ANNUAL FINANCIAL STATEMENTS 2016

OWNER-MANAGER CULTURE

INNOVATION

ENTREPRENEURSHIP

FRANCHISE VALUE

FIRSTRAND

contents

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

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SUMMARY RISK AND CAPITAL MANAGEMENT REPORT

RISK MANAGEMENT APPROACH

FirstRand believes that effective risk, performance and financial resource management are of primary importance to its success and is a key component of 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 are key to growth, particularly during periods of uncertainty. FirstRand's franchises have consistently executed on a set of strategies which are aligned to 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 disciplines through frameworks set at the centre. These frameworks include:

Risk management framework	Performance management framework	Balance sheet framework
➲ assesses the impact of the cycle on the group's portfolio; ➲ understands and prices appropriately for risk; and ➲ originate within cycle-appropriate risk appetite and volatility parameters.	➲ allocates capital appropriately; ➲ ensures an efficient capital structure with appropriate/conservative gearing; and ➲ requires earnings to exceed cost of capital, i.e. positive net income after cost of capital (NIACC).	➲ executes sustainable funding and liquidity strategies; ➲ protects credit ratings; and ➲ preserve a "fortress" balance sheet that can sustain shocks through the cycle.

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.

Effective risk management is key to the successful execution of strategy and is based on:

- a **risk-focused culture** with multiple points of control applied consistently throughout the organisation;
- a **combined assurance** process to integrate, coordinate and align the risk management and assurance processes within the group to optimise the level of risk, governance and control oversight; and
- **strong risk governance** through the application of financial and risk management disciplines through frameworks set at the centre.

Risk taking is an essential part of the group's business and the group explicitly recognises core 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, performance, achievement of desired objectives, and avoidance of adverse outcomes and reputational damage.

A business profits from taking risks, but will only generate an acceptable profit commensurate with the risk from its activities if the 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 risk appetite framework. The group's risk appetite framework enables organisational decision making and is aligned with FirstRand's strategic objectives. Refer to the CEO's and CFO's reports for a detailed discussion on the group's strategies to ensure resilience in earnings, growth and returns, and to maintain balance sheet strength. The information in this report is provided on an IFRS basis, except where otherwise indicated.

OVERVIEW OF FRANCHISE ACTIVITIES AND RESULTANT RISKS

CORE RISK COMPETENCIES

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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 inherent in its operations. The group's core competencies are applied by 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 BPRMF.

	FNB	RMB	WesBank	Ashburton Investments	FCC
Key activities	**Retail and commercial banking**	**Corporate and investment banking**	**Instalment finance**	**Investment management**	**Group-wide functions**
Market segments	consumer small business agricultural medium corporate public sector	institutions (SOEs) 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 loans personal loans credit and debit cards investment products insurance products (funeral, risk, credit life) card acquiring credit facilities distribution channels	advisory funding trading transactional banking principal investing solutions deposit taking	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 and commercial credit risk		Interest rate risk in the banking book
	Insurance risk	Traded market risk			Funding and liquidity risk
		Equity investment risk (RMB, WesBank, Ashburton Investments)			Foreign exchange risk
	Operational risk (all)				

Other risks					
Strategic	Business	Reputational	Model	Environmental and social	Regulatory

FIRSTRAND RISK PROFILE

The following table provides a high level overview of FirstRand's risk profile and its interaction with the group's risk appetite.

Normalised ROE	
24.0% 2015: 24.7%	Long-term target **18% – 22%**

Normalised earnings growth	
+7% 2015: +14%	Long-term target **Normal GDP +3% – 5%**

Capital adequacy	
16.9% 2015: 16.7%	Target **>14%**

Tier 1	
14.6% 2015: 14.8%	Target **>12%**

CET1	
13.9% 2015: 14.0%	Target **10% – 11%**

Leverage ratio		
8.4%	2015: 8.4%	Target **>5%**

Liquidity coverage ratio		
96%	2015: 76%	Minimum requirement **70%**

Normalised NPLs	
2.45%	2015: 2.21%

Normalised credit loss ratio		
0.86%	2015: 0.77%	Long-run average **100 – 110 bps**

Market risk 10-day ETL
R345 million 2015: R419 million

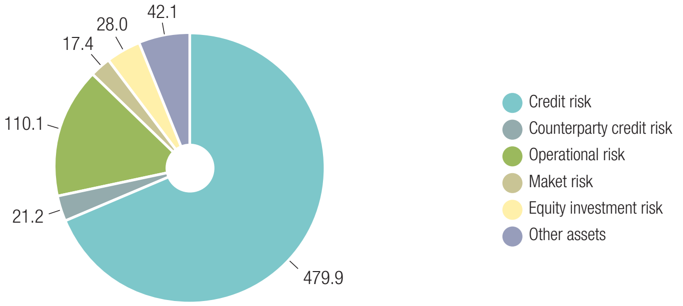
Equity investment risk exposure as % of Tier 1
10.5% 2015: 12.2%

NII sensitivity downward 200 bps
-R2.3 billion 2015: -R2.9 billion
upward 200 bps
R1.9 billion 2015: R2.7 billion

Note: Targets shown are for normal business cycles. Capital and leverage ratios include unappropriated profits.

RISK WEIGHTED ASSETS

R billion



RISK PROFILE ANALYSIS

Return on equity and earnings growth

- The quality of the group's operating franchises' growth strategies and disciplined allocation of financial resources have over time enabled the group to deliver on its earnings growth and return targets. The report provides an overview of the group's financial position and performance for the year ended 30 June 2016.

Capital adequacy

- FirstRand has maintained its strong capital position. The group continues to actively manage capital composition and, to this end, issued R4.9 billion Basel III-compliant Tier 2 instruments in the domestic market during past 12 months. 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 leverage.

Funding and liquidity

- 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 70% minimum liquidity coverage ratio (LCR) as set out by the BCBS, with an LCR measurement of 96%. The group's high-quality liquid asset (HQLA) holdings amounted to of R157 billion at 30 June 2016.

Credit risk

- Group credit loss rates increased as expected, impacted by a more challenging macroeconomic environment. Credit origination strategies are aligned to the group's macroeconomic outlook. Performance is acceptable and within risk appetite.
- The group continues to exercise prudence with overall portfolio provisions being maintained, despite some deterioration in the underlying portfolios, including increasing NPLs, in line with expectations.

Market risk in the trading book

- The interest rate risk asset class represents the most significant market risk in the trading book exposure at June 2016. The group's market risk profile remained within risk appetite.

Equity investment risk

- The year was marked with significant realisations with robust realisation profits. The quality of the investment portfolio remains acceptable and within risk appetite.

For a detailed analysis of risk and capital management refer to the group's Pillar 3 disclosure on www.firstrand.co.za.

TOP AND EMERGING RISKS

Identifying and monitoring potential and emerging risks is an integral part of the group's approach to risk management. These risks are continuously identified, potential impacts determined, reported to and debated by appropriate risk committees and management. Current top and emerging risks are outlined below.

TOP AND EMERGING RISK

Risk	Description	Mitigant
Global macroeconomic environment		
Global economic outlook	The macroeconomic environment remains challenging and significant downside risk remains. Weak growth, low inflation and persistent macroeconomic shocks continue to necessitate more global monetary policy stimulus. While there are growing concerns about the negative long-term consequences of these policies, very low global interest rates have provided another boost to high-yielding assets across the globe. Continued expected increases in dollar funding costs pose a challenge to indebted governments, corporates and consumers.	Continue to monitor economic developments in key markets with appropriate planning, responses, strategy alignment and provisions as required.
Local macroeconomic environment		
Local economic outlook	Although the rand has received a boost from yield-seeking global investors, pressure remains due to the volatile nature of these inflows. Global monetary policy settings may strengthen the rand in the medium term. Although pressure on economic growth remains due to low oil, commodity and international agricultural prices, low inflation growth and many unresolved structural constraints, the economy is showing signs of rebalancing. Constructive reaction from politicians to the outcome of the local elections may also have a positive impact on the local economic outlook.	Credit origination and funding strategies are assessed in light of economic conditions and market liquidity.
Structural constraints	Ongoing structural constraints will further restrict South Africa's ability to grow employment, increase private sector investment and reap the benefits of a weak exchange rate and some global growth. This continues to limit growth in household, corporate and government income.	
Sovereign rating	The risk of a sovereign rating downgrade may impact foreign investment in South Africa and the availability and cost of funding.	The impact of a sovereign downgrade on business continues to be assessed.
Regulatory and legal risks		
Regulatory developments	The regulatory landscape requires the group to deal with a number of changes and additional legal and regulatory requirements. These include market conduct, financial crime, the implementation of a twin peaks model of financial regulation, the Protection of Personal Information Act, IFRS 9, amendments to the National Credit Act, insurance regulations, foreign account tax compliance and foreign asset control sanctions.	Significant investment in people, systems and processes are made to manage the risks emanating from the large number of new regulatory requirements.
Legal risk	Legal proceedings arising from business operations could give rise to potential financial loss and reputational damage.	

Risk	Description	Mitigant
Risks related to business operations and internal control systems		
Structural constraints	Operations are reliant on many elements of the national infrastructure, including water supply, electricity, possible power outages and telecommunications. Structural constraints, such as skills shortages, labour market unrest, and financial issues of state owned entities could potentially have direct or indirect impacts on business.	The impact of structural constraints on operations is assessed with contingency plans in place where appropriate.
Funding costs	Market availability of HQLA could impact the group's funding position and costs.	A number of actions are in place to ensure a resilient funding model.
Cybercrime and fraud	Cybercrime and potential money laundering threats continue to increase globally and remain a key area of focus.	Threats are continuously assessed and controls adapted to address possible control weaknesses and improve system security.
Data management	Data management is becoming more important from a strategic perspective and new regulatory requirements for more frequent, consistent, accurate and timely data submissions.	Projects for improved data management, aggregation and reporting are underway.

RISK APPETITE

The management of financial resources, defined as capital, funding and liquidity and risk appetite, is critical to the achievement of FirstRand's stated growth and return targets and is driven by the group's overall risk appetite. As such, the group sets financial and prudential targets through different business cycles and scenarios. The group is expected, at a defined confidence level, to deliver on its commitments to the providers of capital. The management of the group's financial resources is executed through Group Treasury and is independent of the operating franchises. This ensures the required level of discipline is applied in the allocation of financial resources and pricing of these resources. This also ensures that Group Treasury's mandate is aligned with the operating franchises' growth, return and volatility targets, in order to deliver shareholder value.

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

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:

- deliver 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, i.e. earnings and capital. The group views earnings as the primary defence against adverse outcomes. Risk capacity provides a reference for risk appetite and is not intended to be reached under any circumstances.

Risk appetite states what proportion of the group's financial resources should be utilised in the execution of its strategy and is determined through consideration of a number of filters, including:

- overall strategic objectives;
- growth, volatility and return targets; and,
- meeting the group's commitments to all stakeholders including regulators, depositors, debt holders and shareholders.

Risk appetite is captured through both quantitative measures and qualitative principles, which include set objectives for the level of earnings volatility, and minimum levels of capital and liquidity to be maintained over defined time horizons in normal and stressed environments.

Risk limits are clearly defined risk boundaries for different measures per risk type. It is also referred to as thresholds, tolerance or triggers. Actual performance/losses are measured against limits/thresholds for management and escalation purposes.

PROCESS FOR DETERMINING RISK APPETITE

Risk capacity

EARNINGS	CAPITAL

Filters

Strategic objectives and growth, return and volatility targets

Constraints based on stakeholder commitments

Risk appetite

QUANTITATIVE MEASURES

Normal business cycles	EARNINGS GROWTH, RETURN AND VOLATILITY TARGETS	MINIMUM CAPITAL AND LEVERAGE RATIO TARGETS	MINIMUM LIQUIDITY TARGETS AND TARGETED CREDIT RATING
	ROE 18% to 22%	**Capital** CET1: 10% – 11%	**Liquidity** To exceed minimum regulatory requirements with appropriate buffers
	Earnings growth Nominal GDP +3% to 5%	**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 relates 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.
No risk taking 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.
No implementation of 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 growth across all the portfolios. It is in this process that 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. The risk/reward profile should be measured point-in-time and forward looking. Risk appetite should influence the business plans and inform risk-taking activities and strategies in every business.

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 framework drives the allocation of financial resources, including risk-taking capacity. Although different commitments are made to various stakeholders, these are monitored collectively.

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 organisation, supported through the three lines of control in the business performance and risk management framework.

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 houseview which is used for budgeting, forecasting and business origination strategies. The houseview focuses on the key macroeconomic variables that impact the balance sheet and income statement. The macro 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 on a quarterly basis. The business plan for the next three years is 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 stays within the constraints it has set itself. The scenarios are based on changing macroeconomic variables, plausible event risks and regulatory and competitive changes.

The group employs a comprehensive, consistent and integrated approach to stress testing and scenario planning. The impact of the risk scenarios on the business is evaluated and the need for adjustment to origination is considered and appropriate actions are taken. More severe scenarios are run less frequently but are critical to support or test the capital buffers, capital and liquidity planning, validate existing quantitative risk models and understanding required management action.

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 macro environment also inform the portfolio optimisation decisions and the price and allocation of financial resources.

Through the risk appetite framework and processes, the group continues to refine its processes to align and cascade earnings growth, return and volatility targets of the overall risk appetite statement into limits and thresholds at risk type and franchise level. Through this process, the group aims to align the bottom up aggregation of franchise risk-reward statements to the group statement as well as test the limit structures with reference to the group statement.

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 business performance and risk management framework (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 following diagram.

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 A15.

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

GROUP CEO

Strategic executive committee (Stratco)

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

Financial resource management executive committee

Conduct executive committee

Platform executive committee

International executive committee

People, leadership and talent forum

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

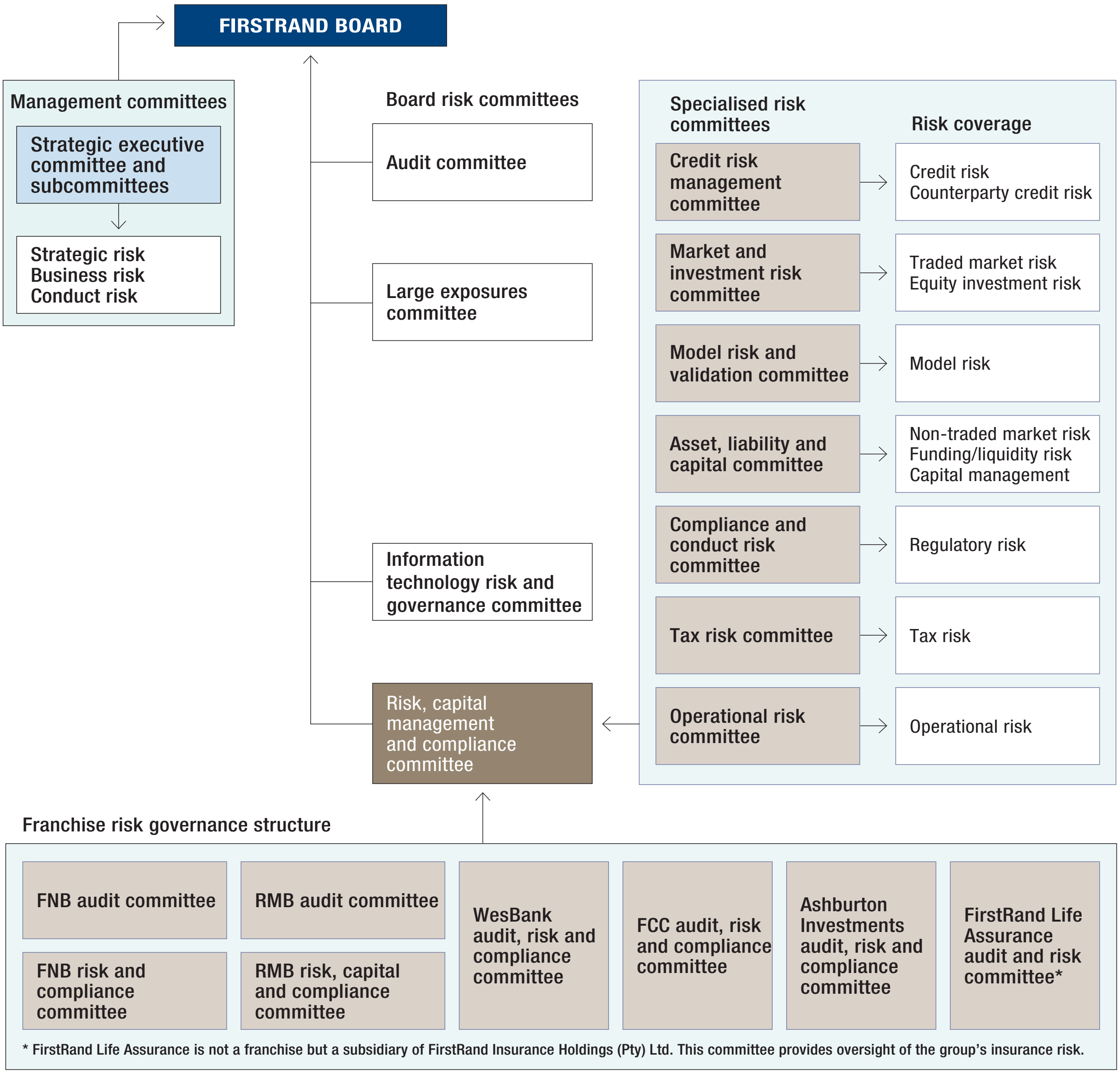
External advisors

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/investorpages.aspx. 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



DISCLOSURE OF KEY RISKS

The definitions of key risks, a description of how each risk arises 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 are presented in the notes to the financial statements in the annual financial statements in note 37 and sets out the group's exposure to these financial and insurance risks.

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

FINANCIAL AND INSURANCE RISKS AND CAPITAL MANAGEMENT

Description	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. Credit risk also includes credit default risk, pre-settlement risk, country risk, concentration risk and securitisation risk.	➲ 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 risk, concentration risk 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 cash flow 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.		
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

Description	Definition	Disclosure	Report reference
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 of liabilities payable under an insurance contract. These uncertainties can result in the occurrence, amount or timing of the liabilities being different from expected. Insurance risk can arise throughout the product cycle and is related to product design, pricing, underwriting or claims management.	• Assessment and management of insurance risk.	Summary risk and capital management Pillar 3 disclosure

NON-FINANCIAL RISKS

Description	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.	➲ Governance, 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 and Pillar 3 disclosure requirements.	Summary risk and capital management report 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 causes 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 sustainably implement business strategy.	➲ Assessment	Equator Principles report on www.firstrand.co.za.

CAPITAL MANAGEMENT

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 includes ongoing regulatory developments, expansion initiatives and corporate transactions. The group aims to back all economic risk with loss absorbing capital and remains well capitalised in the current environment.

FirstRand comfortably operated above its capital targets during the year. The following table summarises the group's qualifying capital and related ratios at 30 June 2016.

COMPOSITION OF CAPITAL ANALYSIS (UNAUDITED)

	R million	CET1 capital	Tier 1 capital	Total qualifying capital
	Internal targets	**10% – 11%**	**> 12%**	**> 14%**
2016	Qualifying capital 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**
2015	Qualifying capital including unappropriated profits	88 961	94 008	106 008
	Risk weighted assets	633 830	633 830	633 830
	Capital adequacy (%)	14.0	14.8	16.7

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

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*

R million/%	**June 2016**	June 2015
Gross advances	**821 717**	762 596
Credit loss ratio	**0.87**	0.71
NPLs as % of advances	**2.59**	2.29
Impairments as % of average advances	**0.87**	0.71
Implied loss given default (coverage)	**33.6**	33.5
Total impairments coverage ratio	**61.2**	64.2
Performing book coverage ratio	**0.73**	0.72

* *These metrics are on an IFRS basis.*

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 consumer indebtedness, the rising interest rate cycle, low economic growth and a depressed commodity price cycle. • Assessed credit portfolio performance considering stressed scenarios to the group's outlook to confirm resilience of credit portfolios within risk appetite under stressed conditions. • Assessed adequacy of impairments given current economic conditions. • Continued rollout of the group IFRS 9 programme, established a group IFRS 9 framework, and developed IFRS 9 credit models on pilot products to inform impact analysis and refine approaches prior to implementation. • Implemented amendments for revised affordability assessment criteria of the NCA. • Continued implementation of Directive 7/2015 requirements on restructured credit exposures. • Removed impact of implicit support assumptions on regulatory borrower risk ratings. • Completed the wholesale rest of Africa credit review.	• Continue to monitor the effect of economic conditions on consumer indebtedness, interest rates, growth and commodity prices and adjust credit origination strategies as well as credit portfolio management activities accordingly. • Ongoing reviews to ensure alignment of bottom-up and top-down credit risk appetite assessments. • Continue to refine credit risk appetite approaches to assess credit loss volatility. • Focus on debt counselling trends as the South African consumer continues to experience strain due to low economic growth. • Continue rollout of the group IFRS 9 programme and related model development. • Continue to invest in people, systems and processes related to credit model risk management to ensure appropriate governance with increasing model complexity. • Continue to rollout date 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. FR 1 is the lowest PD and FR 100 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 FIRSTRAND (FR) GRADES TO RATING AGENCY SCALES

FR 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 model using internal and external data covering a full economic cycle is used and results supplemented with a 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 model.
	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 model considers 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 model.
	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 model considers the type of collateral underlying the exposure.
	EAD	• Estimation is based on regulatory guidelines with credit conversion factors being used as appropriate. External data and expert judgement are used due to the low default nature of the exposures.

Portfolio	Model type	Model descriptions
Specialised lending portfolios (RMB, FNB Commercial) Exposures to private-sector counterparties for the financing of project finance, high volatility commercial real estate, and income-producing real estate.	**PD**	• The rating system is 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 model.
	LGD	• The LGD estimation process is similar to that followed for PD with simulation and expert judgement used as appropriate.
	EAD	• EAD estimates are based on internal as well as suitably adjusted external data. The credit conversion factor approach is typically used to inform the EAD estimation process.
Commercial portfolios (FNB Commercial) Exposures to SME corporate and retail clients. Products include loan facilities, contingent products and term lending products.	**PD**	• **SME corporate** – counterparties are scored using financial statement information in addition to other internal risk drivers, the output of which is calibrated to internal historical default data. • **SME retail** – the SME retail portfolio is segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, customer behaviour and delinquency status. PDs are estimated for each subpool based on internal product level history associated with the respective homogeneous pools and subpools.
	LGD	• **SME corporate** – recovery rates are largely determined by collateral type and these have been set with reference to internal historical loss data, external data and Basel guidelines. • **SME retail** – LGD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
	EAD	• **SME corporate** – portfolio level credit conversion factors are estimated on the basis of the group's internal historical experience and benchmarked against international studies. • **SME retail** – EAD estimates are applied on a portfolio level, estimated from internal historical default and recovery experience.
Residential mortgages (FNB HomeLoans, One Account, FNB Housing Finance and Wealth (RMB Private Bank and FNB Private Clients)) Exposures to individuals for the financing of residential properties.	**PD**	• Portfolios/products are segmented into homogeneous pools and subpools through an automated scoring process using statistical models that incorporate product type, loan characteristics, customer behaviour, application data and delinquency status. • PDs are estimated for each subpool based on internal product-level history associated with the respective homogeneous pools and subpools.
	LGD	• LGD estimates are based on subsegmentation with reference to collateral or product type, time in default and post-default payment behaviour. Final estimates are based on associated analyses and modelling of historical internal loss data.
	EAD	• EAD estimates are based on subsegmentation with reference to product-level analyses and modelling of historical internal exposure data.

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

The following tables provide the main parameters used for the calculation of capital requirements for the exposures in the AIRB models split by 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:

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

A breakdown of credit exposures per asset class by PD range is included in the Pillar 3 disclosure on www.firstrand.co.za.

FIRSTRAND BANK (SA) ADVANCED INTERNAL RATINGS-BASED APPROACH CREDIT RISK EXPOSURES BY PORTFOLIO AND PD RANGE

	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	1 919 366
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	100.0	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 in 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 in line with risk appetite for the year. 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

R billion	June 2016	June 2015
High quality liquid assets (HQLA)		
– Cash and deposit with central banks	**32**	31
– Government bonds and bills	**83**	88
– Corporate bonds	**42**	13
Total HQLA	**157**	132
LCR %	**96**	76

YEAR UNDER REVIEW AND FOCUS AREAS

Period under review	Risk management focus areas
• During the year, the deposit franchise grew 10%, with institutional and other funding increasing 2%. • Innovative customer deposit products showed strong growth, supporting the group's strategy to grow its deposit franchise. • The provisional directive on the NSFR in November 2015 has subsequently been issued as Directive 4/2016 in August. The SARB has applied discretion in relation to the treatment of deposits from financial institutions with maturities of up to six months. 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 and FirstRand in meeting NSFR requirements. 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 further improve further 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** and **structural foreign exchange risk**.

