prime lending rate of FNB, a division of FirstRand Bank Limited.

13 DIVIDENDS

R million	**2017**	2016
Ordinary dividends		
A final dividend of 118.00 cents (9 September 2015: 117.00 cents) per share was declared on 7 September 2016 in respect of the six months ended 30 June 2016	**6 619**	6 563
An interim dividend of 119.00 cents (7 March 2016: 108.00 cents) per share was declared on 8 March 2017 in respect of the six months ended 31 December 2016	**6 675**	6 058
Total ordinary dividends paid for the year	**13 294**	12 621
B preference shares		
A final dividend of 394.70 cents (31 August 2015: 363.90 cents) per share was declared on 29 August 2016 in respect of the six months ended 30 June 2016	**178**	164
An interim dividend of 395.60 cents (2 February 2016: 366.50 cents) per share was declared on 27 February 2017 in respect of the six months ended 31 December 2016	**178**	165
Total preference dividends paid for the year	**356**	329
A final ordinary dividend per share was declared on 6 September 2017 (7 September 2016)	**136.0**	118.0

14 RELATED PARTIES

14.1 Balances and transactions with related parties

	2017	
R million	**Entities that have significant influence over FirstRand Limited and their subsidiaries**	**Subsidiaries**
Net interest received	**-**	**19**
Non-interest revenue	**-**	**32**
Dividends received	**-**	**14 100**
Dividends paid	**4 528**	**-**
Amounts due from	**-**	**168**

	2016	
R million	Entities that have significant influence over FirstRand Limited and their subsidiaries	Subsidiaries
Net interest received	-	18
Non-interest revenue	-	45
Dividends received	-	13 720
Dividends paid	4 298	-
Amounts due from	-	199

Refer to the remuneration disclosures for details of the compensation paid to key management personnel.

15 EVENTS AFTER REPORTING PERIOD

Refer to note 39 of the consolidated annual financial statements of the group for further details.

16 RISK MANAGEMENT

FirstRand Limited is not exposed to significant risks. For details on how financial risk is managed in the group refer to the summary risk and capital management report. For quantitative information about financial risk refer to note 37 of the consolidated annual financial statements of the group.

shareholders' and supplementary information

D shareholders' and supplementary information

SIMPLIFIED GROUP AND SHAREHOLDING STRUCTURE

Remgro Limited: 3.9% → FirstRand; 28.2% → RMB Holdings Limited

Directors: 9.9% → RMB Holdings Limited

Royal Bafokeng Holdings (Pty) Ltd: 15.0% → RMB Holdings Limited

RMB Holdings Limited: 34.1% → FirstRand

BEE partners: 5.2% → FirstRand

FIRSTRAND

LISTED HOLDING COMPANY (FIRSTRAND LIMITED, JSE: FSR)

100%	100%	100%	100%	100%
FirstRand Bank Limited	FirstRand EMA Holdings (Pty) Ltd (FREMA)	FirstRand Investment Holdings (Pty) Ltd (FRIHL)	FirstRand Investment Management Holdings Limited	FirstRand Insurance Holdings (Pty) Ltd
Banking	Africa and emerging markets	Other activities	Investment management	Insurance

FirstRand Bank Limited (Banking)

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

FirstRand EMA Holdings (Pty) Ltd (FREMA)

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

FirstRand Investment Holdings (Pty) Ltd (FRIHL)

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

FirstRand Investment Management Holdings Limited

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

FirstRand Insurance Holdings (Pty) Ltd

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

1. Division
2. Branch
3. Representative office
** MotoNovo Finance is a business segment of FirstRand Bank Limited (London Branch).*
*** Trading as FNB Channel Islands.*

 # Ashburton Investments has a number of general partners for fund seeding purposes – all of these entities fall under FirstRand Investment Management Holdings Limited.
† With effect from 1 July 2017.

Structure shows effective consolidated shareholding

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

ANALYSIS OF ORDINARY SHAREHOLDERS (AUDITED)

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
RMH Asset Holding Company (Pty) Ltd (RMB Holdings)		1 910 433	34.1
Public Investment Corporation		513 734	9.1
BEE partners*		290 317	5.2
Financial Securities Ltd (Remgro)		219 828	3.9
Subtotal		2 934 312	52.3
Other		2 675 176	47.7
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 261	38.0
Pension funds		904 988	16.1
Insurance companies and banks		249 984	4.5
Unit trusts		1 226 506	21.9
Individuals		34 880	0.6
BEE partners*		290 317	5.2
Other		772 552	13.7
Total		5 609 488	100.0
Public and non-public shareholders			
Public	55 135	3 177 335	56.6
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 261	38.0
– Directors and prescribed officers**	18	11 575	0.2
– BEE partners*	6	290 317	5.2
Total	55 161	5 609 488	100.0
Geographic ownership			
South Africa		3 776 585	67.3
International		1 442 655	25.7
Unknown/unanalysed		390 248	7.0
Total		5 609 488	100.0

* *Includes staff assistance trust.*

** *Reflects direct beneficial ownership.*

ANALYSIS OF B PREFERENCE SHAREHOLDERS (AUDITED)

	Number of shareholders	Shares held (thousands)	%
Public and non-public shareholders			
Public	**5 932**	**44 750**	**99.4**
Non-public			
– directors	**1**	**250**	**0.6**
Total	**5 933**	**45 000**	**100**

PERFORMANCE ON THE JSE

	2017	2016
Number of shares in issue (thousands)	**5 609 488**	5 609 488
Market price (cents per share)		
Closing	**4 715**	4 484
High	**5 446**	5 780
Low	**4 198**	3 408
Weighted average	**4 914**	4 731
Closing price/net asset value per share	**2.43**	2.52
Closing price/earnings (headline)	**11.13**	11.23
Volume of shares traded (millions)	**3 537**	3 491
Value of shares traded (millions)	**171 871**	161 496
Market capitalisation (R billion)	**264.49**	251.53

NOTICE OF ANNUAL GENERAL MEETING

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa)
(Registration number: 1966/010753/06)
JSE ordinary share code: FSR ISIN: ZAE000066304
NSX ordinary share code: FST
(FirstRand or the company)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the twenty first annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Thursday, 30 November 2017, at 09:00, to deal with such business as may lawfully be dealt with at the meeting and to consider and, if deemed fit, pass, with or without modification, the ordinary and special resolutions set out hereunder in the manner required by the Companies Act, 71 of 2008, as amended (the Act), as read with the JSE Listings Requirements.

Salient dates

Record date to be eligible to receive the notice of annual general meeting	Friday, 20 October 2017
Posting date	Wednesday, 25 October 2017
Last day to trade to be eligible to attend and vote at the annual general meeting	Tuesday, 21 November 2017
Record date to be eligible to attend and vote at the annual general meeting	Friday, 24 November 2017
Proxies due (for administrative purposes)*	Tuesday, 28 November 2017
Annual general meeting	Thursday, 30 November 2017

Notes:

The above dates and times are subject to amendment, provided, that in the event of an amendment, an announcement will be released on SENS.

All dates and times indicated above are references to South African dates and times.

* *Alternatively, to be handed to the chairman of the annual general meeting prior to its commencement.*

Agenda

1 ANNUAL FINANCIAL STATEMENTS

Presentation of the consolidated audited annual financial statements of the company as approved by the board of directors of the company (directors or board), including the reports of the external auditors, audit committee and directors for the year ended 30 June 2017 (available on the company's website, www.firstrand.co.za), and the summary financial statements, which are included in the 2017 annual integrated report, of which this notice forms part, distributed as required by the Act to shareholders.

2 SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The social, ethics and transformation committee report is set out in the corporate governance section of the annual integrated report, as required in terms of regulation 43 (5) (c) of the Act's Regulations, 2011.

3 ORDINARY RESOLUTIONS NUMBER 1.1 TO 1.4

Re-election of directors by way of separate resolutions

To re-elect the following directors by way of separate resolutions in accordance with the provisions of the company's memorandum of incorporation (MOI). The directors, being eligible, offer themselves for re-election. Details of the directors offering themselves for re-election are as follows.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.1	**Patrick Maguire (Pat) Goss**	BEcon (Hons), BAccSc (Hons), CA(SA)	27 May 1998	Independent non-executive director
1.2	**Paul Kenneth Harris**	MCom	1 July 1992	Non-executive director
1.3	**Russell Mark Loubser**	BCom (Hons), MCom, CA(SA)	5 September 2014	Independent non-executive director
1.4	**Amanda Tandiwe (Tandi) Nzimande**	CTA, CA(SA), HDip Co Law	28 February 2008	Independent non-executive director

Additional information in respect of ordinary resolutions number 1.1 to 1.4

Skills and experience of these directors are set out on pages D14 to D15 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for each ordinary resolution numbered 1.1 to 1.4 to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

4 ORDINARY RESOLUTIONS NUMBER 1.5 TO 1.6

Vacancies filled by the directors during the year

Upon the recommendation of the nomination committee and the board, the following directors who were appointed by the board to fill vacancies in accordance with the Act and the company's MOI, and are now recommended by the board for election by shareholders by way of separate resolutions.

	DIRECTOR	QUALIFICATIONS	DATE OF APPOINTMENT	DESIGNATION
1.5	**Thandie Sylvia Mashego**	BCom (Hons), CA(SA), MBL	1 January 2017	Non-executive director
1.6	**Hermanus Lambertus (Herman) Bosman**	BCom, LLB, LLM, CFA	3 April 2017	Non-executive director

Additional information in respect of ordinary resolutions number 1.5 to 1.6

Skills and experience of these directors are set out on page D16 in Annexure 2 of this notice of annual general meeting.

The percentage of voting rights required for each ordinary resolution numbered 1.5 to1.6 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolutions.

5 RETIRING DIRECTORS

The following director will be retiring at the conclusion of the 2017 annual general meeting and does not offer himself for re-election.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Benedict James (Ben) van der Ross	At the conclusion of the annual general meeting, 30 November 2017	Independent non-executive director

The following director will be retiring at the conclusion of the 2017 annual general meeting.

DIRECTOR	DATE OF RETIREMENT	DESIGNATION
Jan Hendrik (Hennie) van Greuning	At the conclusion of the annual general meeting, 30 November 2017	Independent non-executive director

6 ORDINARY RESOLUTIONS NUMBER 2.1 TO 2.2

Re-appointment of auditors

The audit committee has evaluated the independence, performance and skills of Deloitte & Touche and PricewaterhouseCoopers Inc. and recommend their re-appointment as joint auditors of the company.

2.1 Resolved that, as recommended by the audit committee of the company, Deloitte & Touche be appointed auditors of the company until the next annual general meeting.

2.2 Resolved that, as recommended by the audit committee of the company, PricewaterhouseCoopers Inc. be appointed auditors of the company until the next annual general meeting.

Additional information in respect of ordinary resolutions number 2.1 and 2.2

The company's audit committee has recommended and the directors have endorsed the proposed appointments. It is proposed that the aforementioned appointments be made on a joint basis. If either resolution 2.1 or resolution 2.2 is not passed, the resolution passed shall be effective.

The remuneration of the company's auditors and the auditors' terms of engagement are determined by the audit committee pursuant to the Act.

The percentage of voting rights required for ordinary resolutions number 2.1 to 2.2 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7 ADVISORY ENDORSEMENT OF THE REMUNERATION POLICY AND IMPLEMENTATION REPORT

7.1 Endorsement of remuneration policy

To endorse, through a non-binding advisory vote, the company's remuneration policy (excluding the remuneration of the non-executive directors and the members of board committees for their services as directors and members of committees), as set out on in the remuneration report in the corporate governance section of the annual integrated report.

7.2 Endorsement of remuneration implementation report

To endorse, through a non-binding advisory vote, the company's remuneration implementation report, as set out in the remuneration report in the corporate governance section of the annual integrated report.

Additional information in respect of advisory endorsement of remuneration policy and implementation report

The endorsement of the remuneration policy and implementation report is tabled as a non-binding advisory vote, however, the outcome of each vote will be acknowledged when considering the remuneration policy and the implementation thereof. In the event that, either the remuneration policy or the implementation report, or both, are voted against by 25% or more of the voting rights exercised, the board will initiate engagement with the relevant shareholders and the outcome thereof will be disclosed in the 2018 annual integrated report.

8 ORDINARY RESOLUTION NUMBER 3

General authority to issue authorised but unissued ordinary shares for regulatory capital reasons

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company to support the conversion and/or exchange (as the case may be) of Basel III compliant additional Tier 1 and Tier 2 instruments issued by either FirstRand or FirstRand Bank Limited (FirstRand Bank) as contemplated in the Regulations promulgated pursuant to the Banks Act, 1990 (as amended from time to time) (the Regulations) into FirstRand ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks or such other regulatory body in South Africa that has the authority to make such decisions, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 5% (five percent) representing 280 458 804 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of *conversion for regulatory capital reasons* (**ie. being the extinction of a liability**) under this authority must be of a class already in issue or, where this is not the case, must be limited to such shares or rights that are convertible into a class already in issue;
  - in respect of shares which are the subject of the conversion and/or exchange (as the case may be):
    - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
    - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares;
    - an announcement giving full details will be published at the time of any issue representing, on a cumulative basis within the period of this authority, 5% (five per cent) of the number of shares in issue prior to the issue, in accordance with Section 11.22 of the JSE Listings Requirements;
    - the ordinary shares which are the subject of the conversion and/or exchange under this authority must be issued to public shareholders and not to related parties;

- any such issue under this authority are subject to exchange control regulations and approval at that point in time, if applicable;
- in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares; and
- in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio.

Reasons and effects of ordinary resolution number 3

- Basel III requires that the terms and conditions of additional Tier 1 and Tier 2 capital instruments contain a provision that such instruments, at the option of the Registrar of Banks, either be written off or converted into ordinary shares upon the occurrence of a trigger event as specified in writing by the Registrar of Banks (i.e. the Registrar of Banks determines that FirstRand Bank has reached the "point of non-viability", as such term is contemplated in the Regulations).
- This means that if a trigger event were to occur, additional Tier 1 and Tier 2 capital instruments issued by either FirstRand or FirstRand Bank would, at the option of the Registrar of Banks, either be written off or converted into ordinary shares in the issued share capital of the company.
- The Regulations further require that FirstRand Limited must at all times maintain all prior authorisations necessary to immediately issue the relevant number of ordinary shares specified in the terms and conditions of the additional Tier 1 and/or Tier 2 capital instruments and/or in terms of the provisions of the Banks Act, 1990 and the Regulations dealing with additional Tier 1 and/or Tier 2 capital should the relevant trigger event occur.
- The effect of such a conversion of the additional Tier 1 and/or Tier 2 capital instruments issued by either FirstRand or FirstRand Bank into ordinary shares in FirstRand Limited would be to subordinate the claims of the holders of such instruments, such that those claims would in effect rank *pari passu* with the claims of the ordinary shareholders of the company.
- FirstRand Bank has and/or intends to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to the requirements of the Regulations in relation to the possible conversion of additional Tier 1 and/or Tier 2 instruments issued by FirstRand Bank for ordinary shares in FirstRand.