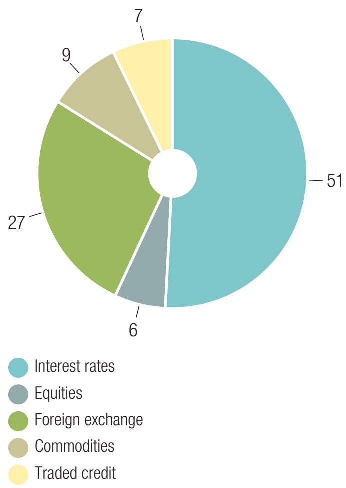
The group's market risk in the trading book emanates mainly from the provision of hedging solutions for clients, market-making activities and term-lending products, and is taken and managed by RMB. The relevant businesses in RMB function as centres of expertise for all market risk-related activities. Market risk is managed and contained within the group's appetite.

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

VAR EXPOSURE PER ASSET CLASS FOR THE GROUP EXCLUDING SUBSIDIARIES IN THE REST OF AFRICA

%



YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Overall diversified levels of market risk remained relatively low over the last few years with this trend continuing during the year. There are no significant concentrations in the portfolio, which also reflects overall lower levels of risk. • Across the group, the only areas where market risk increased are the subsidiaries in the rest of Africa, but these remain small in the context of the group.	• Given the impending regulatory changes to the BCBS's consultative document, *Fundamental review of the trading book*, RMB is reviewing the current target operating platform for market risk, taking into account 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 R95.3 million on a 10-day ETL basis at 30 June 2016 (2015: R49.6 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 expected tail loss (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), choice of which 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 **interest rate risk in the banking book (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	• 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; 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 2016, 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 INTEREST RATE MOVEMENTS

	FirstRand	
R million	**June 2016**	June 2015
Downward 200 bps	**(2 319)**	(2 921)
Upward 200 bps	**1 855**	2 661

Most of NII sensitivity relates to the endowment book mismatch. The group's average endowment book was R163 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
The Monetary Policy Committee increased rates by 125 bps since July 2015. This positively impacted the group's earnings as a result of the endowment impact.	• The extent and timing of rate normalisation in South Africa are impacted by various global macroeconomic factors. The group continues to actively manage IRRBB. • The BCBS, through the task force for interest rate risk in the banking book, has published a more robust regulation for IRRBB which is due to be implemented by December 2017. The group is addressing these new requirements.

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 can 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 investor value through diversified earnings, as well as unwanted volatility from 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 group currency positions. 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

	FirstRand	
R million	**June 2016**	June 2015
Total net foreign exposure	**21 416**	17 197
Impact on equity from 15% currency translation shock	**3 213**	2 578

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
➲ Continued to strengthen principles of the management of foreign exchange positions and funding of the group's foreign entities. ➲ Monitored the net open forward position in foreign exchange limits in each of the group's foreign entities.	➲ Continually 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 section).

Structural foreign exchange risk impacts both the current NAV of the group as well as future profitability and earnings potential. Economic hedging is undertaken 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 in the group arises primarily from equity exposures from private equity and 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, there is a memorandum of understanding between RMB and FNB to co-invest in the 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 businesses' daily operations and are managed as such.

Ashburton Investments, the group's asset management business, also contributes to equity investment risk. This risk emanates from long- or short-term seeding activities both locally and offshore.

EQUITY INVESTMENT RISK PROFILE

	June 2016			June 2015		
R million	Listed investments	Unlisted investments	Total	Listed investments	Unlisted investments	Total
Carrying value of investments	**595**	**9 449**	**10 044**	1 100	9 802	10 901
Fair value	**665**	**14 882**	**15 547**	1 238	21 678	22 916
Sensitivity to 10% movement in market value on investment fair value			**367**			378

During the year, the private equity portfolio had significant realisations with robust realisation profits. The unrealised value of the private equity investment portfolio at 30 June 2016 is R4.2 billion (2015: R4.9 billion), the reduction driven primarily by investment disposals. 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 review	Risk management focus areas
• Private Equity concluded the disposal of a number of investments. Acquisitions remained muted across the investing portfolios. • Difficult trading conditions were experienced in the resources sector. • The unrealised value of RMB Private Equity's portfolio decreased to R4.2 billion at 30 June 2016 (2015: R4.9 billion) driven primarily by investment disposals. • Ashburton Investments implemented fund reporting capabilities across the business and initiated the implementation of a risk reporting system. • FirstRand subscribed for shares in African Bank Holdings Limited.	• Continue to focus on non-performing exposures, particularly in the RMB Resources portfolio which is being wound down, and realising value from the existing portfolio. • Prepare for the introduction of the new BCBS standard relating to the treatment of investment in funds. • Ashburton Investments will focus on strengthening its distribution capability with its recently established customer value management function and increasing its offshore distribution capabilities.

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 performed 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 was granted approval to operate as a long-term insurer in March 2015 and, through the FNB franchise, policies exposed to insurance risk were sold from July 2015. Insurance policies were previously sold on behalf of Momentum Life.

FirstRand currently underwrites funeral policies, risk policies and credit life policies against FNB loan products. Funeral policies pay benefits upon the 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, introducing mortality risk. Credit life policies also cover retrenchment risk. As a result of these insurance risk exposures, the group is exposed to catastrophic 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, lapse 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.

FirstRand Life also writes linked-investment policies distributed by Ashburton Investments. There is, however, no insurance risk associated with these policies.

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Initiated sales of funeral policies, linked-investment policies and credit life policies under the FirstRand Life licence, previously sold by the group on Momentum Life's licence. • Launched a new policy administration system.	• Continue to monitor incidence rates, claims ratios and business mix of funeral sales. • Enhance IT risk capabilities to support the new policy system.

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 the 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. 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 review policy terms and conditions.

OPERATIONAL RISK

INTRODUCTION AND OBJECTIVES

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

YEAR UNDER REVIEW AND FOCUS AREAS

Year under review	Risk management focus areas
• Introduced key risk drivers to refine scenario analysis and refined linkages between scenarios and risk mitigation plans. • Refined actions for compliance with the Basel principles for risk data aggregation and reporting and introduced minimum operational risk data quality control standards. • Formalised contingency plans to manage business resilience risks associated with potential national water and electricity supply shortages. • Reviewed key outsourcing arrangements to manage associated operational risks. • Process automation projects continued to reduce manual processes and improve controls. • Power supply, management equipment and infrastructure were upgraded for key facilities with completion planned for 2018. • Continued to review risk mitigation strategies to combat cybercrime to ensure that controls are adequate and effective. • Refined processes, and improved data quality and records management practices. • Information governance committees established in all franchises. • 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. • Refine operational risk appetite to deliver greater value in decision making. • Enhance the use of operational risk management information and analysis. • Embed and automate key risk drivers in the application of risk assessment and management tools. • Address gaps relating to Basel principles for risk data aggregation and reporting. • Embed control testing as part of the responsibilities of the second line of control. • Continue to enhance risk measurement, capital calculation and allocation methods. • Ongoing assessment of risk management and measurement impact (including capital) 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 mitigant in the calculation of capital.

The principal operational risks currently facing the group are:

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

REGULATORY RISK

INTRODUCTION AND OBJECTIVES

The group expects ethical behaviour that contributes to the overall objective of prudent regulatory compliance and risk management by striving to observe both the spirit and the letter of the law. Management's ownership and accountability contributes to this through providing responsible financial products and services, and treating customers fairly. The compliance culture also embraces broader standards of integrity and ethical conduct which affects all employees. RRM's objective is to ensure business practise, policies, frameworks and approached 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
• Deliberations on the FIC Amendment Bill have been concluded and were referred for approval in May 2016. • Public comment on the Financial Sector Regulation Bill was concluded. The bill is currently in the parliamentary process. • The amended Regulations relating to Banks became effective from 1 July 2016. • Public comment on the Financial Markets Amendment Bill will be finalised by the end of August 2016 where after it is expected that the bill, together with ministerial regulations, will be tabled.	• 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. • Ongoing investment in systems, processes and resources to ensure compliance with anti-money laundering and combating the financing of terrorism (AML/CFT) legislation. • 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 assessment by regulators in other jurisdictions such as Namibia and Botswana. • Continue to work closely with regulators and industry on the authenticated collections project, which main objective is to prevent debit order abuse.

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 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

contents

FIVE YEAR REVIEW

R million	2012*	2013	2014	2015	2016	Compound growth %
Statement of financial position						
Total assets	765 528	865 732	945 535	1 059 266	**1 149 277**	11
Average assets	731 728	815 630	905 634	1 002 401	**1 104 272**	11
Advances	527 279	601 065	685 926	751 366	**808 699**	11
Average advances	495 936	564 172	643 496	718 646	**780 033**	12
Impairment of advances	8 899	9 433	10 385	11 230	**13 018**	10
NPLs	18 712	17 231	16 281	17 501	**21 282**	3
Gross advances before impairments	536 178	610 498	696 311	762 596	**821 717**	11
Deposits	606 299	697 035	768 234	865 521	**919 930**	11
Capital and reserves attributable to equityholders of the group	66 218	76 137	85 033	95 297	**104 264**	12
Treasury shares	1 795	1 253	1 076	-	**43**	(61)
Ordinary dividends	8 742	6 198	8 669	10 724	**12 608**	10
Total equity before dividends and treasury shares	76 755	83 588	94 778	106 021	**116 915**	11
Total ordinary equity	61 699	71 618	80 514	90 778	**99 745**	13
Assets under administration	904 485	996 608	1 150 845	1 308 630	**1 428 356**	12
Income statement						
Net interest income before impairment of advances	21 882	24 769	29 878	35 621	**42 041**	18
Impairment of advances	(5 065)	(4 807)	(5 252)	(5 150)	**(6 902)**	8
Non-interest revenue	29 494	30 734	36 150	37 421	**36 677**	6
Share of profit of associates and joint ventures after tax	1 120	824	927	1 539	**1 456**	7
Operating expenses	(28 422)	(30 804)	(35 448)	(38 692)	**(41 657)**	10
Earnings attributable to ordinary equityholders	13 196	14 785	18 440	21 623	**22 563**	14
Headline earnings	12 642	15 327	18 671	21 141	**22 387**	15
Earnings per share (cents)						
- Basic	241.7	269.7	336.2	390.1	**402.4**	14
- Diluted	236.8	266.4	332.7	390.1	**402.4**	14
Headline earnings per share (cents)						
- Basic	231.5	279.6	340.4	381.4	**399.2**	15
- Diluted	226.9	276.2	336.8	381.4	**399.2**	15

** 2012 Income Statement numbers have not been restated for the new IFRS 10, IFRS 11 and the revised IAS 19.*

FIVE YEAR REVIEW continued

R million	2012	2013	2014	2015	**2016**	Compound growth %
Dividend per share (cents)	102.0	136.0	174.0	210.0	**226.0**	22
Dividend cover based on headline earnings	2.3	2.1	2.0	1.8	**1.8**	
NCNR preference dividends per share (cents)						
- February	305.20	320.30	320.30	348.50	**366.50**	5
- August	333.08	320.25	341.10	363.90	**394.70**	4
Net asset value per ordinary share (cents)	1 129.47	1 305.41	1 467.86	1 619.15	**1 778.85**	12
Shares in issue (millions)	5 637.9	5 637.9	5 637.9	5 609.5	**5 609.5**	-
Weighted average number of shares in issue (millions)	5 460.4	5 482.5	5 485.3	5 543.6	**5 607.7**	1
Diluted weighted average number of shares in issue (millions)	5 572.5	5 550.0	5 543.0	5 543.6	**5 607.7**	-

FIVE YEAR REVIEW continued

R million	2012	2013	2014	2015	**2016**	Compound growth %
Key ratios						
Return on ordinary equity based on headline earnings (%)	21.2	23.0	24.5	24.7	**23.5**	
Price earnings ratio based on headline earnings (times)	11.4	10.3	12.0	14.0	**11.2**	
Price-to-book ratio (times)	2.3	2.2	2.8	3.3	**2.5**	
Market capitalisation (R million)	148 785	163 106	229 746	299 098	**251 529**	14
Closing share price (cents)	2 639	2 893	4 075	5 332	**4 484**	14
Cost-to-income ratio (%)	54.1	54.7	52.9	51.9	**52.0**	
Credit loss ratio (%)	1.0	0.9	0.8	0.7	**0.9**	
NPLs as a % of gross advances (%)	3.50	2.82	2.34	2.29	**2.59**	
Non-interest income as a % of total income (%)	56.2	54.6	54.0	50.2	**45.7**	
Return on average total assets based headline earnings (%)	1.7	1.9	2.1	2.1	**2.0**	
Interest margin on average advances (%)	4.4	4.4	4.6	5.0	**5.4**	
Exchange rates						
Rand/USD						
- Closing	8.19	10.01	10.63	12.14	**14.66**	
- Average	7.78	8.84	10.38	11.45	**14.51**	
Rand/GBP						
- Closing	12.83	15.22	18.17	19.12	**19.67**	
- Average	12.31	13.86	16.89	18.02	**21.47**	
Statement of financial position (USD)*						
Total assets	93 471	86 487	88 950	87 254	**78 395**	(4)
Advances	64 381	60 046	64 527	61 892	**55 164**	(4)
Deposits	74 029	69 634	72 270	71 295	**62 751**	(4)
Total equity	8 085	7 606	7 999	7 850	**7 112**	(3)
Assets under administration	110 438	99 561	108 029	107 589	**97 432**	(3)
Income statement (USD)**						
Earnings attributable to ordinary equityholders	1 696	1 673	1 776	1 888	**1 555**	(2)
Headline earnings	1 625	1 734	1 799	1 846	**1 543**	(1)
Statement of financial position (GBP)*						
Total assets	59 667	56 881	52 038	55 401	**58 428**	(1)
Advances	41 097	39 492	37 750	39 297	**41 113**	-
Deposits	47 256	45 797	42 280	45 268	**46 768**	-
Total equity	5 161	5 002	4 680	4 984	**5 301**	1
Assets under administration	70 498	65 480	63 338	68 443	**72 616**	1
Income statement (GBP)**						
Earnings attributable to ordinary equityholders	1 072	1 067	1 092	1 200	**1 051**	-
Headline earnings	1 027	1 106	1 105	1 173	**1 043**	-

** The statement of financial position is converted using the closing rates as disclosed.*
***The income statement is converted using the average rate as disclosed.*

FirstRand Limited Corporate governance

ECONOMIC IMPACT

	2016		2015	
	R million	**%**	R million	%
Value added				
Net interest income after impairment	**64 659**	**64.7**	53 810	59.7
Non-operating revenue	**38 389**	**38.4**	39 005	43.3
Non-operating expenses	**(3 079)**	**(3.1)**	(2 684)	(3.0)
Value added by operations	**99 969**	**100.0**	90 131	100.0
To employees				
Salaries, wages and other benefits	**24 463**	**24.5**	23 215	25.8
To providers of funding	**42 470**	**42.5**	34 373	38.1
Dividends to shareholders	**12 950**		11 034	
Interest paid	**29 520**		23 339	
To suppliers	**12 856**	**12.8**	11 664	12.9
To government	**7 593**	**7.6**	8 076	9.0
Normal tax	**6 650**		7 164	
Value added tax	**921**		855	
Capital gains tax	**8**		19	
Other	**14**		38	
To communities				
CSI spend	**171**	**0.2**	170	0.2
To expansion and growth	**12 416**	**12.4**	12 633	14.0
Retained income	**9 955**		10 899	
Depreciation and amortisation	**2 514**		2 195	
Deferred income tax	**(53)**		(461)	
Total value added	**99 969**	**100.0**	90 131	100.0

SKILLS AND EXPERIENCE

Lauritz Lanser (Laurie) Dippenaar (67)
Non-executive chairman
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

Directorships – FirstRand group
- FirstRand Bank Limited – chairman
- First National Bank*
- Rand Merchant Bank*

Directorships – external
- OUTsurance Holdings Limited – chairman
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- RMB Holdings Limited
- Rand Merchant Investment Holdings Limited

** Divisional board*

Johan Petrus Burger (57)
Chief executive officer
BCom (Hons), CA(SA)
Appointed January 2009
Appointed CEO October 2015

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 Rand Afrikaans University (now University of Johannesburg) with a BCom (Hons) (Accounting) in 1983.

FirstRand – committee memberships
- Audit – ex officio
- Social and ethics
- Large exposures
- Remuneration – ex officio
- Risk, capital management and compliance – ex officio

Directorships – FirstRand group
- FirstRand Bank Limited
- FirstRand Investment Management Holdings Limited
- First National Bank - chairman*
- Rand Merchant Bank - chairman*
- WesBank*

Directorships – external
- MMI Group Limited
- MMI Holdings Limited – deputy chairman
- Rand Merchant Insurance Holdings Limited
- RMB Holdings Limited
- University of Johannesburg

** Divisional board*

Alan Patrick Pullinger (50)
Deputy chief executive officer
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 of Deloitte & Touche in 1996.

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

FirstRand – committee memberships
- Audit – ex officio
- Large exposures
- Remuneration – ex officio
- Risk, capital management and compliance – ex officio
- Social and ethics
- Transformation monitoring

Directorships – FirstRand group
- FirstRand Bank Limited
- FirstRand EMA Holdings Proprietary Limited
- FirstRand Finance Company Proprietary Limited
- FirstRand Insurance Holdings Proprietary Limited
- FirstRand Life Assurance Limited
- FirstRand Investment Holdings Proprietary Limited
- FirstRand Investment Management Holdings Proprietary Limited
- NewDisc Proprietary Limited

- First National Bank*
- Rand Merchant Bank*
- WesBank*

Directorships – external

- St Mary's School

** Divisional board*

Hetash (Harry) Surendrakumar Kellan (44)
Financial director
BCom, BCom (Hons), CA(SA)
Appointed January 2014

Harry started his career with the FirstRand group in 2005 at FNB as FNB 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

Directorships – FirstRand group

- FirstRand Bank Limited
- FirstRand EMA Holdings Proprietary Limited
- FirstRand Finance Company Proprietary Limited
- FirstRand Insurance Holdings Proprietary Limited
- FirstRand Life Assurance Limited
- FirstRand Investment Holdings Proprietary Limited
- NewDisc Proprietary Limited
- First National Bank*

** Divisional board*

Vivian Wade (Viv) Bartlett (73)
Independent non-executive director
AMP (Harvard), FIBSA
Appointed May 1998

Viv started his career with Barclays Bank DCO South Africa, which in 1987 became First National Bank of Southern Africa. After four years of overseas secondments he returned to South Africa in 1972 where he served as general manager and managing director at various group companies until being appointed as group managing director and CEO of First National Bank of Southern Africa in 1996. In 1998, he was appointed deputy CEO of FirstRand Bank, a position he held until his retirement in 2004.

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

Directorships – FirstRand group
- FirstRand Bank Limited
- First National Bank*

** Divisional board*

Mary Sina Bomela (43)
Non-executive director
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.

Mary is a chartered accountant and holds a BCom (Hons) in financial management from the University of Cape Town, a BCom (Hons) with the Certificate in the Theory of Accountancy from the University of KwaZulu-Natal and an MBA from the University of Pretoria.

FirstRand – committee memberships
- Directors' affairs and governance
- Social and ethics
- Transformation monitoring
- Risk, capital management and compliance

Directorships – FirstRand group
- FirstRand Bank Limited
- FirstRand Investment Management Holdings Limited

Directorships – external
- Envision Trust – trustee
- Metrofile Holdings Limited
- Mineworkers Investment Company Proprietary Limited
- Peermont Global Proprietary Limited
- Primedia Holdings Proprietary Limited
- Sishen Iron Ore Company Proprietary Limited
- Torre Industries Limited

Peter Cooper (60)
Alternate non-executive director
BCom (Hons), HDip Tax, CA(SA)
Appointed July 2013

Peter graduated from the University of Cape Town. After qualifying as a chartered accountant in 1981 he worked in the financial services sector, first as a tax consultant and later specialising in structured finance. Peter joined Rand

Merchant Bank's special projects division in 1992 and transferred to RMB Holdings Limited in 1997. He is the immediate past CEO of RMB Holdings (FirstRand's most significant shareholder) as well as of its sister company, Rand Merchant Investment Holdings Limited, both of which are listed on the JSE Limited.

FirstRand – committee memberships
- Directors' affairs and governance
- Transformation monitoring

Directorships – FirstRand group
- FirstRand Bank Limited – alternate non-executive director

Directorships – external
- Imperial Holdings Limited
- MMI Holdings Limited
- OUTsurance Holdings Limited
- OUTsurance International Holdings Proprietary Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Assurance Company Limited
- RMB Holdings Limited
- Rand Merchant Investment Holdings Limited
- RMB-SI Investments Proprietary Limited –chairman
- RMB Structured Insurance Limited
- RMB Structured Life Limited
- RMI Investment Managers Group Proprietary Limited

Jan Jonathan (Jannie) Durand (49)
Non-executive director
BAcc (Hons), MPhil (Oxon), 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. He was appointed chief investment officer of Remgro Limited in November 2009 and CEO from 7 May 2012.

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

Directorships – FirstRand group
- FirstRand Bank Limited

Directorships – external
- Distell Group Limited
- Mediclinic International Limited
- RCL Foods Limited
- Remgro Limited
- Rand Merchant Investment Holdings Limited
- RMB Holdings Limited – alternate director

Grant Glenn Gelink (66)
Independent non-executive director
BCompt (Hons), BCom (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
- Directors' affairs and governance
- Risk, capital management and compliance

Directorships – FirstRand group
- FirstRand Bank Limited
- WesBank*

Directorships – external
- Allied Electronics Corporation Limited (ALTRON)
- Grindrod Limited
- MTN Zakhele (RF) Limited
- Santam Limited
- Multisource Proprietary Limited

**Divisional board*

Patrick Maguire (Pat) Goss (68)
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 35 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

Directorships – FirstRand group
- FirstRand Bank Limited
- Rand Merchant Bank*

Directorships – external
- Gossaker Investments Proprietary Limited
- Gringoss Investments Proprietary Limited
- Goss and Company Proprietary Limited
- Rand Merchant Investment Holdings Limited

- RMB Holdings Limited
- Umngazi Mouth Proprietary Limited

** Divisional board*

Nolulamo Nobambiswano (Lulu) Gwagwa (57)
Independent non-executive director
BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)
Appointed February 2004

Lulu worked as a town planner in the private, public and NGO sectors between 1981 and 1986, before furthering her studies. In 1992 she joined the University of Natal as a senior lecturer in the Department of Town and Regional Planning. In 1995 she was appointed as a deputy director general in the national Department of Public Works, where she was responsible for the national public works programme and the transformation of the construction industry.

From 1998 to 2003, she was the CEO of the Independent Development Trust. She is currently the CEO of Lereko Investments.