Additional information in respect of ordinary resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

9 ORDINARY RESOLUTION NUMBER 4

General authority to issue authorised but unissued ordinary shares for cash

Resolved that the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued ordinary shares in the capital of the company for cash (including the issue of any options/convertible shares that are convertible into an existing class of ordinary shares) as and when they in their discretion deem fit, subject to:

- the aggregate number of shares to be allotted and issued in terms of this resolution shall be limited to 1.5% (one and a half percent) representing 84 137 641 (excluding treasury shares) of the number of the company's shares in issue as at the date of this notice; and
- the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, when applicable, on the basis that:
  - this authority shall be valid until the company's next annual general meeting or for 15 months from the date that this resolution is passed, whichever period is shorter;
  - the ordinary shares which are the subject of the issue for cash under this authority must be of a class already in issue;
  - the ordinary shares which are the subject of the issue for cash under this authority must be issued to public shareholders and not to related parties;
  - any such general issues are subject to exchange control regulations and approval at that point in time;
  - in determining the price at which an issue of shares may be made in terms of this authority, the maximum discount permitted will be 10% (ten per cent) of the weighted average traded price on the JSE of those shares over the 30 (thirty) business days prior to the date that the price of the issue is agreed between the issuer and the party subscribing for the shares;
  - in respect of shares which are the subject of the general issue of shares for cash:
    - any ordinary shares issued under this authority during the period contemplated must be deducted from the aggregate number of shares to be allotted and issued in terms of this resolution;
    - in the event of a subdivision or consolidation of issued ordinary shares during the period contemplated above, the existing authority in terms of this resolution must be adjusted accordingly to represent the same allocation ratio; and
    - the calculation of the listed ordinary shares is a factual assessment of the listed ordinary shares as at the date of the notice of the annual general meeting, excluding treasury shares.

Reason and effect of ordinary resolution number 4

This general authority, once granted, allows the board from time to time, when it is appropriate to do so, to issue ordinary shares as may be required.

Additional information in respect of ordinary resolution number 4

The percentage of voting rights required for ordinary resolution number 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

10 ORDINARY RESOLUTION NUMBER 5

Signing authority

Resolved that each director and/or the company secretary of the company, be and is hereby authorised to do all such things and sign all such documents as may be necessary for, or incidental to the implementation of the resolutions passed at the annual general meeting of the company and set out in this notice.

Additional information in respect of ordinary resolution number 5

For the sake of practicality, the directors and/or the company secretary of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

The percentage of voting rights required for ordinary resolution number 5 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

11 SPECIAL RESOLUTION NUMBER 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiary/ies (the group) be and are hereby authorised, in terms of a general authority, to acquire, as contemplated in section 48 of the Act, read with section 46, as amended, the company's issued shares from time to time on such terms and conditions and in such amounts as the directors may from time to time decide, but always subject to the approval, to the extent required, of the Registrar of Banks, the provisions of the Act, the Banks Act, the MOI and the Listings Requirements of the JSE and NSX, and subject to the following conditions:

- this general authority will be valid only until the company's next annual general meeting, provided that it will not extend beyond 15 months from the date of the passing of this special resolution, whichever is shorter;
- the repurchase of securities will be effected through the main order book operated by the JSE trading system and done without any prior understanding or arrangement between the company and the counterparty;
- repurchases may not be made at a price greater than 10% above the weighted average of the market value for the securities for the five business days immediately preceding the date on which the repurchase of such securities by the company is effected;
- the acquisitions of ordinary shares shall in the aggregate in any one financial year, not exceed 10% of the company's issued ordinary share capital as at the beginning of the financial year, provided that the number of shares purchased and held by a subsidiary/ies of the company shall not exceed 10% in aggregate of the number of issued shares in the company at any time;
- neither the company nor its subsidiary/ies will repurchase securities during a prohibited period, as defined in paragraph 3.67 of the JSE Listings Requirements, unless they have in place a repurchase programme where the dates and quantities of securities to be traded during the relevant period are fixed (not subject to any variation) and full details of the programme have been disclosed to the JSE prior to the commencement of the prohibited period, as required;
- a resolution having been passed by the board of directors confirming that the board has authorised the repurchase, that the company and the group passed the solvency and liquidity test and that since the test was performed there have been no material changes to the financial position of the company;
- any such general repurchases are subject to exchange control regulations and approval at that time;
- when the company has cumulatively repurchased 3% of the initial number of the relevant class of securities, and for each 3% in aggregate of the initial number of that class acquired thereafter, an announcement shall be published on SENS and in the financial press; and
- at any time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

Reasons and effects of special resolution number 1

The reason for special resolution number 1 is to grant the company's directors a general authority, up to and including the date of the following annual general meeting of the company, to approve the company's purchase of shares in itself, or to permit a subsidiary of the company to purchase shares in the company.

The directors have no immediate intention to use this authority to repurchase company shares. The directors are, however, of the opinion that this authority should be in place should it become appropriate to undertake a share repurchase in the future.

The directors undertake that the company will not commence a general repurchase of shares as contemplated above unless:

- the company and the group will be in a position to repay its debts in the ordinary course of business for a period of 12 months after the date of the general repurchase of shares in the open market;
- the assets of the company and the group will be in excess of the liabilities of the company and the group for a period

of 12 months after the date of the general repurchase of shares in the open market, for which purpose the assets and liabilities will be recognised and measured in accordance with the accounting policies used in the latest audited consolidated annual financial statements which comply with the Act;

- the ordinary share capital and reserves of the company and the group will be adequate for ordinary business purposes for the 12 months after the general repurchase of shares in the open market;
- the available working capital will be adequate to continue the operations of the company and the group for a period of 12 months after the repurchase of shares in the open market; and
- a resolution has been passed by the board of directors authorising the repurchase and confirming that the company and its subsidiary/ies have passed the solvency and liquidity test and that, since the test was performed, there have been no material changes to the financial position of the company and the group.

Additional information in respect of special resolution number 1

Further information regarding special resolution number 1, as required by the JSE Listings Requirements is set out in Annexure 1.

The percentage of voting rights required for this special resolution number 1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

12 SPECIAL RESOLUTION NUMBER 2.1

Financial assistance to directors and prescribed officers as employee share scheme beneficiaries

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any director or prescribed officer of the company or of a related or interrelated company on such terms and conditions as the directors may determine from time to time in order to facilitate the participation by such director or prescribed officer in any employee share incentive scheme, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified employees of the company, and related and interrelated companies participate.

The percentage of voting rights required for this special resolution number 2.1 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

13 SPECIAL RESOLUTION NUMBER 2.2

Financial assistance to related and interrelated entities

Resolved that the directors may, subject to compliance with the requirements of the MOI, the Act and any other relevant legislation, the JSE and NSX, when applicable, each as presently constituted and as amended from time to time, authorise the company to provide direct or indirect financial assistance (as contemplated in sections 44 and/or 45 of the Act) to, *inter alia*, any related or interrelated company, trust or other entity on such terms and conditions as the directors may determine from time to time, provided that nothing in this approval will limit the provision by the company of financial assistance that does not require approval by way of a special resolution of the shareholders in terms of sections 44 and/or 45 of the Act or falls within the exemptions contained in those sections.

Additional information in respect of special resolution number 2.2

Companies within the group receive and provide loan financing and other support to one another in the normal and ordinary course of business from time to time.

The percentage of voting rights required for this special resolution number 2.2 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

14 SPECIAL RESOLUTION NUMBER 3

Remuneration of non-executive directors

Resolved to approve as a special resolution as recommended by the remuneration committee and the board, set out in the table below, in respect of remuneration of non-executive directors, in their capacity as non-executive directors, as contemplated in Section 66(9) of the Companies Act, with effect from 1 December 2017:

	Note	Proposed remuneration for the 12-month period from 1 December 2017 to 30 November 2018 (excluding VAT)	Remuneration for the 12-month period from 1 December 2016 to 30 November 2017 (excluding VAT)
Board			
Chairman	1	**5 649 525**	5 355 000
Director	2	**523 412**	496 125
Audit committee			
Chairman	3	**747 731**	708 750
Member		**373 866**	354 375
Risk, capital management and compliance committee			
Chairman	3	**747 731**	708 750
Member		**373 866**	354 375
Remuneration committee			
Chairman	3	**448 639**	425 250
Member		**224 319**	212 625
Directors' affairs and governance committee			
Chairman	3	**143 564**	136 080
Member		**71 782**	68 040
Large exposures committee			
Chairman	3	**527 500**	500 000
Member		**263 750**	250 000
Social, ethics and transformation committee			
Chairman	3/4	**425 250**	425 250
Member	4	**212 625**	212 625
Information, technology and risk governance committee			
Chairman	3	**300 000**	272 160
Member		**150 000**	136 080
Ad hoc work			
Special technical	5	**4 581**	4 342
Standard	6	**2 991**	2 835

1. *The group chairman's fees cover chairmanship and membership of all board committees and subcommittees.*
2. *Executive directors of the company do not receive fees as members of the board.*
3. *Fees for board committee chairpersons are twice that of committee members fees.*
4. *No increase applied to the social, ethics and transformation committee as they were considered to be in line with comparative peers in the industry.*
5. *Special technical rate for highly specialised ad hoc work on an hourly basis at the request of the board.*
6. *Standard ad hoc rate for additional work on an hourly basis at the request of the responsible executive.*

Additional information in respect of special resolution number 3

The percentage of voting rights required for ordinary resolution number 3 to be adopted is at least than 75% (seventy-five percent) of the voting rights exercised on the resolution.

IMPORTANT NOTES REGARDING ATTENDANCE AT THE ANNUAL GENERAL MEETING

General

Shareholders wishing to attend the meeting should ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

A shareholder entitled to attend and vote at the annual general meeting may appoint one or more persons as his/her proxy to attend, speak and vote in its stead. A proxy need not be a shareholder. Shareholders are referred to the attached proxy form in this regard.

If you are a certificated shareholder or a dematerialised shareholder with own name registration and are unable to attend the annual general meeting and wish to be represented thereat, you must complete and return the attached proxy form in accordance with the instructions contained therein to be received for the orderly arrangement of matters on the day of the annual general meeting (for administration purposes) by the Transfer Secretaries, 15 Biermann Avenue, Rosebank Towers, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

If you are a dematerialised shareholder, other than with own name registration, you must arrange with your broker or CSDP to provide you with the necessary letter of representation to attend the annual general meeting or you must instruct them as to how you wish to vote in this regard. This must be done in terms of the agreement entered into, between you and the broker or CSDP, in the manner and cut-off time stipulated therein.

Dematerialised shareholders without own name registration

Voting at the annual general meeting

- Your broker or CSDP should contact you to ascertain how you wish to cast your vote at the annual general meeting and thereafter cast your vote in accordance with your instructions.
- If you have not been contacted by your broker or CSDP, it is advisable for you to contact your broker or CSDP and furnish them with your voting instructions.
- If your broker or CSDP does not obtain voting instructions from you, they will be obliged to vote in accordance with the instructions contained in the custody agreement concluded between you and your broker or CSDP.
- You must not complete the attached proxy form.

Attendance and representation at the annual general meeting

- In accordance with the mandate between you and your broker or CSDP, you must advise your broker or CSDP if you wish to attend the annual general meeting and your broker or CSDP will issue the necessary letter of representation to you to attend the annual general meeting.

Dematerialised shareholders with own name registration

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received (for administration purposes) by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Certificated shareholders

Voting and attendance at the annual general meeting

- You may attend the annual general meeting in person and may vote at the annual general meeting.
- Alternatively, you may appoint a proxy to represent you at the annual general meeting by completing the attached proxy form in relation to the annual general meeting in accordance with the instructions it contains and returning it to the Transfer Secretaries to be received (for administration purposes) by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement).

Voting requirements

Voting will be by way of a poll and every shareholder of the company present in person or represented by proxy shall have one vote for every share held in the company by such shareholder.

Shares held by FirstRand employee share trusts and unlisted shares will not have their votes at the meeting taken into account for the purposes of resolutions proposed in terms of the JSE Listings Requirements and the Act.

Proof of identification required

In compliance with section 63 of the Act, note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. Acceptable forms of identification include valid identity documents, drivers' licences and passports.

Summary of shareholder rights

In compliance with the provisions of section 58(8)(b)(i) of the Act, a summary of the rights of a shareholder to be represented by proxy, as set out in section 58 of the Act, is set out immediately below:

- A shareholder entitled to attend and vote at the meeting may appoint any individual (or two or more individuals) as a proxy or as proxies to attend, participate in and vote at the meeting in the place of the shareholder. A proxy need not be a shareholder of the company.
- A proxy appointment must be in writing, dated and signed by the shareholder appointing a proxy, and, subject to the rights of a shareholder to revoke such appointment (as set out below), remains valid only until the end of the meeting.
- A proxy may delegate the proxy's authority to act on behalf of a shareholder to another person, subject to any restrictions set out in the instrument appointing the proxy.
- The appointment of a proxy is suspended at any time and to the extent that the shareholder who appointed such proxy chooses to act directly and in person in the exercise of any rights as a shareholder.

The appointment of a proxy is revocable by the shareholder in question cancelling it in writing, or making a later inconsistent appointment of a proxy, and delivering a copy of the revocation instrument to the proxy and to the company. The revocation of a proxy appointment constitutes a complete and final cancellation of the proxy's authority to act on behalf of the shareholder as of the later of (a) the date stated in the revocation instrument, if any; and (b) the date on which the revocation instrument is delivered to the company as required in the first sentence of this paragraph.

If the instrument appointing the proxy or proxies has been delivered to the company, as long as that appointment remains in effect, any notice that is required by the Act or the company's MOI to be delivered by the company to the shareholder, must be delivered by the company to (a) the shareholder, or (b) the proxy or proxies, if the shareholder has (i) directed the company to do so in writing; and (ii) paid any reasonable fee charged by the company for doing so.

Attention is also drawn to the notes to the proxy form.

Directions for obtaining a copy of the financial statements

The complete financial statements are available for inspection at the registered office and downloading on the company's website www.firstrand.co.za or a copy thereof can be requested in writing from the company secretary, 4 Merchant Place, corner Fredman Drive and Rivonia Road, Sandton, 2196.

By order of the board

C Low
Company secretary

6 September 2017

Transfer secretaries
Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank
2196

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

ANNEXURE 1 – ADDITIONAL INFORMATION REGARDING SPECIAL RESOLUTION NUMBER 1

For the purposes of considering special resolution number 1 and in compliance with the JSE Listings Requirements, the information listed below has been included.