FirstRand – committee memberships
- Directors' affairs and governance
- Social and ethics
- Transformation monitoring – chairman

Directorships – FirstRand group
- FirstRand Bank Limited

Directorships – external
- Cisco Technology and Services (South Africa) Proprietary Limited
- Lereko Eco Proprietary Limited
- Lereko Investment Holdings Proprietary Limited
- Lereko Metier Capital Growth Fund Managers Proprietary Limited
- Massmart Holdings Limited
- Sun International Limited
- Tsebo Holdings Proprietary Limited

Paul Kenneth Harris (66)
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

Directorships – FirstRand group
- FirstRand Bank Limited

Directorships – external
- Advent Sport Entertainment and Media Proprietary Limited
- Multisource Telecomms Proprietary Limited
- Quarme Investment Proprietary Limited
- Quarme Conservation Proprietary Limited
- Remgro Limited
- RMB Holdings Limited
- Rand Merchant Investment Holdings Limited

William Rodger (Roger) Jardine (50)
Independent non-executive director
BSc (Physics), MSc (Radiological Physics)
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

Directorships – FirstRand group
- FirstRand Bank Limited

Directorships – external
- Go Transit Proprietary Limited
- Jozi Gold Proprietary Limited
- Primedia Holdings Proprietary Limited
- Primedia Proprietary Limited

Francois (Faffa) Knoetze (53)
Non-executive director
BCom (Hons)
Fellow of the Actuarial Society of South Africa
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

Directorships – FirstRand group
- FirstRand Bank Limited
- FirstRand Insurance Holdings Proprietary Limited
- FirstRand Life Assurance Limited
- First National Bank*
- Rand Merchant Bank*
- WesBank*

Directorships – external
- Business Partners Limited
- OUTsurance Holdings Limited
- OUTsurance Insurance Company Limited
- OUTsurance Life Insurance Company Limited
- Payprop Capital Proprietary Limited
- Premier Team Holdings Limited
- Remgro Sport Investments Proprietary Limited
- Rand Merchant Investment Holdings Limited – alternate director
- RMB Holdings Limited
- Saracens Limited
- Sports Science Institute of South Africa NPC
- Sports Science Share Block Proprietary Limited
- Stellenbosch Academy of Sport Properties Proprietary Limited
- Western Province Rugby Proprietary Limited

** Divisional board*

Russell Mark Loubser (66)
Independent non-executive director
BCom (Hons) (Accounting), MCom (Statistics), 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

Directorships – FirstRand group

- FirstRand Bank Limited
- FirstRand Investment Management Holdings Limited - chairman
- FirstRand Insurance Holdings Proprietary Limited - chairman
- FirstRand Life Assurance Limited - chairman
- First National Bank*
- Rand Merchant Bank*

Directorships – external

- Aardklop Foundation – NPC
- Aardklop Nasionale Kunstefees – NPO
- Afrika Tikkun – NPO
- PLC Nominees Proprietary Limited
- Strate Proprietary Limited
- Bandurria Proprietary Limited
- Marcar Family Investments (Pty) Limited

** Divisional board*

Paballo Joel Makosholo (37)

Non-executive director
MCom (South African and International Taxation), International Executive Development Programme (Wits Business School), 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
- Transformation monitoring

Directorships – FirstRand group

- FirstRand Bank Limited
- FirstRand Insurance Holdings Proprietary Limited
- FirstRand Life Assurance Limited
- FirstRand Empowerment Trust
- WesBank*

Directorships – external
- Kagiso Tiso Holdings Proprietary Limited
- Johannesburg Housing Company
- KCDF IH
- Mthatha Airport Agricultural Services
- Tiamire Investments Proprietary Limited
- Kagiso Enterprises Private Equity Fund Proprietary Limited
- Kagiso Trust Consultancy Proprietary Limited
- Kagiso Active Training
- Phinako HR Solutions cc
- Kagiso Africa Investments
- Kagiso Trust Strategic Investments

** Divisional board*

Ethel Gothatamodimo Matenge-Sebesho (61)
Independent non-executive director
MBA (Brunel), CAIB (SA)
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

Directorships – FirstRand group
- FirstRand Bank Limited
- FirstRand Investment Management Holdings Limited
- First National Bank*

Directorships – external
- Capevin Holdings Limited
- EMS Investments Proprietary Limited
- Remgro-Capevin Investments Limited
- Finmark Trust
- Distell Group Limited

** Divisional board*

Amanda Tandiwe (Tandi) Nzimande (46)
Non-executive director
BCom, CTA (UCT), CA(SA), HDip Co Law (Wits)
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. At WDB she had a wide portfolio of responsibility including the finance and corporate governance functions, human resources, as well as participating in transactions and managing investment relationships through board representation. Her past board memberships include OUTsurance, Rennies Travel and Masana Fuel Solutions. Tandi has recently launched her own business focused on executive coaching.

Tandi gained exposure and an appreciation of the workings of an NGO in her interactions with the WDB Trust, the sole shareholder of WDBIH. Her exposure to the NGO space was further broadened when she joined the Hollard Foundation Trust as a trustee in 2013 and started working more closely with its early childhood development programme, Kago yaBana, as well as its youth employment accelerator programme, Harambee. 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 Professionals.

FirstRand – committee memberships
- Directors' affairs and governance
- Remuneration
- Transformation monitoring

Directorships – FirstRand group
- FirstRand Bank Limited

Directorships – external
- KYB Early Childhood Development Enterprise Incubator Proprietary Limited
- Maemo Motors Proprietary Limited
- Harambee Youth Employment Accelerator Advisory Board
- Hollard Foundation Trust – trustee

Deepak Premnarayen (70)
Independent non-executive director
BA Economics (Hons) India
Appointed January 2009

Deepak founded the ICS Group in 1998 to pursue emerging infrastructure development opportunities in India. He continues to serve as the executive chairman of the Group. ICS subsequently expanded into the real estate space and now has interests in:
- asset management;
- property development and management services;
- architectural design services;
- car parking;
- hospitality; and
- financial services: banking and corporate finance.

He is associated with various chambers such as:

- president of the Indian Merchants' Chamber and member of the managing committee;
- member of the Confederation of Indian Industry (CII) National Council;
- chair of the CII Nordic Region Committee;
- convener of the India-South Africa CEOs Forum;
- member of CII India-Qatar CEOs Business Forum;
- member of CII National Council Committees such as:
  - banking;
  - public policy;
  - financial inclusion; and
  - services.

FirstRand – committee memberships

- Directors' affairs and governance

Directorships – FirstRand group

- FirstRand Bank Limited

Directorships – external

- ICS Group
- Noida Toll Bridge Company Limited (India)
- Tata International
- Triangle Real Estate India Fund LLC (Mauritius)
- Triangle Real Estate India Holdings Limited (Mauritius)
- Triangle Real Estate India Investments Limited (Mauritius)
- Triangle Real Estate India Projects Limited (Mauritius)

Benedict (Ben) James van der Ross (69)
Independent non-executive director
Dip Law (UCT)
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
- Social and ethics
- Transformation monitoring

Directorships – FirstRand group

- FirstRand Bank Limited
- First National Bank*
- WesBank* – chairman

Directorships – external
- Distell Group Limited
- Emira Property Fund Limited
- Lewis Group Limited
- MMI Holdings Limited
- Momentum Collective Investments (RF) Proprietary Limited
- Met Collective Investments (RF) Proprietary Limited
- Momentum Asset Management Nominees Proprietary Limited
- Momentum Investments Proprietary Limited
- Naspers Limited
- Naspers Investments (RF) Limited
- Strategic Real Estate Management Proprietary Limited – chairman, managers of the Emira Property Fund

** Divisional board*

Jan Hendrik (Hennie) van Greuning (63)
Independent non-executive director
DCom (Economics), DCompt (Accounting Science), 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
- Social and ethics – chairman
- Directors' affairs and governance
- Risk, capital management and compliance

Directorships – FirstRand group
- FirstRand Bank Limited
- First National Bank*

Directorships – external
- Bank Islam Brunei Darussalam, Brunei

** Divisional board*

for the year ended 30 June 2016

audited consolidated annual financial statements FirstRand Group

contents

FIRSTRAND GROUP AUDITED CONSOLIDATED ANNUAL FINANCIAL STATEMENTS

AUDIT COMMITTEE

Hennie van Greuning ***CHAIRMAN***	*The audit committee has adopted formal terms of reference that have been approved by the board of directors and reviewed annually. The audit committee has executed its duties during the past financial year in accordance with these terms of reference, section 64 of the Banks Act (1990), section 94(7) of the Companies Act (2008), King III on corporate governance and the JSE Listings Requirements, where appropriate.*

2016 IN REVIEW

QUARTER ONE	**QUARTER THREE**
➢ Evaluated the performance and effectiveness of the external auditors and recommended external auditors for reappointment. ➢ Satisfied itself with respect to the expertise and experience of the financial director and the finance function. ➢ Assessed the performance and independence of the chief audit executive and the internal audit function. ➢ Reviewed a documented assessment, including key assumptions of the going concern assertion. ➢ Reviewed and approved the annual financial statements and shareholder circular. ➢ Reviewed the report on the financial internal control and going concern aspect of FirstRand, in terms of Regulation 40(4) of Banks Act regulations.	➢ Reviewed and approved shareholder documents and interim financial statements. ➢ Reviewed the external audit plan for the forthcoming financial year end. ➢ Considered industry trends update from the external auditors. ➢ Audit committee charter reviewed and approved. ➢ Internal audit charter reviewed and approved. ➢ Discussion on trilateral feedback with the SARB.
QUARTER TWO	**QUARTER FOUR**
➢ Considered the external audit report on regulatory audit. ➢ Considered feedback from the external auditors on their SARB bilateral meeting. ➢ Conducted financial trends analysis of the year-to-date performance. ➢ Agreed on the interim results procedures. ➢ In consultation with executive management, agreed to the engagement letter, terms of engagement and budgeted audit fees for the 2016 financial year. ➢ Considered IFRS 9 update and prepared for the SARB bilateral meeting.	➢ Reviewed the annual corporate governance assessments in terms of Regulation 39 (18) of the Banks Act regulations. ➢ Approved the group internal audit plan for the forthcoming year end. ➢ Considered IFRS 9 update and impact assessment. ➢ Conducted a technical accounting session on IFRS 9. ➢ Tabled the JSE proactive monitoring report – compliance with IFRS.

AT EVERY MEETING

Considered the external auditor's independence and service agreement, including non-audit fees and oversaw a formal procedure that governs the process whereby the external auditors are considered for non-audit services.

Received the following quarterly reports:

- internal audit;
- combined assurance;
- financial trends;
- updates from the risk, capital and compliance committee;
- franchise audit committee chairmen's report; and
- proposed future legislation or changes to accounting standards/tax laws or other regulations.

EXTERNAL AUDITOR APPOINTMENT AND INDEPENDENCE

The audit committee has nominated, for 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 2017 year.

The committee ensured that the appointment of the auditors complied with all legislation relating to the appointment of auditors. The committee has satisfied itself that the external auditors and lead partner 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 relating to internal governance processes within audit firms;
- previous appointments of the auditors;
- extent of other work undertaken by the auditors for the group; and
- tenure of the auditors and the rotation of the lead partners.

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

FINANCIAL STATEMENTS AND ACCOUNTING PRACTICES

The committee reviewed the accounting policies and the financial statements of the company and is satisfied that they are appropriate and comply with International Financial Reporting Standards.

An audit committee process has been established to receive and deal appropriately with any concerns or complaints relating to the reporting practices of the company. No matters of significance have been raised in the past financial year.

The committee confirms that it was able to carry out its work to fulfil its statutory mandate under normal and unrestricted conditions. The committee is satisfied that the assurance obtained during the meetings, corroborated by the review of the documentation deemed necessary and its own analyses sustain its conclusions reached for the 2016 year.

RELATIONSHIP WITH OTHER GOVERNANCE COMMITTEES

The audit committee works closely with the group's risk, capital management and compliance committee (as well as the social and ethics committee) to identify common risk and control themes and achieve synergy between assurance processes, thereby ensuring that, where appropriate, these functions can leverage off one another. Several non-executive directors, including the chairmen, serve on both committees to ensure that relevant information is shared.

The group's risk, capital management and compliance committee monitors refinements to the group's information technology framework. The committee holistically oversees information governance and provides a comprehensive and transparent review of the effectiveness of information governance mechanisms within the group. Based on the reports received, the committee is satisfied that the group is able to effectively manage its information resources.

OUTLOOK

The committee's role is to oversee the effective functioning of the group control environment.

The committee recognises that there are many initiatives underway in the group in response to changes to regulatory requirements and that these represent significant demands on the bank's resources and infrastructure. The committee has conducted assessments and training on the impact of *IFRS 9 - Financial Instruments* with significant progress being made during the year to ensure the group's readiness for its implementation. The new standard includes revised guidance on the classification and measurement of financial assets and includes a new expected credit loss model for calculating impairment as well as amended rules for hedge accounting.

EVALUATION OF THE EXPERTISE AND EXPERIENCE OF THE FINANCIAL DIRECTOR AND FINANCE FUNCTION

The committee is of the view that Mr HS Kellan, BCom, BCom (Hons), CA(SA), the group financial director, possesses the appropriate expertise and experience to meet his responsibilities in that position.

The committee is satisfied with the:

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

Feedback was obtained from both external and internal audit in making the above assessments.

PROCEEDINGS AND PERFORMANCE REVIEW

At year end the committee consisted of six members of whom five are independent non-executive directors and one non-executive director. FirstRand's CEO, deputy CEO, financial director, chief audit executive, external auditors, heads of finance, risk and compliance and other assurance providers attend committee meetings in an *ex officio* capacity.

The external auditors and chief audit executive meet independently with the non-executive members as and when required. The composition of the committee is designed to include members with practical banking expertise in accordance with the Banks Act.

Attendance at committee meetings was as follows:

	August 2015	November 2015	November 2015 (Trilateral)	February 2016	May 2016
VW Bartlett	A	✓	✓	✓	✓
L Crouse [1]	✓	✓	✓	✓	n/a
GG Gelink	✓	✓	✓	✓	✓
RM Loubser	✓	✓	✓	✓	✓
PJ Makosholo[2]	-	-	-	-	✓
EG Matenge-Sebesho	✓	✓	✓	✓	✓
JH van Greuning	✓	✓	✓	✓	✓

A – apology tendered and accepted.

1. *Retired from the board with effect from 31 March 2016. He will, however, continue as a specialist consultant of the audit committee.*
2. *Appointed to the audit committee with effect from 1 March 2016.*

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

JH van Greuning
Chairman, audit committee
Sandton

7 September 2016

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 International Financial Reporting Standards (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. The directors approve significant changes to accounting policies however; there were no changes to accounting policies during the financial year. 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 71 of 2008. Their unmodified report appears on page C10.

The consolidated annual financial statements of the group, which appear on pages C18 to C226 and the separate annual financial statements of the company, which appear on pages C227 to C242, 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 7 September 2016 and are signed on its behalf by:

LL Dippenaar	**JP Burger**
Chairman	Chief executive officer

Sandton

7 September 2016

GROUP 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

7 September 2016

INDEPENDENT AUDITORS' REPORT

TO THE SHAREHOLDERS OF FIRSTRAND LIMITED

Report on the Financial Statements

We have audited the consolidated and separate financial statements of FirstRand Limited, set out on pages C18 to C242, which comprise the statements of financial position as at 30 June 2016, and the statements of comprehensive income, income statements, statements of changes in equity and statements of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated and separate financial statements

The company's directors are responsible for the preparation and fair presentation of these 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.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated and separate financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated and separate financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of FirstRand Limited as at 30 June 2016, 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 and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' report, the Audit committee report and the Group secretary's certification for the purpose of identifying whether there are material inconsistencies between these reports and the audited consolidated and separate financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited consolidated and separate financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

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 6 years. Prior to the commencement of the joint audit relationship PricewaterhouseCoopers Inc. were the sole auditors of FirstRand Limited for 12 years.

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per Partner: Darren Shipp
Johannesburg
7 September 2016

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Francois Prinsloo
Registered Auditor
Johannesburg
7 September 2016

DIRECTORS' REPORT
for the year ended 30 June

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.

The FirstRand group provides banking, insurance and investment products and services to retail, commercial, corporate and public sector customers through its portfolio of market-leading franchises; First National Bank (FNB), the retail and commercial bank, Rand Merchant Bank (RMB), the corporate and investment bank, WesBank, an instalment finance provider and Ashburton Investments, the group's investment management business. 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 structure of the group.

DIVIDENDS

Ordinary shares

The following ordinary cash dividends were declared in respect of the 2016 financial year.

	Year ended 30 June	
Cents per share	**2016**	2015
Interim (declared 7 March 2016)	**108.0**	93.0
Final (declared 7 September 2016)	**118.0**	117.0
	226.0	210.0

The salient dates for the ordinary dividend are as follows:

Last day to trade cum-dividend	Tuesday, 4 October 2016
Shares commence trading ex-dividend	Wednesday, 5 October 2016
Record date	Friday, 7 October 2016
Payment date	Monday, 10 October 2016

Share certificates may not be dematerialised or re-materialised between Wednesday, 5 October 2016 and Friday, 7 October 2016, both days inclusive.

For shareholders who are subject to dividend withholding tax (DWT), tax will be calculated at 15% (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 15% tax will be 100.30000 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	**2016**	2015
Period:		
26 August 2014 – 23 February 2015		348.5
24 February 2015 – 31 August 2015		363.9
1 September 2015 - 29 February 2016	**366.5**	
1 March 2016 – 29 August 2016	**394.7**	

SHARE CAPITAL

Details of FirstRand's authorised share capital as at 30 June 2016 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

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

%	2016	2015
RMB Holdings Limited	**34.1**	34.1
Public Investment Corporation	**9.5**	9.2
BEE partners	**4.2**	5.0
Financial Securities Limited (Remgro)	**3.9**	3.9

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

EVENTS AFTER REPORTING PERIOD

Acquisition of insurance policies

FirstRand Insurance Holdings Proprietary Limited, through FNB, has entered into a contract to acquire a portfolio of insurance contracts from MMI Holdings Limited (MMI) during the first half of the 2017 financial year for a consideration of approximately R92 million. This portfolio relates to policies where the group currently earns income in terms of a third party cell arrangement. As the group now has an insurance licence, these policies will be underwritten by the group and the third party cell agreement cancelled.

Acquisition of subsidiaries providing value added and insurance products

The acquisition of Regent's insurance and life business by Hollard and Regent's VAPS by MotoVantage, a WesBank-managed subsidiary of FirstRand Investment Holding Proprietary Limited, is well advanced and should be concluded by 31 December 2016. The total consideration is expected to be R591 million.

DIRECTORATE

Details of the board of directors are in section B.

BOARD CHANGES

The following changes to the board of directors have taken place, during the 2016 financial year end up to the reporting date.

Appointments

JP Burger	Chief executive officer	1 October 2015
AP Pullinger	Deputy chief executive officer and executive director	1 October 2015
PJ Makosholo	Non-executive director	1 October 2015
F Knoetze	Non-executive director	1 April 2016

Resignations and retirements

SE Nxasana	Chief executive officer and executive director	30 September 2015
KB Schoeman	Non-executive director	30 September 2015
L Crouse	Non-executive director	31 March 2016

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 2016 (thousands)	Percentage holding %	Total 2015 (thousands)
Executive directors and prescribed officers						
SE Nxasana*	**5 483**	**-**	**-**	**5 483**	0.10	6 633
JP Burger	**504**	**6 117**	**1 670**	**8 291**	0.15	8 087
HS Kellan	**730**	**629**	**-**	**1 359**	0.02	1 303
AP Pullinger	**4 276**	**35**	**-**	**4 311**	0.08	3 995
J Celliers	**-**	**270**	**-**	**270**	-	162
C de Kock	**300**	**-**	**-**	**300**	0.01	300
Non-executive directors						
VW Bartlett	**798**	**-**	**-**	**798**	0.01	3 193
P Cooper	**1 731**	**891**	**5 127**	**7 749**	0.14	7 749
LL Dippenaar	**1 377**	**1 728**	**101 942**	**105 047**	1.87	105 048
GG Gelink	**102**	**-**	**-**	**102**	-	102
PM Goss	**1**	**-**	**16 392**	**16 393**	0.29	16 226
NN Gwagwa	**251**	**-**	**-**	**251**	-	355
PK Harris	**-**	**313**	**9 473**	**9 786**	0.17	12 494
WR Jardine	**-**	**232**	**11**	**243**	-	474
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	**16 016**	**10 292**	**136 483**	**162 791**	2.88	168 529

**Retired September 2015.*

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 2016 (thousands)	Total 2015 (thousands)
Non-executive directors			
VW Bartlett	**-**	**-**	16
LL Dippenaar	**250**	**250**	566
Total	**250**	**250**	582

LL Dippenaar
Chairman

JP Burger
Chief executive officer

7 September 2016

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 SAICA Financial Reporting Guides as issued by the Accounting Practices Committee and Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the JSE Limited's Listing Requirements and the Companies Act no 71 of 2008.

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. The following revised IFRS was adopted in the current year:

New/revised IFRS	Description of change	Impact on FirstRand group
IAS 1	The group has elected to early adopt the amendment to IAS 1 which clarified that materiality applies to the complete set of annual financial statements, including disclosures. In terms of the amendment, including immaterial information in the annual financial statements can negatively impact the usefulness of disclosures.	In order to early adopt the amendment the group reviewed the annual financial statements to identify areas where disclosures were ineffective, related to immaterial items or were considered unnecessary. The following key changes were made to the group's annual financial statements as a result of the amendment: ➢ the accounting policies have been updated to remove boilerplate disclosures, and describe how the group has applied IFRS requirements and focus on areas in IFRS where an accounting policy choice is available; ➢ the accounting policy around identifying provisions separately from other liabilities was clarified. Based on materiality the group also changed its policy on presentation of provisions. Creditors, accruals and provisions are now presented on the statement of financial position in a single line rather than separate lines; ➢ the application of materiality to items resulting in aggregation or deletion of immaterial items in the notes to the annual financial statements; and ➢ changes to the flow of certain notes as well as the inclusion of the risk and capital disclosures required by IFRS in the body of the annual financial statements.

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

1.2 Basis of preparation

The group prepares consolidated financial statements which include the assets, liabilities and results of the operations of FirstRand Limited, its subsidiaries and it's 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 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 in order 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. The total profit for the year is also presented to the chief operating decision maker after certain normalised adjustments are made. These adjustments are not segmented but processed on a total basis.

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 policy 9.

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 or in the statement of comprehensive income.
Materiality	IFRS 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 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 in fair value gains or losses. 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 group 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 or decreased to recognise the group's share of profit or loss 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 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 IFRS 12.

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.

<table>
<tr><th colspan="2">Non-interest revenue recognised in profit or loss</th></tr>
<tr><th colspan="2">Net fee and commission income</th></tr>
<tr><td>Fee and commission income</td><td>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 and not as part of insurance 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.</td></tr>
<tr><td>Fee and commission expenses</td><td>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.</td></tr>
<tr><td>Customer loyalty programmes</td><td>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.</td></tr>
</table>

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);
- 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 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 and corporate bank advances. Various advances to customers, structured notes and other investments held by the investment banking division of the group, 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.
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 loss 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.

Scope	This policy applies to: ➢ advances measured at amortised cost; ➢ investment securities 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 LGD, PD and EAD. 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 on the basis of similar credit risk characteristics; i.e. on the basis of 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 according to 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 as part of operating expenses 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 advances, impairments are recognised through the use of the allowance account method and an impairment charge in the income statement. For fair value advances, the credit valuation adjustment is charged to the income statement through fair value gains or losses and recognised as a change to the carrying value of the asset**.**

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 consumer 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.	Separately classified as neither past due nor impaired assets and remain classified as such until the terms of the renegotiated contract expire. Non-performing advances cannot be reclassified as renegotiated but current 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. The advances and investment securities which have been transferred are separately reported. 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.

<table>
<tr><th>Transaction type</th><th>Description</th><th>Accounting treatment</th></tr>
<tr><th colspan="3">Transfers without derecognition</th></tr>
<tr><td>Repurchase agreements</td><td>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.</td><td rowspan="2">The underlying securities purchased under agreements to resell 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.</td></tr>
<tr><td>Securities lending</td><td>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.</td></tr>
<tr><th colspan="3">Transfers with derecognition</th></tr>
<tr><td>Where the group purchases its own debt</td><td colspan="2">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.</td></tr>
<tr><th colspan="3">Neither transferred nor derecognised</th></tr>
<tr><td>Synthetic securitisation transactions</td><td>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.</td><td>The group continues to recognise the advances and recognises associated credit derivatives which are measured at fair value through profit or loss.</td></tr>
</table>

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.

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

<table>
<tr><th>Classification</th><th>Measurement</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th colspan="2">Property and equipment</th></tr>
<tr><td>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 in the normal course of operations including computer and office equipment, motor vehicles and furniture and fittings.</td><td>Historical cost less accumulated depreciation and impairment losses, except for land which is not depreciated.

Depreciation is 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 5.2).</td></tr>
<tr><th colspan="2">Investment properties</th></tr>
<tr><td>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.</td><td>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.</td></tr>
<tr><th colspan="2">Intangible assets</th></tr>
<tr><td>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.</td><td>Cost less accumulated amortisation and any impairment losses.

Amortisation is on a straight line basis over the useful life of the asset.</td></tr>
</table>

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 for 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 group usually recognises provisions related to litigation and claims.	