1 DIRECTORS' RESPONSIBILITY STATEMENT

The directors, whose names are given in the corporate govenance section of this report, collectively and individually accept full responsibility for the accuracy of the information contained in special resolution number 1, as well as the explanatory notes, and certify that, to the best of their knowledge and belief, there are no other facts, the omission of which would make any statement false or misleading and that they have made all reasonable enquiries in this regard, and that this resolution contains all information required by law and the JSE Listings Requirements.

2 MAJOR SHAREHOLDERS

Details of major shareholders of the company are set out in the shareholders' information of this report.

3 SHARE CAPITAL OF THE COMPANY

Details of the share capital of the company are set out in note 28 of the consolidated financial statements of this report.

4 MATERIAL CHANGES

There have been no material changes in the financial or trading position of the company and its subsidiaries that have occurred since the end of the last financial period, as detailed in the annual integrated report to which this Annexure 1 forms part.

ANNEXURE 2 – SKILLS AND EXPERIENCE OF THE DIRECTORS TO BE RE-ELECTED AND VACANCIES FILLED BY THE DIRECTORS DURING THE YEAR IN ORDINARY RESOLUTIONS NUMBER 1.4 TO 1.6

For the purposes of considering ordinary resolutions number 1.4 to 1.6 and in compliance with the JSE Listings Requirements, the information listed below has been included.

Patrick Maguire (Pat) Goss (69)

Independent non-executive director
BEcon (Hons), BAccSc (Hons), CA(SA)
Appointed May 1998

Pat, after graduating from the University of Stellenbosch, served as president of the Association of Economics and Commerce Students, representing South Africa at The Hague and Basel. He qualified as a chartered accountant with Ernst and Young and subsequently joined the Industrial Development Corporation. Most of his active career was spent in food retailing and the hospitality industry.

He has served as a director of various group companies for the past 36 years. A former chairman of the Natal Parks Board, his family interests include Umngazi River Bungalows and certain other conservation-related activities.

FirstRand – committee memberships
- Directors' affairs and governance
- Remuneration – chairman
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
Rand Merchant Investment Holdings Limited (lead independent) and RMB Holdings Limited (lead independent)

Paul Kenneth Harris (67)

Non-executive director
MCom
Appointed July 1992

Paul graduated from the University of Stellenbosch and joined the Industrial Development Corporation in 1974. He was a co-founder of Rand Consolidated Investments in 1977, which merged with Rand Merchant Bank (RMB) in 1985, at which time he became an executive director. He spent four years in Australia where he founded Australian Gilt Securities (later to become RMB Australia) and returned to South Africa in 1991 as deputy managing director of RMB. In 1992, he took over as CEO. Subsequent to the formation of FirstRand, he was appointed CEO of FirstRand Bank Holdings in 1999, a position he held until December 2005 when he was appointed CEO of FirstRand. He retired at the end of 2009 and has remained on the boards as a non-executive director.

FirstRand – committee memberships
- Directors' affairs and governance

Other listed directorships
Rand Merchant Investment Holdings Limited, Remgro Limited and RMB Holdings Limited

Russell Mark Loubser (67)

Independent non-executive director
BCom (Hons), MCom, CA(SA)
Appointed September 2014

Russell was the CEO of the Johannesburg Stock Exchange (JSE) from January 1997 until December 2011. During his tenure, he conceptualised the demutualisation of the JSE, and it was converted into a public company in 2005 and listed in 2006.

Prior to being appointed to the JSE, Russell was executive director of financial markets at Rand Merchant Bank Limited (RMB), which he joined in May 1985. He was part of the small team at RMB that started the stock index derivatives industry in SA in 1987. He was also a member of the King Committee on Corporate Governance for 15 years, a member of the Securities Regulation Panel of SA for 15 years and served on the board of directors of the World Federation of Exchanges (WFE) for approximately 13 years. Russell has also served as a council member of the University of Pretoria since 2007.

FirstRand – committee memberships

- Audit
- Directors' affairs and governance
- Large exposures – chairman
- Remuneration
- Risk, capital management and compliance – chairman
- First National Bank*
- Rand Merchant Bank*

**Divisional board*

Other listed directorships
None

Amanda Tandiwe (Tandi) Nzimande (47)

Independent non-executive director
CTA, CA(SA), HDip Co Law
Appointed February 2008

Tandi, a chartered accountant, has had a varied career since qualifying at KPMG in 1996. She worked as a corporate finance advisor at Deutsche Bank for five years, following which she acquired and ran a small business in the postal and courier industry for four years. During that period, she also consulted to WDB Investment Holdings, which she eventually joined as its chief financial officer, a position she vacated in May 2016. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching.

Tandi is a fellow of the Africa Leadership Initiative. She is also a member of the South African Institute of Chartered Accountants, African Women Chartered Accountants as well as the Association of Black Securities and Investment Professional.

FirstRand – committee memberships

- Directors' affairs and governance
- Remuneration
- Social, ethics and transformation

Other listed directorships
Hulamin Limited and Verimark Holdings Limited

Thandie Sylvia Mashego (39)

Non-executive director
BCom (Hons), CA(SA), MBL
Appointed January 2017

Thandie is the CFO of WDB Investment Holdings, responsible for the overall financial and risk management of the group. She is also involved in transaction execution and investment monitoring. Prior to joining WDB Investment Holdings, Thandie spent two years as group CFO of Vantage Capital Group, a private equity fund manager. She also spent 11 years at the Industrial Development Corporation (IDC) in various roles, where she led a number of project and corporate finance transactions. In her last five years at the IDC, Thandie was responsible for the management of IDC's private equity and loan investment portfolio in several sectors.

She qualified as a chartered accountant in 2003 after completing articles at KPMG and Transnet Group Limited.

FirstRand – committee memberships
- Directors' affairs and governance
- First National Bank*

**Divisional board*

Other listed directorships
None

Hermanus Lambertus Bosman (48)

Non-executive officer
BCom, LLB, LLM, CFA
Appointed April 2017

Herman was with RMB for 12 years and headed up its corporate finance practice between 2000 and 2006. After serving as chief executive of Deutsche Bank South Africa from 2006 to 2013, Herman joined RMB Holdings Limited and Rand Merchant Investment Holdings Limited as the CEO on 2 April 2014.

FirstRand – committee memberships
- Directors' affairs and governance

Other listed directorships
Discovery Limited, Hastings Group Holdings plc, Rand Merchant Investment Holdings Limited (chief executive) and RMB Holdings Limited (chief executive)

FIRSTRAND

PROXY FORM – ORDINARY SHAREHOLDERS

FIRSTRAND LIMITED

(Incorporated in the Republic of South Africa) (Registration number: 1966/010753/06)
Share code: (JSE): FSR ISIN: ZAE000066304 NSX ordinary share code: FST (FirstRand or the company)

Only for use by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

All other dematerialised shareholders must contact their CSDP or broker to make the relevant arrangements concerning voting and/or attendance at the annual general meeting.

For completion by the aforesaid registered shareholders who hold ordinary shares of the company and who are unable to attend the 2017 annual general meeting of the company to be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, on Thursday, 30 November 2017 at 09:00 (the annual general meeting).

I/We

Of (address) (contact number)

Being the holder/s of ordinary shares in the company, hereby appoint (see notes overleaf)

1. Or, failing him/her

2. Or, failing him/her

3. The chairman of the annual general meeting, as my/our proxy to attend, speak and vote for me/us and on my/our behalf or to abstain from voting at the annual general meeting of the company and at any adjournment thereof, as follows (see notes overleaf).