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 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 take 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 policy 4.2.2.
Over the life of the lease	The asset is depreciated – refer to policy 5.	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 policy 5. 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 issued by the group that meet the definition of liabilities, 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. 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 re-issued 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 include general risk reserves, capital redemption reserve funds and insurance contingency reserves required to be held by some of the group's African operations. 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 high quality corporate 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 equity settled and cash settled share-based compensation plans for employees and historically disadvantaged individuals and organisations.

Options and share awards granted under equity settled plans are allocated to a share-based payment reserve in equity until such time that the options are revised, vest, are forfeited or exercised, at which point the reserve is transferred to equity (either share capital or retained earnings). 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 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.

	Insurance contracts	
	Short-term insurance contracts	**Long-term insurance contracts**
Acquisition costs	Acquisition costs include all commission and expenses directly related to acquiring new business.	
	Expensed as incurred.	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.
Related receivables and payables	Amounts due to and from agents, brokers and policyholders, 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.	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.

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 comprise 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 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

9.1 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.

9.2 Subsidiaries, associates and joint arrangements

<table>
<tr><th colspan="2">Subsidiaries</th></tr>
<tr><td colspan="2">Only one party can have control over an investee. 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.

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>

Exposure to variable returns	Factors considered includes: ➢ 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.
Ability to use power to affect returns	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.

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.	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 easily 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 easily 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 easily 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 is reflected below.

R million	**2016**	2015
FNB Botswana	**36**	33
FNB Namibia	**54**	54
FNB Mozambique	**101**	147
RMB Corvest	**74**	169
RMB other	**118**	117
WesBank	**466**	61
Other	**80**	133
Total	**929**	714

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	
%	**2016**	2015	**2016**	2015
FNB Botswana	**12.00**	12.00	**3.00**	3.00
FNB Mozambique	**20.90**	17.75	**4.50**	8.50
RMB Corvest	**20.00**	20.05	**6.00**	6.02
WesBank	**15.00**	18.68	**3.00**	3.00
Other	**7.41**	7.52	**6.99**	7.00

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, tax 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. A significant amount of unobservable inputs were used to determine the fair value and the fair value would be classified as level 3 of the fair value hierarchy.

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 change 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 Zambia in the current year and noted that the cumulative inflation for the last three years remains below 100%.	

9.3 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. 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.

9.4 Impairment of financial assets

<table>
<tr><th colspan="2">Impairment of financial assets</th></tr>
<tr><td colspan="2">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.</td></tr>
<tr><th>General</th><th>Available-for-sale equity instruments</th></tr>
<tr><td>Collective impairment assessments of groups of financial assets

Future cash flows in a group of financial assets are estimated on the basis of 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 on the basis of 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 (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.</td><td rowspan="2">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.</td></tr>
<tr><td>Impairment assessment of collateralised financial assets

The calculation of the present value of the estimated future cash flows of a collateralised financial asset 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.</td></tr>
</table>

<table>
<tr><th colspan="2">Advances</th></tr>
<tr><td colspan="2">The group continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to 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 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 taking into account recoveries through collateral and guarantees.</td></tr>
<tr><th>Performing loans</th><th>Non-performing loans</th></tr>
<tr><td>The assessment of whether objective evidence of impairment exists requires judgement and depends on the class of the financial asset. In the retail portfolios 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.

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 over an estimated loss emergence period. Estimates of roll rates, loss ratios 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 assessments performed, availability and frequency of updated data regarding customer creditworthiness and similar factors. Loss emergence periods differ from portfolio to portfolio, but typically range from 1 to 12 months; and</td><td>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.</td></tr>
</table>

➢ the PSI is 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. Based on the results of the sensitivity analysis performed, management is satisfied that the current total provisions held for performing accounts is appropriate.	

9.5 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 development costs	3 years
Freehold property and property held under finance lease:		Trademarks	10 – 20 years
➢ Buildings and structures	50 years	Other, excluding service concession arrangements	3 - 10 years
➢ Mechanical and electrical	20 years	Service concession arrangements	Contractual term of 37 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.

9.6 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, sex, 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 on the date the fair value of plan assets and the value of plan liabilities on the defined benefit plan is increased by the amount of the initial contribution.
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.

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; ➢ historical volatility is used as a proxy for future volatility; ➢ the risk free interest rate is used; and ➢ staff turnover and historical forfeiture rates are used as indicators of future conditions.

9.7 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.

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	2016	2015
Interest and similar income	1.1	**71 561**	58 960
Interest expense and similar charges	1.2	**(29 520)**	(23 339)
Net interest income before impairment of advances		**42 041**	35 621
Impairment of advances	12	**(6 902)**	(5 150)
Net interest income after impairment of advances		**35 139**	30 471
Non-interest revenue	2	**36 677**	37 421
Income from operations		**71 816**	67 892
Operating expenses	3	**(41 657)**	(38 692)
Net income from operations		**30 159**	29 200
Share of profit of associates after tax	16	**930**	1 085
Share of profit of joint ventures after tax	17	**526**	454
Income before tax		**31 615**	30 739
Indirect tax	4.1	**(928)**	(884)
Profit before tax		**30 687**	29 855
Income tax expense	4.2	**(6 612)**	(6 731)
Profit for the year		**24 075**	23 124
Attributable to			
Ordinary equityholders		**22 563**	21 623
NCNR preference shareholders		**342**	310
Equityholders of the group		**22 905**	21 933
Non-controlling interests		**1 170**	1 191
Profit for the year		**24 075**	23 124
Earnings per share (cents)			
Basic	5	**402.4**	390.1
Diluted	5	**402.4**	390.1

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	2016	2015
Profit for the year	**24 075**	23 124
Items that may subsequently be reclassified to profit or loss		
Cash flow hedges	**118**	(271)
Gains/(losses) arising during the year	**144**	(569)
Reclassification adjustments for amounts included in profit or loss	**20**	193
Deferred income tax	**(46)**	105
Available-for-sale financial assets	**(504)**	(377)
Losses arising during the year	**(671)**	(102)
Reclassification adjustments for amounts included in profit or loss	**(6)**	(293)
Deferred income tax	**173**	18
Exchange differences on translating foreign operations	**567**	406
Gains arising during the year	**567**	406
Share of other comprehensive income of associates and joint ventures after tax and non-controlling interests	**87**	(262)
Items that may not subsequently be reclassified to profit or loss		
Remeasurements on defined benefit post-employment plans	**(139)**	(140)
Losses arising during the year	**(194)**	(141)
Deferred income tax	**55**	1
Other comprehensive income/(loss) for the year	**129**	(644)
Total comprehensive income for the year	**24 204**	22 480
Attributable to		
Ordinary equityholders	**22 665**	21 062
NCNR preference shareholders	**342**	310
Equityholders of the group	**23 007**	21 372
Non-controlling interests	**1 197**	1 108
Total comprehensive income for the year	**24 204**	22 480

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2016	2015
ASSETS			
Cash and cash equivalents	7	**64 303**	65 567
Derivative financial instruments	8	**40 551**	34 500
Commodities	9	**12 514**	7 354
Investment securities	10	**185 354**	165 171
Advances	11	**808 699**	751 366
Accounts receivable	13	**10 152**	8 009
Current tax asset		**428**	115
Non-current assets and disposal groups held for sale	14	**193**	373
Reinsurance assets	15	**36**	388
Investments in associates	16	**4 964**	5 781
Investments in joint ventures	17	**1 344**	1 282
Property and equipment	18	**16 909**	16 288
Intangible assets	19	**1 569**	1 068
Investment properties	20	**386**	460
Defined benefit post-employment asset	21	**9**	4
Deferred income tax asset	22	**1 866**	1 540
Total assets		**1 149 277**	1 059 266
EQUITY AND LIABILITIES			
Liabilities			
Short trading positions	23	**14 263**	5 685
Derivative financial instruments	8	**50 782**	40 917
Creditors, accruals and provisions*	24	**17 285**	17 624
Current tax liability		**270**	353
Liabilities directly associated with disposal groups held for sale	14	**141**	-
Deposits	25	**919 930**	865 521
Employee liabilities	21	**9 771**	9 734
Other liabilities	26	**8 311**	6 876
Policyholder liabilities	15	**1 402**	542
Tier 2 liabilities	27	**18 004**	12 497
Deferred income tax liability	22	**1 053**	913
Total liabilities		**1 041 212**	960 662
Equity			
Ordinary shares	28	**56**	56
Share premium	28	**7 952**	7 997
Reserves		**91 737**	82 725
Capital and reserves attributable to ordinary equityholders		**99 745**	90 778
NCNR preference shares	28	**4 519**	4 519
Capital and reserves attributable to equityholders of the group		**104 264**	95 297
Non-controlling interests		**3 801**	3 307
Total equity		**108 065**	98 604
Total equity and liabilities		**1 149 277**	1 059 266

** In the prior year provisions were presented in a separate line on the statement of financial position. The prior year has been restated accordingly.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June

R million	Notes	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 2014		55	5 531	**5 586**	(651)	461
Net proceeds of issue of share capital	28	-	1 611	**1 611**	-	-
Proceeds of issue of share capital		-	1 629	**1 629**	-	-
Share issue expenses		-	(18)	**(18)**	-	-
Share movements relating to the unwind of the staff share trust		1	873	**874**	-	-
Disposal 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		-	(18)	**(18)**	-	-
Total comprehensive income for the year		-	-	**-**	(140)	(271)
Vesting of share-based payments		-	-	**-**	-	-
Balance as at 30 June 2015		56	7 997	**8 053**	(791)	190
Net proceeds of issue of share capital	28	-	-	**-**	-	-
Proceeds of issue of share capital		-	-	**-**	-	-
Share issue expenses		-	-	**-**	-	-
Share movements relating to the unwind of the staff share trust		-	-	**-**	-	-
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

	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
	2 783	436	2 352	270	69 277	74 928	4 519	3 184	88 217
	-	-	-	-	-	-	-	-	1 611
	-	-	-	-	-	-	-	-	1 629
	-	-	-	-	-	-	-	-	(18)
	-	-	-	-	-	-	-	-	874
	-	-	-	-	-	-	-	(48)	(48)
	(532)	-	-	10	(983)	(1 505)	-	(24)	(1 529)
	-	-	-	-	(10 724)	(10 724)	-	(764)	(11 488)
	-	-	-	-	-	-	(310)	-	(310)
	-	-	-	10	(10)	-	-	-	-
	-	-	-	-	(28)	(28)	-	(149)	(177)
	-	-	-	154	(156)	(2)	-	-	(20)
	-	(372)	405	(183)	21 623	21 062	310	1 108	22 480
	(2 230)	-	-	-	1 224	(1 006)	-	-	(1 006)
	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

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	Notes	2016	2015
Cash flows from operating activities			
Interest and fee commission receipts		**95 004**	82 246
Trading and other income		**3 910**	3 078
Interest payments		**(28 884)**	(22 473)
Other operating expenses		**(33 417)**	(29 576)
Dividends received		**6 544**	4 323
Dividends paid		**(12 950)**	(11 034)
Dividends paid to non-controlling interests		**(761)**	(764)
Cash generated from operating activities		**29 446**	25 800
Movement in operating assets and liabilities			
Liquid assets and trading securities		**(18 910)**	(40 204)
Advances		**(54 515)**	(70 380)
Deposits		**44 739**	94 145
Creditors (net of debtors)		**(3 495)**	4 144
Employee liabilities		**(5 350)**	(4 570)
Other liabilities		**8 245**	3 531
Taxation paid		**(7 793)**	(8 065)
Net cash (utilised by)/generated from operating activities		**(7 633)**	4 401
Cash flows from investing activities			
Acquisition of investments in associates	16	**(187)**	(141)
Proceeds on disposal of investments in associates	16	**1 932**	1 326
Acquisition of investments in joint ventures	17	**-**	(16)
Acquisition of investments in subsidiaries	29.1	**(1 071)**	-
Proceeds on disposal of investments in subsidiaries	29.2	**621**	247
Acquisition of property and equipment		**(4 135)**	(4 356)
Proceeds on disposal of property and equipment		**1 170**	460
Acquisition of intangible assets and investment properties		**(294)**	(171)
Proceeds on disposal of intangible assets and investment properties		**45**	6
Proceeds on disposal of non-current assets held for sale		**1 017**	91
Net cash outflow from investing activities		**(902)**	(2 554)
Cash flows from financing activities			
Proceeds from the issue of other liabilities		**1 587**	837
Proceeds from the issue of Tier 2 liabilities		**5 486**	510
Net proceeds from issue and buyback of ordinary shares		**-**	1 563
Acquisition of additional interest in subsidiaries from non-controlling interests		**(1 357)**	(181)
Issue of shares of additional interest in subsidiaries to non-controlling interests		**39**	-
Net cash inflow from financing activities		**5 755**	2 729
Net (decrease)/increase in cash and cash equivalents		**(2 780)**	4 576
Cash and cash equivalents at the beginning of the year		**65 567**	60 756
Cash and cash equivalents acquired through the acquisition of subsidiaries		**890**	-
Cash and cash equivalents impacted by the disposal of subsidiaries		**(33)**	67
Effect of exchange rate changes on cash and cash equivalents		**663**	168
Transfer to non-current assets held for sale		**(4)**	-
Cash and cash equivalents at the end of the year	7	**64 303**	65 567

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE

1.1 Interest and similar income

R million	2016	2015
Analysis of interest and similar income		
Instruments at fair value	**4 249**	3 355
Instruments at amortised costs	**66 850**	55 130
Hedging instruments	**460**	467
Non-financial instruments	**2**	8
Interest and similar income	**71 561**	58 960
Advances	**63 713**	53 887
- Overdrafts and cash management accounts	**6 519**	5 206
- Term loans	**4 144**	3 147
- Card loans	**3 736**	2 885
- Instalment sales and hire purchase agreements	**17 089**	14 379
- Lease payments receivable	**869**	1 267
- Property finance	**20 722**	17 979
- Personal loans	**7 690**	6 445
- Preference share agreements	**138**	223
- Investment bank term loans	**135**	81
- Long-term loans to group associates and joint ventures	**215**	191
- Other advances	**2 456**	2 084
Cash and cash equivalents	**1 921**	783
Investment securities	**5 231**	3 660
Unwinding of discounted present value on NPLs	**84**	94
Accrued on off-market advances	**21**	10
Other	**591**	526
Interest and similar income	**71 561**	58 960

1 ANALYSIS OF INTEREST INCOME AND INTEREST EXPENSE continued

1.2 Interest expense and similar charges

R million	2016	2015
Analysis of interest expense and similar charges		
Instruments at fair value	**(565)**	(704)
Instruments at amortised costs	**(28 426)**	(21 966)
Hedging instruments	**(480)**	(660)
Non-financial instruments	**(49)**	(9)
Interest expense and similar charges	**(29 520)**	(23 339)
Deposits	**(39 875)**	(32 068)
- Current accounts	**(4 453)**	(3 702)
- Savings deposits	**(226)**	(152)
- Call deposits	**(8 094)**	(6 277)
- Fixed and notice deposits	**(12 452)**	(10 287)
- Negotiable certificates of deposit	**(3 834)**	(3 309)
- Repurchase agreements	**(1 207)**	(726)
- Securities lending	**(437)**	(417)
- Cash collateral and credit linked notes	**(1 752)**	(449)
- Fixed and floating rate notes	**(7 072)**	(6 613)
- Securitisation issuances	**(348)**	(136)
Other liabilities	**(224)**	(206)
Tier 2 liabilities	**(1 397)**	(927)
Other	**(1 031)**	(1 256)
Gross interest expense and similar charges	**(42 527)**	(34 457)
Less: Interest reallocated to fair value income	**13 007**	11 118
Interest expense and similar charges	**(29 520)**	(23 339)

2 NON-INTEREST REVENUE

R million	Notes	2016	2015
Analysis of non-interest revenue			
Fee and commission income		**31 896**	29 239
- Instruments at amortised cost		**22 718**	21 814
- Instruments at fair value		**1 588**	1 717
- Non-financial instruments		**7 590**	5 708
Fee and commission expenses		**(4 229)**	(3 635)
Net fee and commission income	2.1	**27 667**	25 604
Held for trading		**1 711**	5 125
Designated at fair value through profit or loss		**2 013**	1 671
Other		**126**	(37)
Fair value gains or losses	2.2	**3 850**	6 759
Designated at fair value through profit or loss		**(248)**	(129)
Available-for-sale		**164**	640
Other		**1 437**	1 320
Gains less losses from investing activities	2.3	**1 353**	1 831
Other non-interest revenue	2.4	**3 807**	3 227
Total non-interest revenue		**36 677**	37 421

2 NON-INTEREST REVENUE continued

2.1 Net fee and commission income

R million	2016	2015
Banking fee and commission income	**24 515**	23 014
- Card commissions	**3 480**	3 627
- Cash deposit fees	**2 070**	2 051
- Commitment fees	**984**	928
- Commissions: bills, drafts and cheques	**697**	876
- Exchange commissions	**1 358**	1 027
- Brokerage income	**186**	102
- Bank charges	**15 740**	14 403
Knowledge-based fee and commission income	**1 429**	1 002
Management, trust and fiduciary fees*	**1 901**	1 675
Insurance related income, including commission	**3 227**	2 843
Fee and commission income from service providers	**441**	380
Other non-banking fee and commission income*	**383**	325
Fee and commission income	**31 896**	29 239
Transaction processing fees	**(1 042)**	(896)
Commission paid	**(375)**	(300)
Customer loyalty programmes	**(1 205)**	(984)
Cash sorting, handling and transportation charges	**(736)**	(631)
Card and cheque book related	**(266)**	(293)
ATM commissions paid	**(30)**	(26)
Other	**(575)**	(505)
Fee and commission expenses	**(4 229)**	(3 635)
Net fee and commission income	**27 667**	25 604

* *Other non-banking fee and commission income which better relates to other fee and commission income categories were reallocated from other non-banking fee and commission income to management and fiduciary fees for both the current and prior reporting periods.*

2.2 Fair value gains or losses

R million	2016	2015
Dividend income	**3 432**	2 651
Other fair value income	**418**	4 108
Fair value gains or losses	**3 850**	6 759

2 NON-INTEREST REVENUE continued

2.3 Gains less losses from investing activities

R million	Notes	2016	2015
Gain on disposal of investment securities		**12**	45
Reclassification from other comprehensive income on the derecognition/sale of available-for-sale assets		**6**	293
Preference share dividends from unlisted investments		**38**	36
Other dividends received		**76**	102
Gain on the disposal of investments in subsidiaries		**82**	220
Gain on disposal of investments in associates		**1 086**	847
Losses on partial disposal of investments in joint ventures		**-**	(1)
Fair value (losses)/gains on investment properties held at fair value through profit or loss	20	**(22)**	33
Rental income from investment properties		**36**	49
Other gains from investing activities		**39**	207
Gains less losses from investing activities		**1 353**	1 831

2.4 Other non-interest revenue

R million	2016	2015
Gain/(loss) on disposal of property and equipment	**148**	(5)
Non-interest expense from insurance operations	**(311)**	(99)
- Reinsurance expenses	**(55)**	(54)
- Decrease in value of net policyholder liabilities	**(256)**	(45)
Rental income	**1 173**	1 032
Operating income from non-banking activities	**1 625**	1 550
Income related to direct sale and other operating lease transactions	**220**	182
- Sales	**1 014**	604
- Cost of sales	**(951)**	(550)
- Other operating lease transactions	**157**	128
Other income	**952**	567
Other non-interest revenue	**3 807**	3 227

3 OPERATING EXPENSES

R million	Notes	2016	2015
Auditors' remuneration		**(360)**	(301)
- Audit fees		**(277)**	(228)
- Fees for other services		**(74)**	(67)
- Prior year under accrual		**(9)**	(6)
Operating lease charges		**(1 528)**	(1 351)
Staff costs		**(24 463)**	(23 215)
- Salaries, wages and allowances		**(16 174)**	(13 978)
- Contributions to employee benefit funds		**(2 072)**	(2 107)
- Defined contribution schemes		**(1 954)**	(1 974)
- Defined benefit schemes	21.1	**(118)**	(133)
- Social security levies		**(317)**	(317)
- Share-based payments	31	**(1 172)**	(2 303)
- Movement in short-term employee benefit liabilities		**(4 032)**	(3 890)
- Other staff costs		**(696)**	(620)
Other operating costs		**(15 306)**	(13 825)
- Amortisation of intangible assets	19	**(108)**	(102)
- Depreciation of property and equipment	18	**(2 406)**	(2 093)
- Impairments incurred		**(202)**	(100)
- Impairments reversed		**77**	3
- Insurance		**(118)**	(87)
- Advertising and marketing		**(1 629)**	(1 546)
- Maintenance		**(1 210)**	(986)
- Property		**(1 054)**	(1 026)
- Computer		**(1 836)**	(1 583)
- Stationery		**(219)**	(210)
- Telecommunications		**(401)**	(392)
- Professional fees		**(1 838)**	(1 598)
- Other operating expenditure		**(4 362)**	(4 105)
Total operating expenses		**(41 657)**	(38 692)

3 OPERATING EXPENSES continued

Significant impairments incurred

During the current year 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 9.4 of the critical accounting estimates and assumptions and judgement note.

During the current year, management of certain of the group's African subsidiaries undertook an exercise to improve their existing infrastructure in order 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 current year relate to various individually insignificant amounts.

During the prior year RMB Private Equity recognised impairments of R67 million after writing off accounts receivable to its recoverable amount which represented the value that was expected to be recovered.

During the current and prior year there were 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

	2016			2015		
	Services as directors			Services as directors		
R thousand	**FirstRand**	**Group**	**Total**	FirstRand	Group	Total
Independent non-executive directors paid in ZAR						
VW Bartlett	**1 035**	**262**	**1 297**	952	185	1 137
JJH Bester (retired 3 December 2014)	**-**	**-**	**-**	638	1 269	1 907
G Gelink	**1 191**	**1 160**	**2 351**	972	325	1 297
PM Goss	**868**	**202**	**1 070**	810	269	1 079
NN Gwagwa	**693**	**197**	**890**	623	220	843
WR Jardine	**792**	**84**	**876**	637	111	748
RM Loubser	**2 062**	**1 605**	**3 667**	1 151	876	2 027
EG Mantenge-Sebesho	**822**	**556**	**1 378**	740	495	1 235
BJ van der Ross	**911**	**749**	**1 660**	774	726	1 500
Non-executive directors paid in ZAR						
MS Bomela	**908**	**358**	**1 266**	798	232	1 030
P Cooper (alternative to Paul Harris)	**294**	**80**	**374**	291	195	486
L Crouse (retired 31 March 2016)	**854**	**28**	**882**	972	97	1 069
LL Dippenaar (chairman)	**5 028**	**258**	**5 286**	4 463	237	4 700
JJ Durand	**681**	**63**	**744**	621	93	714
PK Harris	**521**	**44**	**565**	486	48	534
F Knoetze (appointed 1 April 2016)	**134**	**208**	**342**	-	-	-
AT Nzimande	**768**	**80**	**848**	690	195	885
PJ Makosholo (appointed 1 October 2015)	**607**	**382**	**989**	-	-	-
KB Schoeman (resigned 30 September 2015)	**95**	**-**	**95**	555	78	633
Total non-executive directors paid in ZAR	**18 264**	**6 316**	**24 580**	16 173	5 651	21 824
Foreign domiciled independent non-executive directors paid in USD						
USD thousand						
D Premnarayen[1,2]	**305**	**20**	**325**	347	22	369
JH van Greuning	**290**	**290**	**580**	245	254	499

1. *Fees include services in India.*
2. *Disclosure of fees paid to Mr D Premnarayen for services rendered to the group's Indian operations were inadvertently omitted for the periods 2009 to 2015. The above disclosure has been restated with the inclusion of an additional USD216 000 paid for the period to June 2015. The omitted amounts are disclosed as follows: 2009: USD622 253; 2010: USD120 000; 2011: USD118 945; 2012: USD191 682; 2013: USD216 000 and 2014: USD216 000.*

3 OPERATING EXPENSES continued

R thousand	**2016**	2015	2014	2013	2012
SE Nxasana[1] (retired 30 September 2015)					
Cash package paid during the year	**2 113**	8 056	7 522	7 037	6 614
Retirement contributions paid during the year	**250**	955	891	834	786
Other allowances[2]	**22**	82	75	68	81
Subtotal: guaranteed package	**2 385**	9 093	8 488	7 939	7 481
Performance related in respect of the year[3]	**-**	12 915	10 000	11 460	9 600
Portion of performance related deferred in share awards[4]	**-**	11 415	11 000	6 640	5 400
Subtotal: variable pay	**-**	24 330	21 000	18 100	15 000
Total guaranteed and variable pay	**2 385**	33 423	29 488	26 039	22 481
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**21 946**	25 358	20 747	18 249	-
Two-year bonus deferral	**12 170**	9 661	8 449	8 833	-
Total value of shares taken up	**34 116**	35 019	29 196	27 082	-
JP Burger[1]					
Cash package paid during the year	**8 461**	7 040	6 591	6 103	5 776
Retirement contributions paid during the year	**978**	1 056	981	915	866
Other allowances[2]	**178**	119	98	156	118
Subtotal: guaranteed package	**9 617**	8 215	7 670	7 174	6 760
Performance related in respect of the year[3]	**13 165**	11 770	9 000	10 440	8 760
Portion of performance related deferred in share awards[4]	**11 165**	10 270	10 000	5 960	4 840
Subtotal: variable pay	**24 330**	22 040	19 000	16 400	13 600
Total guaranteed and variable pay	**33 947**	30 255	26 670	23 574	20 360
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**17 580**	20 313	15 807	13 687	-
Two-year bonus deferral	**10 924**	8 659	7 540	7 639	-
Total value of shares taken up	**28 504**	28 972	23 347	21 326	-

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, group CFO 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. *Other allowances includes travel and medical.*
3. *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.*
4. *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.*
5. *Value of shares taken up in prior years excludes benefits derived in terms of the share appreciation rights (APR) and BEE staff schemes. Benefits in terms of the APR vested after three years and could be exercised between vesting and expiry after five years. In some cases the benefit derived in terms of the APR schemes represents five years of cumulative value aggregation and has therefore been excluded from the table above (refer to the 2014 annual financial statements). Refer to note 3.2 below for benefits derived in terms of the group's ten-year BEE schemes.*

3 OPERATING EXPENSES continued

R thousand	2016	2015	2014	2013	2012
AP Pullinger[1, 7]					
Cash package paid during the year	**5 433**	2 322	2 174	2 036	1 981
Retirement contributions paid during the year	**1 075**	464	556	407	339
Other allowances[2]	**154**	133	13	122	99
Subtotal: guaranteed package	**6 662**	2 919	2 743	2 565	2 419
Performance related in respect of the year[3]	**11 000**	11 750	15 000	13 200	11 400
Portion of performance related deferred in share awards[4]	**9 000**	10 250	9 000	7 800	6 600
Subtotal: variable pay	**20 000**	22 000	24 000	21 000	18 000
Total guaranteed and variable pay	**26 662**	24 919	26 743	23 565	20 419
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**13 692**	15 799	12 870	11 406	-
Two-year bonus deferral	**14 296**	11 808	11 408	11 118	-
Total value of shares taken up	**27 988**	27 607	24 278	22 524	-
HS Kellan[1, 6]					
Cash package paid during the year	**4 938**	4 493	4 046	-	-
Retirement contributions paid during the year	**405**	402	362	-	-
Other allowances[2]	**118**	108	98	-	-
Subtotal: guaranteed package	**5 461**	5 003	4 506	-	-
Performance related in respect of the year[3]	**4 937**	4 500	4 416	-	-
Portion of performance related deferred in share awards[4]	**2 938**	3 000	1 944	-	-
Subtotal: variable pay	**7 875**	7 500	6 360	-	-
Total guaranteed and variable pay	**13 336**	12 503	10 866	-	-
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**9 814**	7 674	-	-	-
Two-year bonus deferral	**2 786**	1 293	-	-	-
Total value of shares taken up	**12 600**	8 967	-	-	-

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, group CFO 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. *Other allowances includes travel and medical.*
3. *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.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand CIP vest two years after the award date. Refer to note 31.*
5. *Value of shares taken up in prior years excludes benefits derived in terms of the APR and BEE staff schemes. Benefits in terms of the APR vested after three years and could be exercised between vesting and expiry after five years. In some cases the benefit derived in terms of the APR schemes represents five years of cumulative value aggregation and has therefore been excluded from the table above (refer to the 2014 annual financial statements). Refer to note 3.2 below for benefits derived in terms of the group's ten-year BEE schemes.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*
7. *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	2016	2015	2014	2013	2012
J Formby (CEO RMB)[1, 7]					
Cash package paid during the year	**2 630**	-	-	-	-
Retirement contributions paid during the year	**236**	-	-	-	-
Other allowances[2]	**178**	-	-	-	-
Subtotal: guaranteed package	**3 044**	-	-	-	-
Performance related in respect of the year[3]	**10 625**	-	-	-	-
Portion of performance related deferred in share awards[4]	**8 625**	-	-	-	-
Subtotal: variable pay	**19 250**	-	-	-	-
Total guaranteed and variable pay	**22 294**	-	-	-	-
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**6 024**	-	-	-	-
Two-year bonus deferral	**9 898**	-	-	-	-
Total value of shares taken up	**15 922**	-	-	-	-
J Celliers (CEO FNB)[1, 6]					
Cash package paid during the year	**5 867**	5 513	4 901	-	-
Retirement contributions paid during the year	**582**	551	490	-	-
Other allowances[2]	**118**	108	122	-	-
Subtotal: guaranteed package	**6 567**	6 172	5 513	-	-
Performance related in respect of the year[3]	**6 625**	5 950	5 400	-	-
Portion of performance related deferred in share awards[4]	**4 625**	4 450	2 600	-	-
Subtotal: variable pay	**11 250**	10 400	8 000	-	-
Total guaranteed and variable pay	**17 817**	16 572	13 513	-	-
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**13 057**	3 611	-	-	-
Two-year bonus deferral	**2 566**	1 431	-	-	-
Total value of shares taken up	**15 623**	5 042	-	-	-
C de Kock (CEO Wesbank)[1, 6]					
Cash package paid during the year	**3 972**	3 098	2 778	-	-
Retirement contributions paid during the year	**347**	291	266	-	-
Other allowances[2]	**98**	69	71	-	-
Subtotal: guaranteed package	**4 417**	3 458	3 115	-	-
Performance related in respect of the year[3]	**5 000**	4 250	4 200	-	-
Portion of performance related deferred in share awards[4]	**3 000**	2 750	1 800	-	-
Subtotal: variable pay	**8 000**	7 000	6 000	-	-
Total guaranteed and variable pay	**12 417**	10 458	9 115	-	-
Value of shares taken up during the year[5]					
Conditional Share Plan/Conditional Incentive Plan	**6 846**	8 125	-	-	-
Two-year bonus deferral	**2 273**	1 879	-	-	-
Total value of shares taken up	**9 119**	10 004	-	-	-

3 OPERATING EXPENSES continued

1. *FirstRand defines its prescribed officers as the group CEO, deputy group CEO, group CFO 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. *Other allowances includes travel and medical.*
3. *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.*
4. *Performance payments deferred as a conditional award in terms of the FirstRand CIP vest two years after the award date. Refer to note 31.*
5. *Value of shares taken up in prior years excludes benefit derived in terms of the APR and BEE staff schemes. Benefits in terms of the APR vested after three years and could be exercised between vesting and expiry after five years. In some cases the benefit derived in terms of the APR schemes represents five years of cumulative value aggregation and has therefore been excluded from the table above (refer to the 2014 annual financial statements). Refer to note 3.2 below for benefits derived in terms of the group's ten-year BEE schemes.*
6. *Prescribed officer appointed 1 October 2013. Emoluments include earnings in prior role from 1 July 2013 to 30 September 2013.*
7. *Prescribed officer appointed effective 30 September 2015. Emoluments include earnings in prior role from 1 July 2015 to 30 September 2015.*

Benefits derived by executive directors in terms of the long-term incentive schemes are disclosed on pages C84 to 87.

Cash package, retirement contributions and other allowances reflect what was paid to the prescribed officers during the year ended 30 June 2016 although the FirstRand remuneration cycle runs from 1 August to 31 July.

The cash variable pay and variable pay deferred in CIP awards for 2016 reflect the amounts that were allocated to the prescribed officer in respect of the year ended 30 June 2016, however, the cash portion will be paid in future periods in terms of the group's deferral structure shown on page C142.

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, 71 of 2008 provision relating to removal.

3 OPERATING EXPENSES continued

3.1 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	**2 016**	2 015
JP Burger	**2 101**	5 387
JR Formby	**4 071**	-
SE Nxasana	**172**	1 064
AP Pullinger	**2 305**	6 384

3.2 Benefits derived during the prior financial year in respect of the group's ten-year BEE schemes

	2015	
Rand	FirstRand black non-executive directors' scheme	FirstRand black employee share scheme
SE Nxasana	39 415 004	35 629 735
HS Kellan	-	38 980 992

3 OPERATING EXPENSES continued

Prescribed officers' outstanding long-term incentives

	Outstanding long-term incentives				
	2016 (CIP allocation made in September 2015)		2015 (CIP allocation made in September 2014)		
	CIP	**Bonus deferral CIP**	CIP	Special three-year bonus deferral CIP	Bonus deferral CIP
Executive directors					
SE Nxasana (retired 30 September 2015)					
Opening balance (number of shares)	**-**	**-**	324 363	15 909	243 051
Granted/taken up (number of shares)	**-**	**216 013**	-	-	-
Closing balance (number of shares)	**-**	**216 013**	324 363	15 909	243 051
Vesting date	**-**	**21/09/2017**	12/09/2017	12/09/2017	13/09/2016
JP Burger					
Opening balance (number of shares)	**-**	**-**	260 728	15 025	220 956
Granted/taken up (number of shares)	**295 776**	**194 345**	-	-	-
Closing balance (number of shares)	**295 776**	**194 345**	260 728	15 025	220 956
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	12/09/2017	13/09/2016
AP Pullinger					
Opening balance (number of shares)	**-**	**-**	204 384	-	198 860
Granted/taken up (number of shares)	**189 236**	**193 967**	-	-	-
Closing balance (number of shares)	**189 236**	**193 967**	204 384	-	198 860
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	-	13/09/2016
HS Kellan					
Opening balance (number of shares)	**-**	**-**	121 526	-	42 954
Granted/taken up (number of shares)	**132 465**	**56 770**	-	-	-
Closing balance (number of shares)	**132 465**	**56 770**	121 526	-	42 954
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	-	13/09/2016

* *The benefits derived in the 2015/2016 financial year have been included in the value of shares taken up during the year under the executive director's and prescribed officer's emoluments.*

	Outstanding long-term incentives		Vested long-term incentives*		
	2014 (CIP allocation made in September 2013)		2014 (BCIP allocation made in September 2013)	2013 (CIP allocation made in September 2012)	2014 (CIP allocation made in June 2013)
	CIP	Special CIP	Bonus deferral CIP	CIP	Special CIP
	435 820	-	214 916	432 604	-
	-	-	(214 916)	(432 604)	-
	435 820	-	-	-	-
	15/09/2016	-	10/09/2015	11/09/2015	-
	349 563	87 895	192 907	346 545	-
	-	-	(192 907)	(346 545)	-
	349 563	87 895	-	-	-
	15/09/2016	01/10/2016	10/09/2015	11/09/2015	-
	242 752	-	252 462	269 895	-
	-	-	(252 462)	(269 895)	-
	242 752	-	-	-	-
	15/09/2016	-	10/09/2015	11/09/2015	-
	161 835	-	49 198	136 747	67 700
	-	-	(49 198)	(136 747)	(67 700)
	161 835	-	-	-	-
	15/09/2016	-	10/09/2015	11/09/2015	01/06/2016

3 OPERATING EXPENSES continued

Prescribed officers' outstanding long-term incentives

	Outstanding long-term incentives				
	2016 (CIP allocation made in September 2015)		2015 (CIP allocation made in September 2014)		
	CIP	**Bonus deferral CIP**	CIP	Special three-year bonus deferral CIP	Bonus deferral CIP
Prescribed officers					
J Celliers					
Opening balance (number of shares)	**-**	**-**	181 184	-	57 449
Granted/taken up (number of shares)	**189 236**	**84 210**	-	-	-
Closing balance (number of shares)	**189 236**	**84 210**	181 184	-	57 449
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	-	13/09/2016
C De Kock					
Opening balance (number of shares)	**-**	**-**	154 669	-	39 772
Granted/taken up (number of shares)	**141 927**	**52 039**	-	-	-
Closing balance (number of shares)	**141 927**	**52 039**	154 669	-	39 772
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	-	13/09/2016
J Formby					
Opening balance (number of shares)	**-**	**-**	64 078	-	141 412
Granted/taken up (number of shares)	**94 618**	**158 485**	-	-	-
Closing balance (number of shares)	**94 618**	**158 485**	64 078	-	141 412
Vesting date	**21/09/2018**	**21/09/2017**	12/09/2017	-	13/09/2016

** The benefits derived in the 2015/2016 financial year have been included in the value of shares taken up during the year under the executive director's and prescribed officer's emoluments.*

	Outstanding long-term incentives		Vested long-term incentives*		
	2014 (CIP allocation made in September 2013)		2014 (BCIP allocation made in September 2013)	2013 (CIP allocation made in September 2012)	2014 (CIP allocation made in June 2013)
	CIP	Special CIP	Bonus deferral CIP	CIP	Special CIP
	226 569	-	45 314	143 944	135 400
	-	-	(45 314)	(143 944)	(135 400)
	226 569	-	-	-	-
	15/09/2016	-	10/09/2015	11/09/2015	01/06/2016
	145 651	57 481	40 135	134 948	-
	-	-	(40 135)	(134 948)	-
	145 651	57 481	-	-	-
	15/09/2016	04/04/2017	10/09/2015	11/09/2015	-
	92 732	-	174 782	118 754	-
	-	-	(174 782)	(118 754)	-
	92 732	-	-	-	-
	15/09/2016	-	10/09/2015	11/09/2015	-

4 INDIRECT AND INCOME TAX EXPENSE

	R million	2016	2015
4.1	**Indirect tax**		
	Value added tax (net)	**(921)**	(855)
	Securities transfer tax	**(7)**	(29)
	Total indirect tax	**(928)**	(884)
4.2	**Income tax expense**		
	South African income tax		
	Current	**(5 729)**	(6 378)
	- Current year	**(5 653)**	(6 339)
	- Prior year adjustment	**(76)**	(39)
	Deferred income tax	**120**	596
	- Current year	**18**	651
	- Prior year adjustment	**102**	(55)
	Total South African income tax	**(5 609)**	(5 782)
	Foreign company and withholding tax		
	Current	**(921)**	(786)
	- Current year	**(911)**	(787)
	- Prior year adjustment	**(10)**	1
	Deferred income tax	**(107)**	(119)
	- Current year	**(107)**	(120)
	- Prior year adjustment	**-**	1
	Total foreign company and withholding tax	**(1 028)**	(905)
	Capital gains tax	**32**	(35)
	- Current	**(8)**	(19)
	- Deferred income tax	**(13)**	(16)
	- Tax rate adjustment	**53**	-
	Total capital gains tax	**32**	(35)
	Customer tax adjustment account	**(6)**	(9)
	Other tax provision	**(1)**	-
	Total income tax expense	**(6 612)**	(6 731)

4 INDIRECT AND INCOME TAX EXPENSE continued

Tax rate reconciliation

%	2016	2015
Standard rate of income tax	**28.0**	28.0
Total tax has been affected by:		
Dividend income	**(6.4)**	(8.3)
Foreign tax rate differential	**(2.0)**	(1.0)
Prior year adjustments	**(0.1)**	0.3
Amounts charged directly to other comprehensive income	**(0.6)**	(0.4)
Effect of capital gains tax rate	**(0.1)**	-
Disallowed expenditure	**1.9**	1.3
Other non-deductible items	**0.8**	2.6
Effective rate of tax	**21.5**	22.5

5 HEADLINE EARNINGS, EARNINGS AND DIVIDENDS PER SHARE

		Earnings attributable R million		Cents per share	
	Notes	**2016**	2015	**2016**	2015
Headline earnings					
- Basic	5.1/5.2	**22 387**	21 141	**399.2**	381.4
- Diluted	5.1/5.2	**22 387**	21 141	**399.2**	381.4
Earnings attributable to ordinary equityholders					
- Basic	5.1	**22 563**	21 623	**402.4**	390.1
- Diluted	5.1	**22 563**	21 623	**402.4**	390.1
Dividends - Ordinary					
- Interim				**108.0**	93.0
- Final declared/paid				**118.0**	117.0
Dividends - Preference					
- Interim				**366.5**	348.5
- Final declared/paid				**394.7**	363.9

5.1 Weighted average number of shares

	2016	2015
Weighted average number of shares before treasury shares	**5 609 488 001**	5 637 941 689
Shares issued	**-**	14 944 335
Shares bought back	**-**	(2 374 915)
Shares cancelled	**-**	(29 474 438)
Less: treasury shares	**(1 800 471)**	(77 479 695)
- BEE staff trusts	**-**	(75 907 935)
- Shares for client trading	**(1 800 471)**	(1 571 760)
Weighted average number of shares in issue	**5 607 687 530**	5 543 556 976
Diluted weighted average number of shares in issue	**5 607 687 530**	5 543 556 976

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

	2016		2015	
R million	Gross	Net	Gross	Net
Earnings attributable to ordinary equityholders		22 563		21 623
Adjusted for				
(Gain)/loss on disposal of investment securities of a capital nature	(5)	(5)	1	1
Gain on the disposal of available-for-sale assets	(6)	(8)	(293)	(287)
Transfer to foreign currency translation reserve	-	-	10	13
Gains on disposal of investments in subsidiaries	(82)	(82)	(220)	(186)
Gains on disposal of property and equipment	(148)	(118)	5	(4)
Impairment of goodwill	8	8	-	-
Fair value movement of investment properties	22	13	(33)	(19)
Impairment of assets in terms of IAS 36	47	16	-	-
Headline earnings attributable to ordinary equityholders		22 387		21 141

6 ANALYSIS OF ASSETS AND LIABILITIES

The following table analyses the assets and liabilities 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 and liabilities settled.

	Notes	**2016** Held for trading	**2016** Designated at fair value through profit or loss	**2016** Held-to-maturity
ASSETS				
Cash and cash equivalents	7	**-**	**-**	**-**
Derivative financial instruments	8	**39 365**	**-**	**-**
Investment securities	10	**45 283**	**64 141**	**12 930**
Advances	11	**-**	**205 824**	**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**

	Notes	2015 Held for trading	2015 Designated at fair value through profit or loss	2015 Held-to-maturity
ASSETS				
Cash and cash equivalents	7	-	-	-
Derivative financial instruments	8	33 807	-	-
Investment securities	10	44 478	72 030	786
Advances	11	-	201 299	16
Accounts receivable	13	-	-	-
Non-current assets and disposal groups held for sale	14	-	-	-
Non-financial assets		-	-	-
Total assets		78 285	273 329	802

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	**62 996**	**-**	**-**	**185 354**	**90 532**	**94 822**
602 861	**-**	**-**	**-**	**808 699**	**277 891**	**530 808**
6 578	**-**	**-**	**3 574**	**10 152**	**6 651**	**3 501**
-	**-**	**-**	**193**	**193**	**193**	**-**
-	**-**	**-**	**40 025**	**40 025**	**12 963**	**27 062**
673 746	**62 996**	**1 186**	**43 792**	**1 149 277**	**491 797**	**657 480**

2015						
Loans and receivables	Available-for-sale financial assets	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
65 567	-	-	-	65 567	65 567	-
-	-	693	-	34 500	32 141	2 359
193	47 684	-	-	165 171	85 632	79 539
550 032	19	-	-	751 366	253 565	497 801
5 347	-	-	2 662	8 009	5 524	2 485
-	-	-	373	373	373	-
-	-	-	34 280	34 280	7 413	26 867
621 139	47 703	693	37 315	1 059 266	450 215	609 051

6 ANALYSIS OF ASSETS AND LIABILITIES continued

	Notes	2016 Held for trading	2016 Designated at fair value through profit or loss	2016 Financial liabilities at amortised cost
LIABILITIES				
Short trading positions	23	**14 263**	**-**	**-**
Derivative financial instruments	8	**49 970**	**-**	**-**
Creditors, accruals and provisions	24	**-**	**-**	**8 988**
Liabilities directly associated with disposal groups held for sale	14	**-**	**-**	**-**
Deposits	25	**-**	**114 247**	**805 683**
Other liabilities	26	**-**	**4 850**	**3 434**
Policyholder liabilities	15	**-**	**-**	**-**
Tier 2 liabilities	27	**-**	**-**	**18 004**
Non-financial liabilities		**-**	**-**	**-**
Total liabilities		**64 233**	**119 097**	**836 109**

	Notes	2015 Held for trading	2015 Designated at fair value through profit or loss	2015 Financial liabilities at amortised cost
LIABILITIES				
Short trading positions	23	5 685	-	-
Derivative financial instruments	8	40 423	-	-
Creditors, accruals and provisions	24	-	-	6 221
Liabilities directly associated with disposal groups held for sale	14	-	-	-
Deposits	25	-	116 114	749 407
Other liabilities	26	-	3 348	3 526
Policyholder liabilities	15	-	-	-
Tier 2 liabilities	27	-	-	12 497
Non-financial liabilities		-	-	-
Total liabilities		46 108	119 462	771 651

	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**	**17 285**	**12 763**	**4 522**
	-	**141**	**141**	**141**	**-**
	-	**-**	**919 930**	**762 546**	**157 384**
	-	**27**	**8 311**	**4 494**	**3 817**
	-	**1 402**	**1 402**	**250**	**1 152**
	-	**-**	**18 004**	**1 132**	**16 872**
	-	**11 094**	**11 094**	**5 922**	**5 172**
	812	**20 961**	**1 041 212**	**849 172**	**192 040**

	2015				
	Derivatives designated as hedging instruments	Non-financial instruments	Total carrying value	Current	Non-current
	-	-	5 685	5 685	-
	494	-	40 917	36 959	3 958
	-	11 403	17 624	12 813	4 811
	-	-	-	-	-
	-	-	865 521	719 500	146 021
	-	2	6 876	1 523	5 353
	-	542	542	55	487
	-	-	12 497	114	12 383
	-	11 000	11 000	5 922	5 078
	494	22 947	960 662	782 571	178 091

7 CASH AND CASH EQUIVALENTS

R million	**2016**	2015
Coins and bank notes	**8 518**	8 736
Money at call and short notice	**31 768**	34 279
Balances with central banks	**24 017**	22 552
Total cash and cash equivalents	**64 303**	65 567
Mandatory reserve balances included above	**22 959**	21 489

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	**2016**	2015
Gains/(losses) for the year arising from the change in fair value of fair value hedges		
- on hedging instruments	**226**	(552)
- on hedged items attributable to the hedged risk	**(152)**	530
Total fair value hedges	**74**	(22)

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 the market interest rates have an impact on the group's profit or loss. 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; and
- interest rate swaps are commitments to exchange one set of cash flows for another, resulting in the economic exchange of interest rates (for example, fixed rate for floating rate). No exchange of principal takes place.