	Insert an X or the number of votes exercisable (one vote per ordinary share)		
	IN FAVOUR OF	AGAINST	ABSTAIN
Ordinary resolution numbers 1.1 to 1.4 Re-election of directors by way of separate resolution: 1.1 PM Goss			
1.2 PK Harris			
1.3 RM Loubser			
1.4 AT Nzimande			
Ordinary resolution number 1.5 to 1.6 Vacancies filled by the directors during the year 1.5 TS Mashego			
1.6 HL Bosman			
Ordinary resolution numbers 2.1 and 2.2 Appointment of auditor: 2.1 Deloitte & Touche			
Appointment of auditor: 2.2 PricewaterhouseCoopers Inc.			
Advisory endorsement of remuneration policy Endorsement of remuneration policy			
Advisory endorsement of remuneration implementation report Endorsement of remuneration implementation report			
Ordinary resolution number 3 General authority to issue authorised but unissued shares for regulatory capital reasons			
Ordinary resolution number 4 General authority to issue authorised but unissued ordinary shares for cash			
Ordinary resolution number 5 Signing authority			
Special resolution number 1 General authority to repurchase ordinary shares			
Special resolution number 2.1 Financial assistance to directors and prescribed officers as employee share scheme beneficiaries			
Special resolution number 2.2 Financial assistance to related and interrelated entities			
Special resolution number 3 Remuneration of non-executive directors with effect from 1 December 2017			

Signed at on 2017

Signature/s

Assisted by
(where applicable)

Proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.

PLEASE SEE NOTES ON REVERSE SIDE OF THE FORM

NOTES TO PROXY FORM

USE OF PROXIES

A shareholder who holds ordinary shares (shareholder) is entitled to attend and vote at the annual general meeting and to appoint one or more proxies to attend, speak and vote in his/her stead. A proxy need not be a shareholder of the company.

Instructions on signing and lodging the proxy form:

1. A shareholder may insert the name of a proxy or the names of two alternative proxies of the shareholders' choice in the space/s provided overleaf, with or without deleting "the chairman of the annual general meeting", but any such deletion must be initialled by the shareholder. Should this space be left blank, the chairman of the annual general meeting will exercise the proxy. The person whose name appears first on the proxy form and who is present at the annual general meeting will be entitled to act as proxy to the exclusion of those whose names follow.
2. A shareholder's voting instructions to the proxy must be indicated by the insertion of the number of votes exercisable by that shareholder in the appropriate spaces provided overleaf. Failure to do so shall be deemed to authorise the proxy to vote or to abstain from voting at the annual general meeting as he/she thinks fit in respect of all the shareholder's exercisable votes. A shareholder or his/her proxy is not obliged to use all the votes exercisable by his/her proxy, but the total number of votes cast, or those in respect of which abstention is recorded, may not exceed the total number of votes exercisable by the shareholder of his/her proxy.
3. A minor must be assisted by his/her parent or guardian unless the relevant documents establishing his/her legal capacity are produced or have been registered by the transfer secretaries.
4. To be valid the completed proxy forms should (but are not required to) be received by the Transfer Secretaries, Computershare Investor Services (Pty) Ltd, 1st Floor, Rosebank Towers, 15 Biermann Avenue, Rosebank, 2196 (PO Box 61051, Marshalltown, 2107), fax number (011) 688 5238 or in Namibia to Transfer Secretaries (Pty) Ltd, PO Box 2401, Windhoek, Namibia, fax number +264 6124 8531, by no later than 09:00 on Tuesday, 28 November 2017 for administrative purposes (or alternatively to be handed to the chairman of the annual general meeting prior to its commencement). Proxy forms may only be completed by shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration.
5. Documentary evidence establishing the authority of a person signing a proxy form in a representative capacity must be attached to the proxy form unless previously recorded by the transfer secretaries or waived by the chairman of the annual general meeting.
6. The completion and lodging of this proxy form shall not preclude the relevant shareholder from attending the annual general meeting, and speaking and voting in person thereat to the exclusion of any proxy appointed in terms hereof, should such shareholder wish to do so.
7. The completion of any blank spaces overleaf need not be initialled. Any alterations or corrections to this proxy form must be initialled by the signatory/ies.
8. The chairman of the annual general meeting may reject or accept any proxy form which is completed other than in accordance with these instructions, provided that he is satisfied as to the manner in which a shareholder wishes to vote.
9. A proxy may not delegate his/her authority to any other person.

COMPANY INFORMATION

DIRECTORS

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

COMPANY SECRETARY AND REGISTERED OFFICE

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

JSE SPONSOR

Rand Merchant Bank (a division of FirstRand Bank Limited)
Corporate Finance
1 Merchant Place, Corner Fredman Drive and Rivonia Road
Sandton 2196
Tel: +27 11 282 8000
Fax: +27 11 282 4184

NAMIBIAN SPONSOR

Simonis Storm Securities (Pty) Ltd
4 Koch Street
Klein Windhoek
Namibia

TRANSFER SECRETARIES – SOUTH AFRICA

Computershare Investor Services (Pty) Ltd
1st Floor, Rosebank Towers
15 Biermann Avenue
Rosebank 2196
PO Box 61051, Marshalltown 2107
Tel: +27 11 370 5000
Fax: +27 11 688 5248

TRANSFER SECRETARIES – NAMIBIA

Transfer Secretaries (Pty) Ltd
4 Robert Mugabe Avenue, Windhoek
PO Box 2401, Windhoek, Namibia
Tel: +264 612 27647
Fax: +264 612 48531

AUDITORS

PricewaterhouseCoopers Inc.
2 Eglin Road, Sunninghill
Sandton 2196

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

LISTED FINANCIAL INSTRUMENTS OF THE GROUP

LISTED EQUITY INSTRUMENTS

Johannesburg Stock Exchange (JSE)

ORDINARY SHARES

Issuer	Share code	ISIN code
FirstRand Limited	FSR	ZAE000066304

NON-CUMULATIVE NON-REDEEMABLE B PREFERENCE SHARES

Issuer	Share code	ISIN code
FirstRand Limited	FSRP	ZAE000060141

Namibian Stock Exchange (NSX)

ORDINARY SHARES

Issuer	Share code	ISIN code
FirstRand Limited	FST	ZAE000066304
FNB Namibia Holdings Limited	FNB	NA0003475176

Botswana Stock Exchange (BSE)

ORDINARY SHARES

Issuer	Share code	ISIN code
First National Bank Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Issuer: FirstRand Bank Limited

JSE

Domestic medium term note programme

BOND CODE	ISIN CODE
Subordinated debt	
FRB05	ZAG000031337
FRB11	ZAG000102054
FRB12	ZAG000116278
FRB13	ZAG000116286
FRB14	ZAG000116294
Senior unsecured	
FRBZ01	ZAG000049255
FRBZ02	ZAG000072711
FRBZ03	ZAG000080029
FRJ18	ZAG000084187
FRJ19	ZAG000104563
FRJ20	ZAG000109596
FRJ21	ZAG000115858
FRJ25	ZAG000124256
FRJ27	ZAG000141912
FRS36	ZAG000077397
FRS37	ZAG000077793
FRS43	ZAG000078643
FRS46	ZAG000079807
FRS49	ZAG000081787
FRS51	ZAG000086117