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	**2016**	2015
Hedge ineffectiveness recognised in profit or loss (net of tax)	**(4)**	10

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

	2016		2015	
R million	**Assets**	**Liabilities**	Assets	Liabilities
0 - 3 months	**24**	**(40)**	31	5
4 - 12 months	**147**	**(269)**	100	(87)
1 - 5 years	**281**	**(543)**	128	(430)
Over 5 years	**8**	**(77)**	84	(93)
Total cash flow hedges	**460**	**(929)**	343	(605)

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

	2016		2015	
R million	**Assets**	**Liabilities**	Assets	Liabilities
0 - 3 months	**(53)**	**26**	(5)	26
4 - 12 months	**(273)**	**158**	(87)	106
1 - 5 years	**(513)**	**292**	(433)	123
Over 5 years	**(69)**	**5**	(78)	83
Total cash flow hedges	**(908)**	**481**	(603)	338

8 DERIVATIVE FINANCIAL INSTRUMENTS continued

Derivative financial instruments - Assets

	2016		2015	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**80 923**	**852**	45 003	528
- Interest rate derivatives	**80 923**	**852**	45 003	528
Fair value hedges	**25 691**	**334**	19 814	165
- Interest rate derivatives	**23 991**	**334**	17 298	165
- Commodity derivatives	**1 700**	**-**	2 516	-
Held for trading	**7 792 852**	**39 365**	7 134 218	33 807
- Currency derivatives	**283 234**	**12 731**	243 561	6 100
- Interest rate derivatives	**7 371 260**	**23 388**	6 791 213	23 937
- Equity derivatives	**86 363**	**2 352**	69 493	2 949
- Commodity derivatives	**30 034**	**621**	14 649	731
- Energy derivatives	**3 898**	**162**	38	-
- Credit derivatives	**18 063**	**111**	15 264	90
Total derivative assets	**7 899 466**	**40 551**	7 199 035	34 500
Exchange traded	**44 834**	**62**	14 047	87
Over the counter	**7 854 632**	**40 489**	7 184 988	34 413
Total derivative assets	**7 899 466**	**40 551**	7 199 035	34 500

Derivative financial instruments - Liabilities

	2016		2015	
R million	Notional	Fair value	Notional	Fair value
Qualifying for hedge accounting				
Cash flow hedges	**56 105**	**469**	58 423	350
- Interest rate derivatives	**56 105**	**469**	58 423	350
Fair value hedges	**41 432**	**343**	14 543	144
- Interest rate derivatives	**41 432**	**343**	14 543	144
Held for trading	**7 890 337**	**49 970**	7 366 602	40 423
- Currency derivatives	**245 291**	**20 681**	296 711	11 949
- Interest rate derivatives	**7 545 101**	**22 982**	6 990 944	24 145
- Equity derivatives	**55 438**	**5 053**	50 153	4 093
- Commodity derivatives	**36 521**	**893**	24 302	164
- Energy derivatives	**3 451**	**134**	764	3
- Credit derivatives	**4 535**	**227**	3 728	69
Total derivative liabilities	**7 987 874**	**50 782**	7 439 568	40 917
Exchange traded	**45 515**	**66**	52 341	44
Over the counter	**7 942 359**	**50 716**	7 387 227	40 873
Total derivative liabilities	**7 987 874**	**50 782**	7 439 568	40 917

9 COMMODITIES

R million	2016	2015
Agricultural commodities	**1 518**	1 406
Gold	**10 996**	5 948
Total commodities	**12 514**	7 354

10 INVESTMENT SECURITIES

R million	2016	2015
Negotiable certificates of deposit	**429**	1 703
Treasury bills	**28 254**	28 333
Other government and government guaranteed stock	**68 084**	61 393
Other dated securities	**51 960**	32 504
Other undated securities	**599**	884
Non-recourse investments	**11 716**	16 357
- Dated securities	**11 498**	16 139
- Undated securities	**218**	218
Equities	**23 118**	23 858
Other	**1 194**	139
Total investment securities	**185 354**	165 171
Analysis of investment securities		
Equities	**23 118**	23 858
Debt	**162 236**	141 313
Total investment securities	**185 354**	165 171

R61 035 million (2015: R52 443 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.

10 INVESTMENT SECURITIES continued

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 iNdwa conduit was wound down during the current financial year and is no longer in place as at 30 June 2016.

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.

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	**2016**	2015	**2016**	2015
Repurchase agreements	**21 108**	18 655	**20 048**	17 893

11 ADVANCES

R million	Notes	2016	2015
Notional value of advances		**823 402**	764 147
Contractual interest suspended		**(1 685)**	(1 551)
Gross value of advances		**821 717**	762 596
Category analysis			
Overdrafts and cash management accounts		**68 734**	59 345
Term loans		**50 881**	45 767
Card loans		**23 722**	21 103
Instalment sales and hire purchase agreements		**174 297**	157 049
Lease payments receivable		**7 865**	8 266
Property finance		**226 538**	214 451
Personal loans		**36 781**	31 207
Preference share agreements		**39 131**	32 871
Assets under agreement to resell		**43 005**	40 853
Investment bank term loans		**121 038**	125 164
Long-term loans to group associates and joint ventures		**1 861**	2 031
Other		**27 864**	24 489
Gross value of advances		**821 717**	762 596
Impairment of advances	12	**(13 018)**	(11 230)
Net advances		**808 699**	751 366

11 ADVANCES continued

Instalment sale, hire purchase and lease payments receivable

	2016			2015		
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	**63 618**	**(11 238)**	**52 380**	52 521	(9 400)	43 121
Between 1 and 5 years	**150 432**	**(28 951)**	**121 481**	142 317	(27 062)	115 255
More than 5 years	**11 044**	**(2 681)**	**8 363**	9 089	(2 007)	7 082
Sub-total	**225 094**	**(42 870)**	**182 224**	203 927	(38 469)	165 458
Less: interest in suspense			**(62)**			(143)
Total net instalment sale, hire purchase and lease payments receivable			**182 162**			165 315

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 R106 million (2015: R162 million).

11 ADVANCES continued

Securitisation transactions

The following bankruptcy remote structured entities were created to facilitate traditional securitisation transactions for WesBank retail instalment sale advances (Nitro 4 and Nitro 5) and MotoNovo (Turbo Finance 3, 4, 5, 6 and MotoHouse) finance lease receivables.

Name of securitisation	Established	Initial transaction value	Carrying value of assets R million		Carrying value of liabilities R million	
			2016	2015	**2016**	2015
Nitro 4	July 2011	R4 billion	**-**	12	**-**	12
Nitro 5	June 2015	R2.4 billion	**1 475**	2 475	**1 475**	2 475
Turbo Finance 3	November 2012	GBP326 million	**-**	890	**-**	851
Turbo Finance 4	November 2013	GBP374 million	**2 499**	5 595	**2 496**	5 571
Turbo Finance 5	September 2014	GBP420 million	**5 980**	9 075	**6 014**	9 041
Turbo Finance 6	February 2016	GBP392 million	**8 729**	-	**8 695**	-
MotoHouse	August 2015	GBP295 million	**6 675**	-	**6 645**	-

The Nitro 4 and Turbo Finance 3 securitisation transactions were wound up and the notes called and settled during the current financial year.

12 IMPAIRMENT 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 2014	4 603	1 061	453	252
Amounts written off	(3 276)	(266)	(45)	(35)
Disposals of subsidiaries	-	-	(71)	-
(Disposals)/acquisitions of advances	-	-	-	-
Transfers (to)/from other divisions	(35)	-	-	35
Transfer to non-current assets or disposal groups held for sale	-	-	-	-
Reclassifications	-	-	-	-
Exchange rate differences	2	-	14	-
Unwinding of discounted present value on NPLs	(84)	(2)	-	-
Net new impairments created/(released)	3 377	395	247	176
Balance as at 30 June 2015	4 587	1 188	598	428
(Increase)/decrease in impairments	(3 377)	(395)	(247)	(176)
Recoveries of bad debts previously written off	1 259	29	-	1
Impairment (loss)/profit recognised in profit or loss	(2 118)	(366)	(247)	(175)
Balance as at 1 July 2015	**4 587**	**1 188**	**598**	**428**
Amounts written off	**(3 508)**	**(274)**	**(168)**	**(6)**
Disposals of subsidiaries	**-**	**-**	**-**	**-**
Disposals of advances	**-**	**-**	**-**	**-**
Transfers (to)/from other divisions	**(62)**	**70**	**(217)**	**264**
Transfer from non-current assets or disposal groups held for sale	**-**	**-**	**45**	**-**
Reclassifications	**-**	**-**	**-**	**-**
Exchange rate differences	**26**	**-**	**16**	**-**
Unwinding of discounted present value on NPLs	**(66)**	**(2)**	**-**	**-**
Net new impairments created/(released)	**4 587**	**437**	**294**	**162**
Balance as at 30 June 2016	**5 564**	**1 419**	**568**	**848**
(Increase)/decrease in impairments	**(4 587)**	**(437)**	**(294)**	**(162)**
Recoveries of bad debts previously written off	**1 249**	**40**	**-**	**-**
Impairment (loss)/profit recognised in profit or loss	**(3 338)**	**(397)**	**(294)**	**(162)**

	WesBank	FCC and other	Total impairment	Specific impairment	Portfolio impairment
	2 669	1 347	10 385	5 575	4 810
	(2 378)	-	(6 000)	(6 000)	-
	-	-	(71)	(71)	-
	-	-	-	-	-
	-	-	-	-	-
	(30)	-	(30)	(30)	-
	-	-	-	65	(65)
	9	-	25	12	13
	(8)	-	(94)	(94)	-
	3 118	(298)	7 015	6 410	605
	3 380	1 049	11 230	5 867	5 363
	(3 118)	298	(7 015)	(6 410)	(605)
	576	-	1 865	1 865	-
	(2 542)	298	(5 150)	(4 545)	(605)
	3 380	**1 049**	**11 230**	**5 867**	**5 363**
	(3 007)	**-**	**(6 963)**	**(6 963)**	**-**
	-	**-**	**-**	**-**	**-**
	(31)	**-**	**(31)**	**(31)**	**-**
	(56)	**1**	**-**	**-**	**-**
	-	**-**	**45**	**45**	**-**
	-	**-**	**-**	**98**	**(98)**
	(6)	**-**	**36**	**35**	**1**
	(16)	**-**	**(84)**	**(84)**	**-**
	3 600	**(295)**	**8 785**	**8 185**	**600**
	3 864	**755**	**13 018**	**7 152**	**5 866**
	(3 600)	**295**	**(8 785)**	**(8 185)**	**(600)**
	594	**-**	**1 883**	**1 883**	**-**
	(3 006)	**295**	**(6 902)**	**(6 302)**	**(600)**

13 ACCOUNTS RECEIVABLE

R million	Notes	2016	2015
Items in transit		**1 936**	2 184
Interest and commission accrued		**224**	118
Prepayments		**1 269**	863
Properties in possession	37.1.4	**3**	75
Sundry debtors		**1 170**	1 373
Fair value hedge interest rate component		**186**	163
Dividends receivable		**1 412**	1 336
Profit share receivable on insurance cells		**1 384**	1 301
Other dividends receivable		**28**	35
Other accounts receivable		**3 952**	1 897
Total accounts receivable		**10 152**	8 009

14 NON-CURRENT ASSETS AND DISPOSAL GROUPS HELD FOR SALE

R million	**2016**	2015
Non-current assets held for sale		
Advances	**-**	237
Investments in associates	**30**	136
Total non-current assets held for sale	**30**	373
Cash and cash equivalents	**4**	-
Accounts receivable	**159**	-
Total assets included in disposal group held for sale	**163**	-
Creditors and accruals	**49**	-
Other liabilities	**33**	-
Current tax liability	**56**	-
Deferred income tax liability	**3**	-
Total liabilities included in disposal group held for sale	**141**	-
Net assets of disposal group held for sale	**22**	-

Non-current assets held for sale in 2015

Advances

As part of the overall restructure of the RMB resources business, the group met the IFRS 5 requirements to classify advances of R125 million as held for sale at the end of the 2015 financial year. The sale was finalised during the 2016 financial year.

Investments in associates

During the prior year, the group met the requirements to classify various investments in private equity associates and related advances of R112 million granted to these associates as non-current assets held for sale under IFRS 5. These sales were finalised in the 2016 financial year.

Disposal group 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 has been identified and a decision 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 3 months of year-end.

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS

R million	Notes	2016	2015
Policyholder liabilities under insurance contracts and reinsurance assets	15.1	**276**	154
Policyholder liabilities under insurance investment contracts	15.2	**1 090**	-
Total policyholder liabilities		**1 366**	154

15.1 Policyholder liabilities under insurance contracts and reinsurance assets

	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**

	2015		
R million	Gross	Reinsurance asset	Net
Short-term insurance contracts			
Claims outstanding and claims incurred but not reported	502	(388)	114
Unearned premiums	40	-	40
Long-term insurance contracts	-	-	-
Total policyholder liabilities under insurance contracts and reinsurance assets	542	(388)	154

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.1 Reconciliation of outstanding claims and claims incurred but not reported

R million	2016 Gross	2016 Reinsurance asset	2016 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**

R million	2015 Gross	2015 Reinsurance asset	2015 Net
Opening balance	504	(408)	96
Increase in current year claims outstanding	92	-	92
Decrease from prior year claims outstanding	(64)	20	(44)
Claims settled in the year	(30)	-	(30)
Closing balance	502	(388)	114

15.1.2 Reconciliation of unearned premiums

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

R million	2015 Gross	2015 Reinsurance asset	2015 Net
Opening balance	36	-	36
Increase in current year claims outstanding	4	-	4
Closing balance	40	-	40

15 POLICYHOLDER LIABILITIES AND REINSURANCE ASSETS continued

15.1.3 Reconciliation of gross long-term insurance contracts

R million	**2016**	2015
Opening balance	**-**	-
Transfer to policyholder liabilities under insurance contracts	**17**	-
- Increase in retrospective liabilities	**17**	-
Closing balance	**17**	-

15.2 Policyholder liabilities under investment contracts

R million	**2016**	2015
Opening balance	**-**	-
Premiums received	**1 099**	-
Fees deducted from account balances	**(7)**	-
Policyholder benefits on investment contracts	**(32)**	-
Fair value adjustments recognised in fair value gains or losses	**30**	-
Closing balance	**1 090**	-

16 INVESTMENTS IN ASSOCIATES

R million	2016	2015
Analysis of the carrying value of associates		
Shares at cost less impairment	**2 940**	3 834
Share of post-acquisition reserves	**2 024**	1 947
Total investments in associates	**4 964**	5 781
Movement in the carrying value of associates		
Opening balance	**5 781**	5 847
Share of profit of associates after tax	**930**	1 085
- Income before tax for the year	**1 369**	1 404
- (Impairments)/reversal of impairments of associates	**(45)**	86
- Tax for the year	**(394)**	(405)
Net movement resulting from acquisitions, disposals and transfers	**(1 233)**	(483)
- Acquisition of associates	**286**	141
- Disposal of associates	**(1 489)**	(479)
- Disposal of subsidiaries with an underlying associate	**-**	(9)
- Transfer to non-current assets and disposal groups held for sale	**(30)**	(136)
Movement in other reserves	**25**	(140)
Exchange rate differences	**179**	(91)
Dividends received for the year	**(718)**	(437)
Closing balance	**4 964**	5 781

Significant impairments reversed

During the prior year RMB's Investment Banking division reversed a previously recognised impairment loss of R63 million relating to Primedia Holdings Proprietary Limited as a result of a revised valuation of the investment based on a price earning (P/E) model, this was included in the share of profit of associates and joint ventures.

The revised valuation 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.

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	**2016**	2015	**2016**	2015	**2016**	2015
Amounts recognised in profit or loss and other comprehensive income of the investee						
Dividends received	**45**	35	**-**	-	**-**	-
Revenue	**3 600**	3 134	**4 177**	3 685	**664**	482
Profit or loss from continuing operations after tax	**446**	420	**102**	300	**(2)**	59
Total comprehensive income	**446**	420	**102**	300	**(2)**	59
Amounts recognised in the statement of financial position of the investee						
Total assets	**30 628**	28 277	**7 989**	8 033	**19 461**	14 147
- Current assets	**9 175**	91	**1 545**	1 442	**7 534**	1
- Non-current assets	**21 453**	28 186	**6 444**	6 591	**11 927**	14 146
Total liabilities	**(27 865)**	(25 820)	**(4 927)**	(5 008)	**(18 155)**	(12 965)
- Current liabilities	**(8 249)**	-	**(913)**	(857)	**(8 999)**	-
- Non-current liabilities	**(19 616)**	(25 820)	**(4 014)**	(4 151)	**(9 156)**	(12 965)
Net asset value	**2 763**	2 457	**3 062**	3 025	**1 306**	1 182
Group's share of net asset value	**912**	819	**674**	666	**640**	579
Notional goodwill	**24**	22	**3**	(29)	**87**	3
Carrying value of investments	**936**	841	**677**	637	**727**	582
Acquisitions of associates						
Total consideration transferred	**-**	-	**-**	-	**135**	123
- Discharged by cash	**-**	-	**-**	-	**135**	123

Volkswagen Financial Services SA Proprietary Limited

Additional funding of R135 million (2015: R123 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	**2016**	2015	**2016**	2015
Carrying amount	**2 026**	2 369	**598**	1 352
Group's share of profit or loss after tax from continuing operations	**571**	639	**159**	194
Group's share of other comprehensive income/(loss)	**63**	(145)	**(28)**	5
Group's share of total comprehensive income	**634**	494	**131**	199
Acquisitions of associates				
Acquisition date	**Various**	Various	**Various**	Various
Interest acquired (%)	**Various**	Various	**Various**	Various
Total consideration transferred	**125**	18	**26**	-
- Discharged by cash	**52**	18	**-**	-
- Non-cash consideration and other purchases	**73**	-	**26**	-
Disposal of associates				
Disposal date	**Various**	Various	**-**	-
Interest disposed (%)	**Various**	Various	**-**	-
Total consideration received	**1 159**	1 032	**772**	294
- Discharged by cash	**1 159**	1 032	**773**	294
- Non-cash consideration and other purchases	**-**	-	**(1)**	-
Carrying value of the associate on disposal	**(967)**	(343)	**(522)**	(136)
Gains on disposal of associates	**192**	689	**250**	158

During the current year losses of nil (2015: R2 million) were not recognised. The cumulative share of losses from associates net of disposals, not recognised is R6 million (2015: R10 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.

17 INVESTMENTS IN JOINT VENTURES

R million	2016	2015
Analysis of carrying value of joint ventures		
Shares at cost less impairment	**95**	234
Share of post-acquisition reserves	**1 249**	1 048
Carrying value of investments in joint ventures	**1 344**	1 282
Movement in the carrying value of joint ventures		
Opening balance	**1 282**	1 205
Share of profit of joint ventures after tax	**526**	454
- Income before tax for the year	**765**	504
- (Impairments)/reversal of impairments of joint ventures	**(142)**	27
- Tax for the year	**(97)**	(77)
Net movement resulting from acquisitions and disposals	**2**	15
- Acquisition of joint ventures	**2**	16
- Disposal of joint ventures	**-**	(1)
Movement in other reserves	**65**	(89)
Exchange rate differences	**4**	-
Dividends received for the year	**(535)**	(303)
Closing balance	**1 344**	1 282

Significant impairments

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 is thinly traded and its liquidity has reduced significantly over the past 12 months. 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	**2016**	2015
Amounts recognised in profit or loss and other comprehensive income of the group		
Dividends received	**88**	63
Revenue	**1 048**	595
Profit or loss from continuing operations after tax	**134**	196
Total comprehensive income	**134**	196
Amounts recognised in the statement of financial position of the investee		
Total assets	**18 975**	15 629
- Current assets	**18 950**	15 599
- Non-current assets	**25**	30
Total liabilities	**(18 128)**	(14 872)
- Current liabilities	**(18 101)**	(14 854)
- Non-current liabilities	**(27)**	(18)
Net asset value	**847**	757
Group's share of net asset value	**424**	379
Notional goodwill	**35**	31
Carrying value of investment	**459**	410
Included in total assets, liabilities and comprehensive income		
Cash and cash equivalents	**40**	929
Short-term portion of financial liabilities	**(14 469)**	(5 347)
Long-term portion of financial liabilities	**(27)**	(18)
Depreciation and amortisation	**2**	-
Interest income	**17**	-
Interest expense	**(153)**	-
Income tax	**(116)**	(75)

17 INVESTMENTS IN JOINT VENTURES continued

Financial information of individually immaterial joint ventures

	RMB private equity joint ventures		Other	
R million	**2016**	2015	**2016**	2015
Carrying amount	**597**	582	**288**	290
Group's share of profit or loss after tax from continuing operations	**428**	233	**(39)**	82
Group's share of other comprehensive income/(loss)	**64**	(90)	**2**	-
Group's share of total comprehensive income/(loss)	**492**	143	**(37)**	82
Acquisition of joint ventures				
Acquisition date	**Various**	Various	**-**	-
Interest acquired (%)	**Various**	Various	**-**	-
Total consideration transferred	**2**	16	**-**	-
- Discharged by cash	**-**	16	**-**	-
- Non-cash consideration	**2**	-	**-**	-
Disposal of joint ventures				
Disposal date		02/06/2015	**-**	-
Interest disposed of (%)		42	**-**	-
Total consideration received	**-**	-	**-**	-
- Discharged by cash	**-**	-	**-**	-
- Non-cash consideration and other purchases	**-**	-	**-**	-
Carrying value of the joint venture on disposal date	**-**	(1)	**-**	-
Loss on disposal of joint ventures	**-**	(1)	**-**	-

During the current year losses of R3 million (2015: R7 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 R3 million (2015: R7 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 2014	6 198	2 503	627	2 142	3 025	14 495
Cost	8 216	3 848	925	5 524	5 512	24 025
Accumulated depreciation	(2 018)	(1 345)	(298)	(3 382)	(2 487)	(9 530)
Movement for the year	782	41	7	679	284	1 793
Acquisitions	1 052	367	17	1 473	1 447	4 356
Disposals	(44)	(21)	(4)	(4)	(408)	(481)
Disposals of subsidiaries	(46)	-	-	(1)	(27)	(74)
Exchange rate difference	33	(2)	50	-	(7)	74
Depreciation charge for the year	(212)	(300)	(56)	(805)	(720)	(2 093)
Impairments reversed	-	-	-	-	3	3
Other	(1)	(3)	-	16	(4)	8
Net book value at 30 June 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**
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)**

19 INTANGIBLE ASSETS

R million	Goodwill	Software and develop-ment costs	Trade-marks	Other	Total
Net book value as at 1 July 2014	660	268	16	103	1 047
Cost	1 498	1 260	216	230	3 204
Accumulated amortisation	(838)	(992)	(200)	(127)	(2 157)
Movement for the year	(32)	61	(1)	(7)	21
Acquisitions	-	160	1	-	161
Disposals	-	(5)	-	-	(5)
Disposals of subsidiaries	(19)	(1)	-	-	(20)
Exchange rate differences	(13)	2	-	-	(11)
Amortisation for the year	-	(93)	(2)	(7)	(102)
Impairments recognised	-	(2)	-	-	(2)
Net book value as at 30 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**
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 June 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)**

Included in other intangible assets 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.

The impairment of goodwill in the current year relates to FirstRand Investment Management Holdings Limited.

20 INVESTMENT PROPERTIES

R million	Notes	2016	2015
Opening balance		**460**	419
Net revaluations (included in gains less losses from investing activities)	2.3	**(22)**	33
Additions		**-**	10
Disposal of subsidiaries		**(7)**	-
Disposals		**(45)**	(1)
Exchange rate differences		**-**	(1)
Closing balance		**386**	460

21 EMPLOYEE LIABILITIES AND RELATED ASSETS

R million	Notes	2016	2015
Liability for short-term employee benefits		**6 012**	5 576
Share-based payment liability		**2 493**	3 208
Defined benefit post-employment liability	21.1	**1 245**	944
Other long-term employee benefit liability		**21**	6
Total employee liabilities		**9 771**	9 734
Defined benefit post-employment asset	21.1	**(9)**	(4)
Net amount due to employees		**9 762**	9 730

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 fund (the fund) has been established. The fund 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 member. There are also a small number of active members whose benefits are calculated 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 contributing 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.