BOND CODE	ISIN CODE
Subordinated debt	
FRB15	ZAG000124199
FRB16	ZAG000127622
FRB17	ZAG000127630
FRB18	ZAG000135229
FRB19	ZAG000135310
Senior unsecured	
FRS103	ZAG000111840
FRS104	ZAG000111857
FRS108	ZAG000113515
FRS109	ZAG000113564
FRS110	ZAG000113663
FRS112	ZAG000115395
FRS113	ZAG000115478
FRS114	ZAG000116070
FRS115	ZAG000116740
FRS119	ZAG000118951
FRS120	ZAG000119298
FRS121	ZAG000120643
FRS122	ZAG000121062
FRS123	ZAG000121328
FRS124	ZAG000122953

BOND CODE	ISIN CODE
Subordinated debt	
FRB20	ZAG000135385
FRB21	ZAG000140856
FRB22	ZAG000141219
FRBC21	ZAG000052283
FRBC22	ZAG000052390
Senior unsecured	
FRS138	ZAG000127556
FRS142	ZAG000130782
FRS143	ZAG000130790
FRS145	ZAG000131483
FRS146	ZAG000134636
FRS147	ZAG000135724
FRS148	ZAG000136144
FRS149	ZAG000136573
FRS150	ZAG000136615
FRS151	ZAG000136987
FRS152	ZAG000136995
FRS153	ZAG000137670
FRS157	ZAG000144197
FRS158	ZAG000145012
FRS160	ZAG000145038

LISTED DEBT INSTRUMENTS *continued*

BOND CODE	ISIN CODE
Senior usecured	
FRS62	ZAG000090614
FRS64	ZAG000092529
FRS81	ZAG000100892
FRS85	ZAG000104985
FRS86	ZAG000105008
FRS87	ZAG000105420
FRS90	ZAG000106410
FRS94	ZAG000107871
FRS96	ZAG000108390
FRS100	ZAG000111634
FRS101	ZAG000111774
Inflation-linked bonds	
FRBI22	ZAG000079666
FRBI23	ZAG000076498
FRBI25	ZAG000109588
Credit-linked notes	
FRC46	ZAG000082959
FRC61	ZAG000087347
FRC66	ZAG000088485
FRC67	ZAG000088741
FRC69	ZAG000088766
FRC71	ZAG000088923
FRC76	ZAG000089574
FRC107	ZAG000094574
FRC109	ZAG000094889
FRC112	ZAG000095621
FRC113	ZAG000095761
FRC115	ZAG000095852
FRC116	ZAG000095860
FRC124	ZAG000096579
FRC125	ZAG000096678
FRC134	ZAG000097056
FRC144	ZAG000097569
FRC145	ZAG000097627
FRC150	ZAG000099821
FRC151	ZAG000099904
FRC152	ZAG000100330

BOND CODE	ISIN CODE
Senior usecured	
FRS126	ZAG000125188
FRS127	ZAG000125394
FRS129	ZAG000125865
FRS130	ZAG000125873
FRS131	ZAG000126186
FRS132	ZAG000126194
FRS133	ZAG000126541
FRS134	ZAG000126574
FRS135	ZAG000126608
FRS136	ZAG000126780
FRS137	ZAG000127549
Inflation-linked bonds	
FRBI28	ZAG000079237
FRBI33	ZAG000079245
FRI38	ZAG000141862
Credit-linked notes	
FRC169	ZAG000104852
FRC170	ZAG000105586
FRC171	ZAG000105719
FRC172	ZAG000105818
FRC173	ZAG000105826
FRC174	ZAG000105891
FRC176	ZAG000107178
FRC177	ZAG000107632
FRC178	ZAG000107897
FRC179	ZAG000108168
FRC181	ZAG000108549
FRC182	ZAG000108713
FRC183	ZAG000109356
FRC185	ZAG000111451
FRC188	ZAG000111873
FRC189	ZAG000112145
FRC192	ZAG000114521
FRC195	ZAG000114745
FRC206	ZAG000116088
FRC207	ZAG000117649
FRC208	ZAG000117656

BOND CODE	ISIN CODE
Senior usecured	
FRS161	ZAG000145046
FRX17	ZAG000094376
FRX18	ZAG000076472
FRX19	ZAG000073685
FRX24	ZAG000073693
FRX26	ZAG000112160
FRX27	ZAG000142506
FRX30	ZAG000124264
FRX31	ZAG000084195
FRX32	ZAG000142514
Inflation-linked bonds	
FRBI46	ZAG000135302
FRBI50	ZAG000141649
FRI33	ZAG000141706
Credit-linked notes	
FRC217	ZAG000121088
FRC218	ZAG000121096
FRC219	ZAG000121138
FRC220	ZAG000121146
FRC221	ZAG000121229
FRC225	ZAG000121435
FRC231	ZAG000125030
FRC233	ZAG000128752
FRC234	ZAG000130816
FRC236	ZAG000135211
FRC237	ZAG000135203
FRC238	ZAG000135237
FRC239	ZAG000135245
FRC240	ZAG000135252
FRC241	ZAG000135393
FRC242	ZAG000135401
FRC243	ZAG000135419
FRC244	ZAG000135427
FRC245	ZAG000135468
FRC246	ZAG000135476
FRC247	ZAG000135484

LISTED DEBT INSTRUMENTS *continued*

BOND CODE	ISIN CODE
Credit-linked notes	
FRC153	ZAG000100348
FRC154	ZAG000100694
FRC155	ZAG000101643
FRC161	ZAG000102260
FRC163	ZAG000102898
FRC166	ZAG000103573
FRC167	ZAG000104019
FRC168	ZAG000104753
Structured notes	
FRPT01	ZAE000205480

BOND CODE	ISIN CODE
Credit-linked notes	
FRC209	ZAG000118613
FRC210	ZAG000120296
FRC211	ZAG000121013
FRC212	ZAG000121054
FRC213	ZAG000121047
FRC214	ZAG000121039
FRC215	ZAG000121021
FRC216	ZAG000121070
Structured notes	
FKR01	ZAE000193454

BOND CODE	ISIN CODE
Credit-linked notes	
FRC248	ZAG000135450
FRC249	ZAG000135542
FRC250	ZAG000135559
FRC251	ZAG000141813
FRC252	ZAG000142225
FRC254	ZAG000144825
FRD013	ZAG000128695

Issuer: First National Bank of Namibia Limited
JSE
Domestic medium term note programme

BOND CODE	ISIN CODE
Senior unsecured	
FRJ20Z	ZAG000142803
FRJ22Z	ZAG000142902

Issuer: FirstRand Bank Limited
London Stock Exchange (LSE)
European medium term note programme

ISIN CODE
Senior unsecured
XS0610341967
XS1225512026
XS1178685084

Issuer: FirstRand Bank Limited
Swiss Stock Exchange (SIX)
European medium term note programme

ISIN CODE
Senior unsecured
CH0238315680

Issuer: First National Bank of Namibia Limited
NSX
Domestic medium term note programme

ISIN CODE
Senior unsecured
NA000A188PX0
NA000A188PV4
NA000A188PY8
NA000A188PW2
NA000A19FKU3
NA000A19FKV1

Issuer: First National Bank of Botswana Limited
BSE
BWP medium term note programme

STOCK CODE	ISIN CODE
Subordinated debt	
FNBB007	BW0000001668
FNBB008	BW0000001700

STOCK CODE	ISIN CODE
Senior unsecured	
FNBB005	BW0000001510
FNBB006	BW0000001528

CREDIT RATINGS

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

Sovereign ratings as at 6 September 2017

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

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

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

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

FirstRand Limited's ratings reflect its status as a non-operating company. It is standard practice for a holding company to be rated at least one notch lower than its operating company.