		2016			2015		
R million	Notes	**Pension**	**Medical**	**Total**	Pension	Medical	Total
Post-employment benefit fund liability							
Present value of funded obligation		**9 860**	**3 403**	**13 263**	9 853	3 204	13 057
Fair value of plan assets		**(9 998)**	**(2 191)**	**(12 189)**	(10 027)	(2 286)	(12 313)
- Listed equity instruments		**(2 629)**	**-**	**(2 629)**	(2 316)	-	(2 316)
- Cash and cash equivalents		**(412)**	**-**	**(412)**	(400)	-	(400)
- Debt instruments		**(3 834)**	**-**	**(3 834)**	(6 813)	-	(6 813)
- Derivatives		**(6)**	**-**	**(6)**	(2)	-	(2)
- Qualifying insurance policy		**-**	**(2 191)**	**(2 191)**	-	(2 286)	(2 286)
- Other		**(3 117)**	**-**	**(3 117)**	(496)	-	(496)
Total employee (asset)/liability		**(138)**	**1 212**	**1 074**	(174)	918	744
Limitation imposed by IAS19 asset ceiling		**162**	**-**	**162**	196	-	196
Total post-employment liability		**24**	**1 212**	**1 236**	22	918	940
Total net amount recognised in the income statement (included in staff costs)	3	**(3)**	**121**	**118**	(15)	148	133
Movement in post-employment benefit fund liability							
Present value at the beginning of the year		**22**	**918**	**940**	11	678	689
Exchange differences		**1**	**1**	**2**	6	(2)	4
Current service cost		**12**	**49**	**61**	12	50	62
Net interest		**(15)**	**72**	**57**	(30)	98	68
Benefits paid		**(5)**	**(2)**	**(7)**	(9)	(1)	(10)
Remeasurements: recognised in OCI		**20**	**174**	**194**	46	95	141
Employer contribution		**(2)**	**-**	**(2)**	(2)	-	(2)
Employee contribution		**(9)**	**-**	**(9)**	(5)	-	(5)
Settlement or curtailment of liability		**-**	**-**	**-**	(7)	-	(7)
Closing balance		**24**	**1 212**	**1 236**	22	918	940

21 EMPLOYEE LIABILITIES AND RELATED ASSETS continued

R million	2016 Pension	2016 Medical	2016 Total	2015 Pension	2015 Medical	2015 Total
Movement in the fair value of plan assets:						
Opening balance	**10 027**	**2 286**	**12 313**	10 073	2 382	12 455
Interest income	**845**	**217**	**1 062**	867	179	1 046
Remeasurements: recognised in OCI	**(255)**	**(168)**	**(423)**	(344)	(142)	(486)
Exchange differences	**8**	**-**	**8**	14	-	14
Employer contributions	**17**	**-**	**17**	15	-	15
Employee contributions	**5**	**-**	**5**	4	-	4
Benefits paid and settlements	**(649)**	**(144)**	**(793)**	(602)	(133)	(735)
Closing balance	**9 998**	**2 191**	**12 189**	10 027	2 286	12 313
Reconciliation of limitation imposed by IAS 19 asset ceiling						
Opening balance	**196**	**-**	**196**	356	-	356
Interest income	**17**	**-**	**17**	32	-	32
Change in the asset ceiling, excluding amounts included in interest	**(51)**	**-**	**(51)**	(192)	-	(192)
Closing balance	**162**	**-**	**162**	196	-	196
The actual return on plan assets was	**9%**			9%		
Included in plan assets were the following:						
FirstRand Limited ordinary shares with fair value of	**31**	**-**	**31**	41	-	41
Total exposure to FirstRand	**31**	**-**	**31**	41	-	41

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.

	2016		2015	
%	**Pension**	**Medical**	Pension	Medical
The principal actuarial assumptions used for accounting purposes were:				
Expected rates of salary increases	**8.8**	**-**	8.2	-
Long-term increase in health cost	**-**	**8.8**	-	8.2
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)	**7.7**	**499.9**	8.2	482.2
Effect on the aggregate of the current service cost and interest cost (R million)	**1.0**	**60.5**	0.5	55.8
Decrease of 1%				
Effect on the defined benefit obligation (R million)	**(7.0)**	**(409.2)**	(7.5)	(393.3)
Effect on the aggregate of the current service cost and interest cost (R million)	**(0.9)**	**(49.1)**	(0.5)	(45.1)
The effects of a change in the average life expectancy of a pensioner retiring at age 65:				
Increase in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**353.2**	**122.4**	349.2	114.9
Effect on the aggregate of the current service cost and interest cost (R million)	**33.1**	**13.5**	31.0	12.0
Decrease in life expectancy by 10 years				
Effect on the defined benefit obligation (R million)	**(348.4)**	**(120.8)**	(344.6)	(113.5)
Effect on the aggregate of the current service cost and interest cost (R million)	**(32.7)**	**(13.4)**	(30.6)	(11.9)
Estimated contributions expected to be paid to the plan in the next annual period (R million)	**4**	**-**	3	-
Net increase in rate used to value pensions, allowing for pension increases (%)	**1.8**	**1.0**	1.8	1.0
The weighted average duration of the defined benefit obligation is (years)	**10.1**	**14.8**	11.0	15.9

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	**717**	**3 081**	**36 095**	**39 893**
Post-employment medical benefits	**153**	**770**	**33 282**	**34 205**
Total as at 30 June 2016	**870**	**3 851**	**69 377**	**74 098**

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

	2016	2015
Pension		
The number of employees covered by the scheme:		
Active members	**2 421**	2 248
Pensioners	**6 258**	6 374
Deferred plan participants	**291**	299
Total employees	**8 970**	8 921
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**9 740**	9 745
Benefits accrued but not vested at the end of the reporting period (R million)	**119**	108
Conditional benefits (R million)	**33**	26
Amounts attributable to future salary increases (R million)	**123**	113
Other benefits (R million)	**9 704**	9 713
Medical		
The number of employees covered by the scheme:		
Active members	**4 459**	5 071
Pensioners	**5 379**	5 226
Total employees	**9 838**	10 297
Defined benefit obligation amounts due to:		
Benefits vested at the end of the reporting period (R million)	**2 201**	2 033
Benefits accrued but not vested at the end of the reporting period (R million)	**1 201**	1 171
Conditional benefits (R million)	**1 241**	1 204
Other benefits (R million)	**2 162**	2 000

21.2 Defined contribution post-employment liability

R million	**2016**	2015
Post-employment defined contribution plan		
Present value of obligation	**17 281**	16 115
Present value of assets	**(17 281)**	(16 115)
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	2016	2015
Deferred income tax asset		
Opening balance	**1 540**	862
Acquisitions/(disposals) of subsidiaries	**8**	(15)
Exchange rate difference	**(1)**	(1)
Recognised in profit or loss	**135**	562
Deferred income tax on amounts charged directly to other comprehensive income	**184**	128
Other	**-**	4
Total deferred income tax asset	**1 866**	1 540
Deferred income tax liability		
Opening balance	**(913)**	(796)
Disposals of subsidiaries	**(51)**	(9)
Exchange rate difference	**(31)**	(5)
Recognised in profit or loss	**(82)**	(101)
Deferred income tax on amounts charged directly to other comprehensive income	**(2)**	(4)
Transfer to non-current assets and disposal group held for sale	**19**	-
Other	**7**	2
Total deferred income tax liability	**(1 053)**	(913)
Net deferred income tax asset	**813**	627

22 DEFERRED INCOME TAX continued

Deferred income tax assets and liabilities arise from:

R million	**2016**	2015
Deferred income tax asset		
Tax losses	**215**	201
Provision for loan impairment	**755**	799
Provision for post-employment benefits	**332**	250
Other provisions	**741**	974
Cash flow hedges	**(120)**	(74)
Financial instruments	**8**	3
Instalment credit assets	**(138)**	(469)
Accruals	**(60)**	(81)
Available-for-sale securities	**67**	(110)
Capital gains tax	**116**	108
Other	**(50)**	(61)
Total deferred income tax asset	**1 866**	1 540
Deferred income tax liability		
Provision for loan impairment	**49**	48
Provision for post-employment benefits	**15**	13
Other provisions	**(170)**	(81)
Financial instruments	**133**	192
Instalment credit assets	**(284)**	(262)
Accruals	**(137)**	(87)
Available-for-sale securities	**(227)**	(224)
Capital gains tax	**(5)**	(6)
Other	**(427)**	(506)
Total deferred income tax liability	**(1 053)**	(913)
Net deferred income tax asset	**813**	627

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 R91 737 million (2015: R82 725 million) were declared as dividends.

The group has not recognised a deferred tax asset amounting to R1 149 million (2015: R1 208 million) relating to tax losses.

23 SHORT TRADING POSITIONS

R million	2 016	2 015
Government and government guaranteed	**14 177**	5 233
Other dated securities	**81**	64
Undated securities	**5**	388
Total short trading positions	**14 263**	5 685

24 CREDITORS, ACCRUALS AND PROVISIONS

R million	2016	2015
Other accounts payable	**12 497**	13 332
Fair value hedge interest rate component	**220**	-
Withholding tax for employees	**453**	427
Deferred income	**1 377**	1 143
Operating lease liability arising from straight lining of lease payments	**105**	116
Payments received in advance	**355**	292
Accrued interest	**157**	120
Accrued expenses	**1 512**	1 571
Audit fees accrued	**127**	94
Provisions (including litigations and claims)	**482**	529
Total creditors, accruals and provisions	**17 285**	17 624

Reconciliation of provisions

R million	2016	2015
Opening balance	**529**	713
Acquisitions of subsidiaries	**1**	-
Exchange rate differences	**-**	(1)
Charge to profit or loss	**132**	81
- Additional provisions created	**203**	187
- Unused provisions reversed	**(71)**	(106)
Utilised	**(180)**	(264)
Closing balance	**482**	529

25 DEPOSITS

R million	**2016**	2015
Category analysis		
Current accounts	**193 524**	185 450
Call deposits	**181 289**	154 544
Savings accounts	**11 117**	9 843
Fixed and notice deposits	**263 545**	243 859
Negotiable certificates of deposit	**64 841**	55 690
Repurchase agreements	**35 868**	27 323
Securities lending	**4 726**	7 845
Cash collateral and credit linked notes	**28 309**	26 238
Fixed and floating rate notes	**86 403**	102 481
Securitisation issuances	**17 589**	12 218
Other	**21 003**	23 673
Non-recourse deposits	**11 716**	16 357
Total deposits	**919 930**	865 521

26 OTHER LIABILITIES

R million	Notes	2016	2015
Finance lease liabilities	26.1	**27**	2
Funding liabilities		**8 284**	6 874
- Preference shares		**5 381**	3 987
- Other		**2 903**	2 887
Total other liabilities		**8 311**	6 876

26.1 Finance lease liabilities

	2016	2015
Not later than 1 year	**13**	2
Later than 1 year and not later than 5 years	**14**	-
Total finance lease liabilities	**27**	2

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	2016	2015
Fixed rate bonds			**3 494**	2 961
- ZAR denominated	1 December 2016 to 2 June 2021	8.5% - 12.35%	**3 347**	2 818
- Other currencies	1 December 2016 and 29 March 2017	7.25% - 8.88%	**147**	143
Floating rate bonds			**14 510**	9 536
- ZAR denominated	10 June 2016 to 2 June 2021	Three month JIBAR +70 bps to 400 bps	**11 465**	6 951
- USD denominated	9 April 2019	LIBOR + 415 bps	**2 556**	2 114
- Other currencies	1 December 2016 and 29 March 2017	Three month JIBAR +165 bps and bank rate + 190 bps	**489**	471
Total tier 2 liabilities			**18 004**	12 497

28 SHARE CAPITAL AND SHARE PREMIUM

28.1 Share capital and share premium classified as equity

Authorised shares

	2 016	2 015
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 NCNR	**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

	2016			2015		
	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**	5 637 941 689	56	7 082
Shares issued	**-**	**-**	**-**	35 420 014	-	1 611
Shares bought back	**-**	**-**	**-**	(63 873 702)	-	(637)
Total issued ordinary share capital and share premium	**5 609 488 001**	**56**	**8 056**	5 609 488 001	56	8 056
Treasury shares	**(2 201 270)**	**-**	**(104)**	(2 956 365)	-	(59)
Total issued share capital attributable to ordinary equityholders	**5 607 286 731**	**56**	**7 952**	5 606 531 636	56	7 997
B preference shares	**45 000 000**	**-**	**4 519**	45 000 000	-	4 519
Total issued share capital attributable to equityholders		**56**	**12 471**		56	12 516

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 0.04% (2015: 0.05%) 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 (previously Ashburton Investment 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 consolidated 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	**2016**	2015	**2016**	2015
ASSETS				
Cash and cash equivalents	**439**	-	**451**	-
Accounts receivable	**141**	-	**2**	-
Investment securities	**424**	-	**3**	-
Property and equipment	**7**	-	**-**	-
Deferred income tax asset	**12**	-	**-**	-
Total assets acquired	**1 023**	-	**456**	-
LIABILITIES				
Creditors and accruals	**453**	-	**1**	-
Current tax liability	**28**	-	**-**	-
Employee liabilities	**6**	-	**-**	-
Other liabilities	**23**	-	**-**	-
Deferred income tax liability	**52**	-	**-**	-
Total liabilities acquired	**562**	-	**1**	-
Net asset value as at date of acquisition	**461**	-	**455**	-
29.1.1 Acquisition that results in obtaining control				
Total goodwill is calculated as follows:				
Total cash consideration transferred	**570**	-	**501**	-
Total non-cash consideration transferred	**107**	-	**-**	-
Contingent consideration transferred	**1**	-	**-**	-
Less: net identifiable asset value as at date of acquisition	**(461)**	-	**(455)**	-
Add: Non-controlling interests at acquisition	**189**	-	**-**	-
Goodwill on acquisition	**406**	-	**46**	-

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	**2016**	2015	**2016**	2015	**2016**	2015
Carrying amount of non-controlling interest acquired	**-**	10	**270**	-	**10**	141
Consideration paid to non-controlling interest acquired	**-**	(19)	**(1 335)**	-	**(22)**	(162)
- Discharged by cash consideration	**-**	(19)	**(1 335)**	-	**(22)**	(162)
- Non-cash consideration	**-**	-	**-**	-	**-**	-
Loss recognised directly in equity	**-**	(9)	**(1 065)**	-	**(12)**	(21)

MotoVantage Holdings Proprietary Limited

WesBank, together with Hollard Insurance Company, has formed a new holding company, MotoVantage Holdings Proprietary Limited (MotoVantage). 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.

Direct Axis SA Proprietary Limited

WesInvest Holdings Proprietary Limited, a wholly-owned subsidiary of FirstRand Investment Holdings Proprietary Limited, has 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 has 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.

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	**2016**	2015	**2016**	2015
ASSETS				
Cash and cash equivalents	**30**	(67)	**3**	-
Accounts receivable	**468**	279	**-**	-
Advances	**-**	573	**-**	-
Investments in associates	**-**	9	**-**	-
Property and equipment	**133**	28	**94**	46
Intangible assets	**74**	20	**-**	-
Investment properties	**7**	-	**-**	-
Deferred income tax asset	**-**	24	**4**	-
Non-current assets and disposal groups held for sale	**-**	87	**-**	65
Total assets disposed of	**712**	953	**101**	111
LIABILITIES				
Creditors and accruals	**27**	78	**-**	29
Current tax liability	**1**	1	**-**	-
Employee liabilities	**17**	3	**-**	-
Other liabilities	**155**	666	**11**	7
Liabilities directly associated with disposal groups held for sale	**-**	17	**-**	188
Total liabilities disposed of	**200**	765	**11**	224
Net asset value as at date of disposal	**512**	188	**90**	(113)
Total gain on disposal is calculated as follows:				
Total consideration received	**617**	248	**166**	-
Total cash consideration received	**455**	247	**166**	-
Total non-cash consideration received	**162**	1	**-**	-
Add: non-controlling share of net asset value at disposal date	**(33)**	57	**(68)**	(9)
Less: group's portion of the net asset value on disposal	**(512)**	(188)	**(90)**	113
Gain on disposal of controlling interest in a subsidiary	**72**	117	**8**	104
Cash flow information				
Discharged by cash consideration	**455**	247	**166**	-
Less: cash and cash equivalents/(overdrafts) disposed of in the subsidiary	**(30)**	67	**(3)**	-
Net cash inflow on disposal of subsidiaries	**425**	314	**163**	-

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 Proprietary Limited 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	**2016**	2015	**2016**	2015
Balances included in the consolidated statement of financial position				
Total assets	**34 197**	29 791	**29 678**	25 801
Balances with central banks*	**1 052**	289	**1 038**	1 636
Total liabilities	**30 144**	26 402	**26 207**	22 750
Balances included in the consolidated statement of comprehensive income				
Interest and similar income	**2 866**	2 411	**1 759**	1 558
Non-interest revenue	**1 611**	1 352	**1 238**	1 038
Profit or loss before tax	**1 751**	1 487	**884**	917
Total comprehensive income	**1 217**	869	**938**	745
Amounts attributable to non-controlling interests				
Dividends paid to non-controlling interests	**221**	151	**168**	152
Profit or loss attributable to non-controlling interests	**499**	409	**198**	213
Accumulated balance of non-controlling interests	**1 648**	1 374	**1 007**	892

** 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	2016	2015
Assets under management - by type	**125 123**	111 436
- Traditional products	**79 216**	74 583
- Alternative products	**45 907**	36 853

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 joint ventures, ETFs, credit funds, private equity funds and structured products.

31 REMUNERATION SCHEMES

R million	Notes	2016	2015
The charge to profit or loss for share-based payments is as follows:			
FirstRand black employee scheme*		**-**	72
FirstRand black non-executive directors' scheme*		**-**	2
Conditional share plan		**1 171**	2 204
Other subsidiary schemes		**1**	25
Amount included in profit or loss	3	**1 172**	2 303

** These schemes were fully vested as at 30 June 2015.*

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

Maturity of FirstRand's BEE transaction

The staff and director components of FirstRand's 2005 Black Economic Empowerment (BEE) transaction matured on 31 December 2014. This resulted in participants receiving a net benefit valued at R5.4 billion from the vesting of 107.5 million FirstRand ordinary shares and R560 million from the vesting of 17.8 million MMI Holdings Limited (MMI) shares. The shares were held by the FirstRand black employee trust, the FirstRand black non-executive directors' trust and the staff assistance trust (the trusts) after purchasing the FirstRand shares in the market in 2005 and receiving the MMI shares pursuant to the unbundling of MMI in 2010. To facilitate the wind-up of the trusts on maturity of the transaction, the group bought back 63 million FirstRand shares from the trusts. The group also obtained 11 million MMI shares held by the trusts (collectively, the share buy-back). The share buy-back enabled the trusts to return capital contributions and the vesting of the net proceeds with the residual beneficiary.

On 20 January 2015, the group reissued 35 million ordinary shares and offered 67 million FirstRand and 24 million MMI ordinary shares on behalf of the beneficiaries to settle tax obligations and to deliver cash value to the beneficiaries who elected to sell their shares. While the group facilitated the sale, the election was made by the beneficiaries and the full proceeds on the sale of these shares were for the account of the beneficiaries.

The offers were made by way of an accelerated book build process to qualifying institutional investors only and were successfully placed. The ordinary shares were delivered and the new shares listed on the JSE on 28 January 2015.

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 C142.
Valuation methodology	The conditional share plan (CPTs) 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	➢ Volatility is the expected volatility over the period of the plan and historical volatility was used as a proxy for expected volatility; and ➢ The 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 and takes cognisance of whether the shares are in or out the money and the vesting date.

31 REMUNERATION SCHEMES continued

Corporate performance targets

The FirstRand Limited group remuneration committee sets 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 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

2011 (CPTs met, vested in September 2014) - Normalised EPS growth must equal or exceed South African nominal GDP plus 1.5%, measured on a cumulative basis from base year end 30 June 2011 to enable 100% vesting. In addition, NIACC must be positive over the three-year performance period. Should nominal GDP plus 1.5% not be achieved, the committee may sanction a partial vesting of conditional shares, which is calculated *pro rata* to the performance which exceeds nominal GDP.

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.

Currently open

2013 (vests in 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**.**

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 the 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.

	2016			2015		
	Conditional share plan	**FNB Botswana**	**FNB Namibia**	Conditional share plan	FNB Botswana	FNB Namibia
Range of exercise prices (rand)	**-**	**2.69 - 15.10**	**4.00 - 24.52**	-	2.69 - 15.10	4.00 - 24.52
Expected volatility (%)	**25**	**13 - 35**	**4.02 - 16**	25	13 - 15	4 .02 - 16
Expected option life (years)	**3**	**5**	**5**	3	5	5
Expected risk free rate (%)	**4.82 - 7.07**	**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	**2016**	2015
Number of options and share awards in force at the beginning of the year (millions)	**97.7**	113.4
Number of options and share awards granted during the year (millions)	**31.8**	32.9
Number of options and shares awards exercised/released during the year (millions)	**(36.0)**	(43.7)
- Market value range at date of exercise/release (cents)	**1 851 - 5 631**	3 935 - 5 631
- Weighted average (cents)	**5 057**	4 432
Number of options and share awards cancelled/lapsed during the year (millions)	**(3.8)**	(4.9)
Number of options and share awards in force at the end of the year (millions)	**89.7**	97.7

	Conditional share plan			
	2016		2015	
Options and share awards outstanding	**Weighted average remaining life (years)**	**Outstanding option (millions)**	Weighted average remaining life (years)	Outstanding option (millions)
	0.29	**35.0**	0.28	30.2
	1.29	**30.9**	1.29	34.2
	2.30	**23.8**	2.28	33.1
	-	**-**	2.59	0.2
Total options and share awards		**89.7**		97.7
Number of participants		**3 073**		2 758

32 CONTINGENCIES AND COMMITMENTS

R million	**2016**	2015
Contingencies and commitments		
Guarantees *(endorsements and performance guarantees)*	**34 733**	34 995
Letters of credit	**7 339**	6 010
Total contingencies	**42 072**	41 005
Irrevocable commitments	**101 418**	87 464
Committed capital expenditure	**4 264**	5 340
Operating lease commitments	**3 599**	2 810
Other	**379**	442
Contingencies and commitments	**151 732**	137 061
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.	**93**	235
Commitments		
Commitments in respect of capital expenditure and long-term investments by the directors.	**4 264**	5 340

African Bank Investments Limited (ABIL) contingency

The group subscribed for R655 million, of ordinary shares in the African Bank Holdings Limited, an entity created from the restructuring and resolution of ABIL, as part of a consortium of parties, including the SARB, Government Employees Pension Fund and various other banks, contributing to this capitalisation. This transaction will entitle the group to 6.55% of the ordinary shares of African Bank Holdings Limited.

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.

	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**

	2015		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Office premises	874	1 593	44
Recoverable under subleases	(7)	(42)	(18)
Net office premises	867	1 551	26
Equipment and motor vehicles	50	119	196
Total operating lease commitments	917	1 670	222

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:

	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**	**-**

	2015		
R million	Within 1 year	Between 1 and 5 years	More than 5 years
Property	56	180	74
Motor vehicles	626	902	-
Total operating lease commitments	682	1 082	74

33 FAIR VALUE MEASUREMENTS

33.1 Valuation methodology

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

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

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

Recurring fair value measurements

Recurring fair value measurements include financial assets, financial liabilities and non-financial assets, including investment properties and commodities that the group measures at fair value at the end of each reporting period.

Financial instruments

When determining the fair value of a financial instrument, where the financial instrument has a bid or ask price (e.g. in a dealer market), the group uses the price within the bid-ask spread that is most representative of fair value in the circumstances. Although not a requirement, the group uses the bid price for financial assets or the ask/offer price for financial liabilities where this best represents fair value.

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

Where the 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.

33 FAIR VALUE MEASUREMENTS continued

Non-financial assets

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

Non-recurring fair value measurements

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

- the classification of assets and liabilities as non-current assets or disposal groups held for sale under IFRS 5 where 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 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. The fair value for these items is determined by using observable quoted market prices where these are available, such as market prices quoted on BESA, or in accordance with generally acceptable pricing models such as a discounted cash flow analysis. Except for the amounts included under section 33.4, 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 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. If this information is not available, fair value is measured using another valuation technique that maximises the use of relevant observable inputs and minimises the use of unobservable inputs. The valuation techniques employed by the group include, *inter alia*, quoted prices for similar assets or liabilities in an active market, quoted prices for the same asset or liability in an inactive market, adjusted prices from recent arm's length transactions, option-pricing models, and discounted cash flow techniques.

Where a valuation model is applied and the 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	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	BESA bond pricing model	The BESA bond pricing model uses the BESA 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 for 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
Tier 2 liabilities	Discounted cash flows	Future cash flows are discounted using market-related interest rates.	Market interest rates and curves
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 bank. The investment contracts require the bank 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			
Options	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 (unlisted), 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 P/E ratios
Unlisted bonds or bonds listed in an inactive market	Discounted cash flows	Unlisted bonds or bonds in an inactive market are valued similarly to advances measured at fair value. 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	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. Changes in the unobservable variables do not result in significantly different valuations for the investment properties.	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 advance
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. An impairment of R115 million was recognised against a joint venture in the current year. The recoverable amount for purposes of calculating the impairment was determined based on the fair value and classified as level 3 of the fair value hierarchy. Further detail has been provided in note 17 to the annual financial statements. During the prior year the recoverable amount of certain associates was determined based on the fair value for the purpose of calculating the reversal of previously recognised impairments, further detail has been provided in note 16.

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.