The following tables summarise the credit ratings for both FirstRand Bank Limited and FirstRand Limited.

FirstRand Bank counterparty credit ratings as at 6 September 2017

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

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

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

FirstRand Limited counterparty credit ratings as at 6 September 2017

	FirstRand Limited				
		Counterparty		National scale	
	Outlook	Long term	Short term	Long term	Short term
S&P	Negative	BB-	B	zaA-	zaA-2

Sources: S&P Global Ratings.

DEFINITIONS

Additional Tier 1 capital (AT1)	NCNR preference share capital plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specified regulatory deductions.
CAGR	Compound annual growth rate.
Capital adequacy ratio (CAR)	Capital divided by RWA.
Common Equity Tier 1 capital (CET1)	Tier 1 less Additional Tier 1 capital.
Common Equity Tier 1 capital	Share capital and premium plus accumulated comprehensive income and reserves plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties less specific regulatory deductions.
Cost-to-income ratio	Operating expenses excluding indirect taxes expressed as a percentage of total income including share of profits from associates and joint ventures.
Credit loss ratio	Total impairment charge per the income statement expressed as a percentage of average advances (average between the opening and closing balance for the year).
Diversity ratio	Non-interest revenue expressed as a percentage of total income including share of profits from associates and joint ventures.
Dividend cover	Normalised earnings per share divided by dividend per share.
Effective tax rate	Tax per the income statement divided by the profit before tax per the income statement.
Exposure at default (EAD)	Gross exposure of a facility upon default of a counterparty.
Loan-to-deposit ratio	Average advances expressed as a percentage of average deposits.
Loss given default (LGD)	Economic loss that will be suffered on an exposure following default of the counterparty, expressed as a percentage of the amount outstanding at the time of default.
Net income after capital charge (NIACC)	Normalised earnings less the cost of equity multiplied by the average ordinary shareholders' equity and reserves.
Normalised earnings	The group believes normalised earnings more accurately reflect its economic performance. Headline earnings are adjusted to take into account non-operational and accounting anomalies.
Normalised earnings per share	Normalised earnings attributable to ordinary equityholders divided by the weighted average number of shares including treasury shares.
Normalised net asset value	Normalised equity attributable to ordinary equityholders.
Normalised net asset value per share	Normalised equity attributable to ordinary equityholders divided by the number of issued ordinary shares.
Price earnings ratio (times)	Closing price on 30 June divided by basic normalised earnings per share.
Price-to-book (times)	Closing share price on 30 June divided by normalised net asset value per share.
Probability of default (PD)	Probability that a counterparty will default within the next year (considering the ability and willingness of the counterparty to repay).
Return on assets (ROA)	Normalised earnings divided by average assets.
Return on equity (ROE)	Normalised earnings divided by average normalised ordinary shareholders equity.
Risk weighted assets (RWA)	Prescribed risk weightings relative to the credit risk of counterparties, operational risk, market risk, equity investment risk and other risk multiplied by on- and off-balance sheet assets.
Shares in issue	Number of ordinary shares listed on the JSE.
Tier 1 ratio	Tier 1 capital divided by RWA.
Tier 1 capital	CET1 capital plus AT1 capital.
Tier 2 capital	Qualifying subordinated debt instruments plus qualifying capital instruments issued out of fully consolidated subsidiaries to third parties plus general provisions for entities on the standardised approach less specified regulatory deductions.
Total qualifying capital and reserves	Tier 1 capital plus Tier 2 capital.
Weighted average number of ordinary shares	Weighted average number of ordinary shares in issue during the year as listed on the JSE.

HEALTH CHECK DEFINITIONS

- Peer group includes big four South African universal banks. ROE for FirstRand is as disclosed at 23.4% for the year to 30 June 2017. For the remainder of the peer group (big four excluding FirstRand's contribution) it is the weighted average as at 31 December 2016 in line with these banks' financial year ends.
- NIACC % of total is calculated using each bank's own cost of equity as disclosed as well as earnings and NAV for respective year ends. For FirstRand, this includes the five years from 30 June 2013 to 30 June 2017. For the rest of the peer group, this includes is the five years from 31 December 2012 to 31 December 2016.
- For FirstRand earnings CAGR includes the five years from 30 June 2013 to 30 June 2017. For the rest of the peer group this includes the five-year weighted average across the peer group (excluding FirstRand) from 31 December 2012 to 31 December 2016.

ABBREVIATIONS

AIRB	Advanced internal ratings based approach
AMA	Advanced measurement approach
AVC	Asset value correlation
BIA	Basic indicator approach
BPRMF	Business performance and risk management framework
CVA	Credit value adjustment
ICR	Individual capital requirement
LCR	Liquidity coverage ratio
NOFP	Net open forward position in foreign exchange
NSFR	Net stable funding ratio
TSA	The standardised approach
VaR	Value-at-Risk

ABBREVIATIONS OF FINANCIAL REPORTING STANDARDS

INTERNATIONAL FINANCIAL REPORTING STANDARDS	
IFRS 1	*IFRS 1 – First-time Adoption of International Financial Reporting Standards*
IFRS 2	*IFRS 2 – Share-based Payment*
IFRS 3	*IFRS 3 – Business Combinations*
IFRS 4	*IFRS 4 – Insurance Contracts*
IFRS 5	*IFRS 5 – Non-current Assets Held for Sale and Discontinued Operations*
IFRS 7	*IFRS 7 – Financial Instruments – Disclosures*
IFRS 8	*IFRS 8 – Operating Segments*
IFRS 9	*IFRS 9 – Financial Instruments*

INTERNATIONAL ACCOUNTING STANDARDS	
IAS 1	*IAS 1 – Presentation of Financial Statements*
IAS 2	*IAS 2 – Inventories*
IAS 7	*IAS 7 – Statement of Cash Flows*
IAS 8	*IAS 8 – Accounting Policies, Changes in Accounting Estimates and Errors*
IAS 10	*IAS 10 – Events After the Reporting Period*
IAS 12	*IAS 12 – Income Taxes*
IAS 16	*IAS 16 – Property, Plant and Equipment*
IAS 17	*IAS 17 – Leases*
IAS 18	*IAS 18 – Revenue*
IAS 19	*IAS 19 – Employee Benefits*
IAS 20	*IAS 20 – Accounting for Government Grants and Disclosure of Government Assistance*
IAS 21	*IAS 21 – The Effects of Changes in Foreign Exchange Rates*
IAS 23	*IAS 23 – Borrowing Costs*
IAS 24	*IAS 24 – Related Party Disclosures*
IAS 27	*IAS 27 – Consolidated and Separate Financial Statements*
AS 28	*IAS 28 – Investments in Associates and Joint Ventures*
IAS 29	*IAS 29 – Financial Reporting in Hyperinflationary Economies*
IAS 32	*IAS 32 – Financial Instruments – Presentation*
IAS 33	*IAS 33 – Earnings Per Share*
IAS 34	*IAS 34 – Interim Financial Reporting*
IAS 36	*IAS 36 – Impairment of Assets*
IAS 37	*IAS 37 – Provisions, Contingent Liabilities and Contingent Assets*
IAS 38	*IAS 38 – Intangible Assets*
IAS 39	*IAS 39 – Financial Instruments Financial Instruments – Recognition and Measurement*
IAS 40	*IAS 40 – Investment Property*

IFRS INTERPRETATIONS COMMITTEE INTERPRETATIONS	
IFRIC 17	*IFRIC 17 – Distributions of Non-cash Assets to Owners*

www.firstrand.co.za

FIRSTRAND