	2016			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	241	40 248	62	40 551
Advances	-	43 944	161 880	205 824
Investment securities	83 612	31 856	45 236	160 704
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
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
Total fair value liabilities - non-recurring	-	-	562	562

33 FAIR VALUE MEASUREMENTS continued

	2015			
R million	Level 1	Level 2	Level 3	Total fair value
Assets				
Recurring fair value measurements				
Derivative financial instruments	95	34 335	70	34 500
Advances	-	40 790	160 528	201 318
Investment securities	75 692	45 116	27 027	147 835
Non-recourse investments	-	16 357	-	16 357
Commodities	7 354	-	-	7 354
Investment properties	-	460	-	460
Total fair value assets - recurring	83 141	137 058	187 625	407 824
Non-recurring fair value measurements				
Assets acquired in business combinations	-	-	-	-
Total fair value assets - non-recurring	**-**	**-**	**-**	**-**
Liabilities				
Recurring fair value measurements				
Short trading positions	5 685	-	-	5 685
Derivative financial instruments	50	40 862	5	40 917
Deposits	2 207	96 277	1 273	99 757
Non-recourse deposits	-	16 357	-	16 357
Other liabilities	-	3 348	-	3 348
Policyholder liabilities under investment contracts	-	-	-	-
Total fair value liabilities - recurring	7 942	156 844	1 278	166 064
Non-recurring fair value measurements				
Liabilities acquired in business combinations	-	-	-	-
Total fair value liabilities - non-recurring	**-**	**-**	**-**	**-**

33 FAIR VALUE MEASUREMENTS continued

33.2.2 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.

	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 has become inactive in the current period because of stresses in the macro environment. The market price is therefore not representative of fair value and a valuation technique is applied. Because of credit valuation being unobservable the bonds have been classified from level 1 into level 3 of the hierarchy. An evaluation of the observability of volatilities used in determining the fair value of certain over-the-counter options has resulted in a transfer of R107 million out of level 2 of the fair value hierarchy and into level 3. An evaluation of the significant inputs utilised in determining the fair value of investment property, considering current market factors, resulted in a transfer of R416 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

	2015		
R million	Transfers in	Transfers out	Reasons for significant transfers in
Level 1	-	-	There were no transfers in or out of level 1.
Level 2	64	(4 709)	Deposits and loans of R61 million were transferred into level 2 from level 3 as the inputs used to calculate their fair value became observable. An additional R3 million was transferred into level 2 due to the lifting of a trading suspension on the related investment securities. These instruments have been allocated to level 2 of the hierarchy as the market for these instruments is not yet considered to be active.
Level 3	4 709	(64)	Corporate bonds to the value of R4 709 million were transferred into level 3. The market for these bonds is not active and the fair value is determined using a valuation technique that makes use of unobservable inputs for interest rate and foreign exchange and unobservable inputs for credit. Level 3 of the fair value hierarchy is therefore deemed more appropriate.
Total transfers	4 773	(4 773)	

33 FAIR VALUE MEASUREMENTS continued

33.3 Additional disclosures for level 3 financial instruments

33.3.1 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 2014	120	151 810	3 958	-
Gains/losses recognised in profit or loss	(35)	7 123	1 136	-
Gains/losses recognised in other comprehensive income	-	-	27	-
Purchases, sales, issue and settlements	(15)	322	17 175	-
Transfer (out of)/into level 3	-	(6)	4 707	-
Exchange rate differences	-	1 279	24	-
Balance as at 30 June 2015	**70**	**160 528**	**27 027**	**-**
Gains/losses recognised in profit or loss	**9**	**7 776**	**5 915**	**(22)**
Gains/losses recognised in other comprehensive income	**-**	**-**	**16**	**-**
Purchases, sales, issue and settlements	**(19)**	**(8 392)**	**9 374**	**-**
Acquisitions/disposals of subsidiaries	**-**	**-**	**-**	**(7)**
Transfer into level 3	**-**	**-**	**2 821**	**416**
Exchange rate differences	**2**	**1 968**	**83**	**(1)**
Balance as at 30 June 2016	**62**	**161 880**	**45 236**	**386**

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.

	Derivative financial liabilities	Other liabilities	Deposits
	5	-	1 327
	4	-	(13)
	-	-	-
	(4)	-	13
	-	-	(56)
	-	-	2
	5	**-**	**1 273**
	13	**36**	**67**
	-	**-**	**-**
	3	**1 422**	**(669)**
	-	**21**	**-**
	107	**-**	**-**
	-	**-**	**8**
	128	**1 479**	**679**

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.

	2016		2015	
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	**9**	**-**	24	-
Advances*	**7 235**	**-**	5 456	-
Investment securities	**5 652**	**16**	987	27
Investment properties	**(22)**	**-**	-	-
Total	**12 874**	**16**	6 467	27
Liabilities				
Derivative financial instruments	**19**	**-**	4	-
Deposits	**(58)**	**-**	(37)	-
Other liabilities	**19**	**-**	-	-
Total	**(20)**	**-**	(33)	-

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

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.

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 tables below illustrate 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	Credit migration matrix	The credit migration matrix is used as part of the group's credit risk management process for advances measured at fair value through profit or loss. The matrix is a simulation model that contains a matrix of probabilities for downgrading or upgrading to another rating bucket. The migration matrix is based on actual observed rating migrations from S&P over the long term and is based on the fair value in the 75th percentile.
Investment securities	Credit, growth rates and P/E ratios of unlisted investments	Unobservable inputs	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 by 10% and decreased by 1%.

33 FAIR VALUE MEASUREMENTS continued

R million	2016 Fair value	2016 Reasonably possible alternative fair value: Using more positive assump-tions	2016 Reasonably possible alternative fair value: Using more negative assump-tions	2015 Fair value	2015 Reasonably possible alternative fair value: Using more positive assump-tions	2015 Reasonably possible alternative fair value: Using more negative assump-tions
Assets						
Derivative financial instruments	**62**	**71**	**55**	70	92	58
Advances	**161 880**	**162 868**	**160 489**	160 528	161 601	158 170
Investment securities	**45 236**	**45 803**	**44 688**	27 027	27 386	26 665
Total financial assets measured at fair value in level 3	**207 178**	**208 742**	**205 232**	187 625	189 079	184 893
Liabilities						
Derivative financial instruments	**128**	**124**	**129**	5	4	5
Deposits	**679**	**614**	**784**	1 273	1 146	1 401
Other liabilities	**1 479**	**1 462**	**1 626**	-	-	-
Total financial liabilities measured at fair value in level 3	**2 286**	**2 200**	**2 539**	1 278	1 150	1 406

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.

	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	805 683	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	827 121	827 122	7 897	814 590	4 635

	2015				
R million	Carrying value	Total fair value	Level 1	Level 2	Level 3
Assets					
Advances	550 048	552 703	-	94 263	458 440
Investment securities	979	985	-	401	584
Total financial assets at amortised cost	551 027	553 688	-	94 664	459 024
Liabilities					
Deposits	749 407	749 357	5 274	738 816	5 267
Other liabilities	3 526	3 531	-	2 211	1 320
Tier 2 liabilities	12 497	12 702	-	12 702	-
Total financial liabilities at amortised cost	765 430	765 590	5 274	753 729	6 587

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	2016	2015
Opening balance	11	20
Day 1 profits or losses not recognised on financial instruments initially recognised in the current year	37	-
Amount recognised in profit or loss as a result of changes which would be observable by market participants	(9)	(9)
Closing balance	39	11

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.

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.

	2016			
			Change in fair value	
			Due to credit risk	
R million	**Carrying value**	**Mitigated credit risk**	**Current period**	**Cumulative**
Advances	**205 824**	**3 559**	**(433)**	**(3 741)**
Investment securities	**27 242**	**-**	**(20)**	**(20)**
Non-recourse investments	**11 716**	**-**	**-**	**-**
Total	**244 782**	**3 559**	**(453)**	**(3 761)**

	2015			
			Change in fair value	
			Due to credit risk	
R million	Carrying value	Mitigated credit risk	Current period	Cumulative
Advances	201 299	3 649	218	(2 025)
Investment securities	32 496	-	(237)	(318)
Non-recourse investments	16 329	-	-	-
Total	250 124	3 649	(19)	(2 343)

Losses are indicated with brackets.

33 FAIR VALUE MEASUREMENTS continued

33.6.2 Financial liabilities designated at fair value through profit or loss

	2016		2015	
R million	**Fair value**	**Contractually payable at maturity**	Fair value	Contractually payable at maturity
Deposits	**102 531**	**115 565**	99 757	113 925
Non-recourse deposits	**11 716**	**10 785**	16 357	13 694
Other liabilities	**4 850**	**4 763**	3 348	3 267
Policyholder liabilities under investment contracts	**1 090**	**1 090**	-	-
Total	**120 187**	**132 203**	119 462	130 886

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 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. 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 an activity basis.	

34.2 Description of normalised adjustments

Normalised adjustments
The group believes that normalised earnings more accurately reflect its economic performance. 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 headline earning adjustments include reallocation entries where amounts are moved between income statement and balance sheet lines, 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. A description of the normalised adjustments made to IFRS profit or loss for the year when preparing the normalised results is below. This description excludes reallocation entries that have no impact on IFRS earnings reported.

34 SEGMENT INFORMATION CONTINUED

Normalised adjustments	
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. 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.
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. These adjustments include the write back of impairment losses recognised on intangible assets and goodwill.

The pro forma financial information should be read in conjunction with the unmodified Deloitte & Touche and PricewaterhouseCoopers Inc. independent reporting accountants' reports, which are available for inspection at the company's registered office.

34 SEGMENT INFORMATION continued

Reconciliation of profit for the year to normalised earnings

R million	2016
Profit for the year	**24 075**
NCNR preference shareholders	**(342)**
Non-controlling interest	**(1 170)**
Attributable earnings to ordinary equityholders	**22 563**
Headline earnings adjustments	**(176)**
Headline earnings to ordinary equityholders	**22 387**
Normalised adjustments	**468**
- TRS and IFRS 2 liability remeasurements	**494**
- Treasury shares	**(6)**
- IAS19 adjustment	**(102)**
- Private equity subsidiary realisations	**82**
Normalised earnings	**22 855**

34 SEGMENT INFORMATION continued

	2016		
R million	FNB	FNB Africa*	
Net interest income before impairment of advances	**22 182**	**2 730**	
Impairment of advances	**(3 182)**	**(553)**	
Net interest income after impairment of advances	**19 000**	**2 177**	
Non-interest revenue	**19 939**	**3 366**	
Net income from operations	**38 939**	**5 543**	
Operating expenses	**(21 947)**	**(4 109)**	
Share of profit of associates after tax	**(9)**	**1**	
Share of profit of joint ventures after tax	**6**	**-**	
Income before tax	**16 989**	**1 435**	
Indirect tax	**(417)**	**(122)**	
Profit for the year before tax	**16 572**	**1 313**	
Income tax expense	**(4 640)**	**(484)**	
Profit for the year	**11 932**	**829**	
The income statement includes:			
Depreciation	**(1 395)**	**(221)**	
Amortisation	**(19)**	**(8)**	
Net impairment	**3**	**(53)**	
The statement of financial position includes:			
Investments in associates	**237**	**5**	
Investments in joint ventures	**6**	**-**	
Total assets	**333 515**	**49 217**	
Total liabilities	**316 963**	**49 309**	

** Includes FNB's activities in India.*

	2016					
	RMB					
	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Consoli-dation and IFRS adjustments	Total
	1 451	1 973	10 176	3 477	52	42 041
	(294)	(162)	(3 006)	-	295	(6 902)
	1 157	1 811	7 170	3 477	347	35 139
	11 228	2 234	4 087	(735)	(3 442)	36 677
	12 385	4 045	11 257	2 742	(3 095)	71 816
	(6 560)	(2 450)	(5 827)	(2 126)	1 362	(41 657)
	1 017	-	215	4	(298)	930
	615	-	88	3	(186)	526
	7 457	1 595	5 733	623	(2 217)	31 615
	(93)	(9)	(239)	(48)	-	(928)
	7 364	1 586	5 494	575	(2 217)	30 687
	(2 062)	(444)	(1 538)	(161)	2 717	(6 612)
	5 302	1 142	3 956	414	500	24 075
	(218)	(5)	(535)	(30)	(2)	(2 406)
	(14)	-	(62)	(4)	(1)	(108)
	22	(3)	(107)	21	(8)	(125)
	2 744	-	1 983	15	(20)	4 964
	1 305	-	-	50	(17)	1 344
	395 822	39 311	205 700	271 289	(145 577)	1 149 277
	385 887	37 435	200 356	135 134	(83 872)	1 041 212

34 SEGMENT INFORMATION continued

Geographical segments

R million	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
	2016					
Net interest income after impairment	**29 425**	**3 740**	**1 771**	**75**	**128**	**35 139**
Non-interest revenue*	**32 376**	**4 059**	**790**	**490**	**418**	**38 133**
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.*

34 SEGMENT INFORMATION continued

Reconciliation of profit for the year to normalised earnings

R million	2015
Profit for the year	23 124
NCNR preference shareholders	(310)
Non-controlling interests	(1 191)
Attributable earnings to ordinary equityholders	21 623
Headline earnings adjustments	(482)
Headline earnings to ordinary equityholders	21 141
Normalised adjustments	145
- TRS and IFRS 2 liability remeasurement	(34)
- IFRS 2 share-based payment expense	75
- Treasury shares	25
- IAS19 adjustment	(107)
- Private equity subsidiary realisations	186
Normalised earnings	21 286

34 SEGMENT INFORMATION continued

	2015	
R million	FNB	FNB Africa*
Net interest income before impairment of advances	18 891	2 465
Impairment of advances	(2 125)	(359)
Net interest income after impairment of advances	16 766	2 106
Non-interest revenue	18 761	2 824
Net income from operations	35 527	4 930
Operating expenses	(20 205)	(3 225)
Share of profit of associates after tax	18	1
Share of profit of joint ventures after tax	-	-
Income before tax	15 340	1 706
Indirect tax	(436)	(85)
Profit for the year before tax	14 904	1 621
Income tax expense	(4 174)	(540)
Profit for the year	10 730	1 081
The income statement includes:		
Depreciation	(1 211)	(160)
Amortisation	(2)	(9)
Net impairment	(4)	-
The statement of financial position includes:		
Investments in associates	246	4
Investments in joint ventures	-	-
Total assets	308 759	41 269
Total liabilities	294 065	40 891

** Includes FNB's activities in India.*

	2015					
	RMB					
	Investment banking	Corporate banking	WesBank	FCC (including Group Treasury) and other	Consolidation and IFRS adjustments	Total
	1 215	1 582	8 737	2 655	76	35 621
	(247)	(175)	(2 542)	(27)	325	(5 150)
	968	1 407	6 195	2 628	401	30 471
	10 514	2 051	3 615	2 323	(2 667)	37 421
	11 482	3 458	9 810	4 951	(2 266)	67 892
	(6 217)	(2 117)	(5 352)	(2 931)	1 355	(38 692)
	1 120	-	342	(3)	(393)	1 085
	487	-	-	40	(73)	454
	6 872	1 341	4 800	2 057	(1 377)	30 739
	(87)	16	(238)	(54)	-	(884)
	6 785	1 357	4 562	2 003	(1 377)	29 855
	(1 900)	(380)	(1 276)	(561)	2 100	(6 731)
	4 885	977	3 286	1 442	723	23 124
	(206)	(5)	(481)	(30)	-	(2 093)
	(16)	-	(70)	(5)	-	(102)
	(14)	(2)	(27)	-	(50)	(97)
	3 802	-	1 735	13	(19)	5 781
	1 249	-	-	48	(15)	1 282
	376 355	39 347	184 822	226 514	(117 800)	1 059 266
	367 760	37 705	178 232	98 919	(56 910)	960 662

34 SEGMENT INFORMATION continued

Geographical segments

	2015					
R million	South Africa	Other Africa	United Kingdom	Austra-lasia	Other	Total
Net interest income after impairment	26 095	3 132	1 171	(65)	138	30 471
Non-interest revenue*	34 786	3 725	14	136	299	38 960
Non-current assets**	21 276	1 989	76	1 513	26	24 880

* *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.*

35 RELATED PARTIES

35.1 Balances with related parties

R million	2016	2015
Advances		
Entities that have significant influence over the group and its subsidiaries	**5 235**	1 274
Associates	**6 491**	7 156
Joint ventures	**9 637**	6 505
Key management personnel	**49**	122
Accounts receivable		
Associates	**284**	452
Joint ventures	**24**	37
Derivative assets		
Entities that have significant influence over the group and its subsidiaries	**80**	30
Associates	**435**	1 338
Joint ventures	**27 073**	26 695
Investment securities		
Associates	**86**	1
Guarantees received		
Associates	**-**	5
Investments under the co-investment scheme		
Key management personnel	**65**	38
Deposits		
Entities that have significant influence over the group and its subsidiaries	**4**	169
Associates	**312**	299
Joint ventures	**2 606**	1 962
Key management personnel	**426**	128
Accounts payable		
Entities that have significant influence over the group and its subsidiaries	**2**	2
Associates	**66**	55
Joint ventures	**32**	14
Derivative liabilities		
Associates	**-**	(1)
Commitments		
Associates	**162**	130

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.

35 RELATED PARTIES continued

35.2 Transactions with related parties

R million	2016	2015
Interest received		
Associates	**80**	227
Joint ventures	**420**	361
Key management personnel	**3**	11
Interest paid		
Associates	**(42)**	(8)
Joint ventures	**(161)**	(133)
Key management personnel	**(13)**	(1)
Non-interest revenue		
Entities that have significant influence over the group and its subsidiaries	**216**	100
Associates	**246**	285
Joint ventures	**950**	1 020
Operating expenses		
Entities that have significant influence over the group and its subsidiaries	**-**	(14)
Associates	**(804)**	(694)
Joint ventures	**4**	(1)
Dividends received		
Associates	**245**	96
Joint ventures	**232**	210
Net investment return credited in respect of investments under the co-investment scheme		
Key management personnel	**9**	13
Financial consulting fees and other		
Key management personnel	**8**	7
Salaries and other employee benefits		
Key management personnel*	**369**	432
- Salaries and other short-term benefits	**179**	221
- Share-based payments	**190**	211

** 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 (2015: R52 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 section B. The prior year deferred compensation has been restated to reflect the amended definition of key management, in line with the changes to governance structures.

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	**2016**	2015
Dividend income	**5**	8
Deposits held with the group	**766**	382
Interest expense	**33**	21

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 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	**Multi Issuer Programme 4 (RF) Limited (MIP4)**	**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 has established the Multi Issue Programme 4 (RF) Limited entity on the Multi Issuer Programme. The purpose of the entity is to issue notes to the market. The group has invested in the majority of the notes alongside other external noteholders and shares in the protective rights. The group is exposed to the residual margin of the entity through a preference share. The group and the other noteholders are not able to use their voting power to influence the variable returns that they may earn, as the noteholders voting rights are protective in nature and merely protect the variable lender return without the ability to leverage or improve the return in excess of the original margin. Therefore, without the ability to use the power to influence returns, the group does not control 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.

R million	Property finance transactions 2016	Property finance transactions 2015	Multi Issuer Programme 4 (RF) Limited* 2016	Multi Issuer Programme 4 (RF) Limited* 2015	Joint funding SPV 2016	Joint funding SPV 2015
Advances	**-**	-	**-**	-	**140**	-
Investment securities	**61**	59	**-**	-	**-**	-
Maximum exposure to loss	**61**	59	**-**	-	**140**	-

** The impact on the statement of financial position for MIP4 is an equity investment in the entity of R100, which exposes the group to a maximum loss of R100.*

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	2016	2015
Own transactions	**988**	2 619
- iNdwa	**-**	1 294
- iVuzi	**988**	1 325
Third party transactions	**31**	175
Total liquidity facilities	**1 019**	2 794

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 iNdwa and 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 balance sheet, 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. A description of how the risks arise and the group's objectives, policies and processes for managing these financial and insurance risks 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">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

Overview of financial and insurance risks		
Market risk	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 and or rates.	
	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.	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.
	Interest rate risk in the banking book (37.4.1) originates from the differing repricing characteristics of balance sheet transactions, yield curve risk, basis risk and client optionality embedded in the banking book products.	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.
	Structural foreign exchange risk (37.4.2) arises from balances denominated in foreign currencies and group entities with functional currencies other than ZAR.	Information about the group's net structural foreign exposure and the sensitivity of the exposure is presented.

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 listed, unlisted or bespoke financial investments.</td></tr>
<tr><td>Equity investment risk (37.5) arises primarily from equity exposures from investment banking activities in RMB, strategic investments held by WesBank, FNB and FCC. Ashburton 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 Insurance Holdings Proprietary Limited and FirstRand Insurance Services Company Limited.</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 balance sheet represents the maximum exposure to credit risk, before taking into account collateral and other credit enhancements.

R million	**2016**	2015
On-balance sheet exposures		
Cash and short-term funds	**55 785**	56 831
- Money at call and short notice	**31 768**	34 279
- Balances with central banks	**24 017**	22 552
Gross advances	**821 717**	762 596
- FNB	**361 056**	329 396
- FNB retail	**240 208**	225 866
- FNB commercial*	**77 239**	67 167
- FNB Africa**	**43 609**	36 363
- WesBank	**200 015**	181 465
- RMB investment banking	**217 905**	205 721
- RMB corporate banking	**36 170**	35 408
- FCC	**6 571**	10 606
- Derivatives	**40 551**	34 500
- Debt investment securities (excluding non-recourse investments)	**150 520**	124 956
- Accounts receivable	**10 152**	8 009
- Reinsurance assets	**36**	388
Off-balance sheet exposures	**149 744**	133 825
Total contingencies	**42 072**	41 005
- Guarantees	**34 733**	34 995
- Letters of credit#	**7 339**	6 010
Irrevocable commitments	**101 418**	87 464
Credit derivatives	**6 254**	5 356
Total	**1 228 505**	1 121 105

* *Includes public sector.*

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

 # Include acceptances.

37 FINANCIAL AND INSURANCE RISK continued

37.1.2 Quality of credit assets

Advances – Age analysis of advances

	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	341 063	5 912	3 127	10 954	361 056
- FNB retail	226 658	3 988	2 293	7 269	240 208
- FNB commercial*	75 127	90	100	1 922	77 239
- FNB Africa**	39 278	1 834	734	1 763	43 609
WesBank	185 573	5 522	2 162	6 758	200 015
RMB investment banking#	215 352	38	140	2 375	217 905
RMB corporate banking	36 040	-	-	130	36 170
FCC	6 571	-	-	-	6 571
Total	**784 599**	**11 472**	**5 429**	**20 217**	**821 717**
Percentage of total book (%)	**95.5%**	**1.4%**	**0.7%**	**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

	2015				
		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	313 944	4 492	2 298	8 662	329 396
- FNB retail	215 473	2 601	1 615	6 177	225 866
- FNB commercial*	65 412	124	165	1 466	67 167
- FNB Africa**	33 059	1 767	518	1 019	36 363
WesBank	168 831	4 905	1 867	5 862	181 465
RMB investment banking#	204 132	127	3	1 459	205 721
RMB corporate banking	35 033	23	-	352	35 408
FCC	10 606	-	-	-	10 606
Total	732 546	9 547	4 168	16 335	762 596
Percentage of total book (%)	96.1%	1.3%	0.5%	2.1%	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)

	2016					
		FNB				
R million	**Total**	**Retail**	**Commercial***	**FNB Africa****	**WesBank**	
FR 1 - 25	**197 013**	**41 128**	**6 495**	**9 534**	**15 645**	
FR 26 - 90	**574 285**	**179 380**	**66 919**	**28 071**	**167 928**	
Above FR 90	**13 301**	**6 150**	**1 713**	**1 673**	**2 000**	
Total	**784 599**	**226 658**	**75 127**	**39 278**	**185 573**	

	2015					
		FNB				
R million	Total	Retail	Commercial*	FNB Africa**	WesBank	
FR 1 - 25	213 227	48 679	3 427	13 058	14 511	
FR 26 - 90	507 069	160 548	60 879	18 575	152 199	
Above FR 90	12 250	6 246	1 106	1 426	2 121	
Total	732 546	215 473	65 412	33 059	168 831	

* *Includes public sector.*

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

2016			
	RMB investment banking	**RMB corporate banking**	**FCC**
	103 190	**16 685**	**4 336**
	110 571	**19 188**	**2 228**
	1 591	**167**	**7**
	215 352	**36 040**	**6 571**

2015			
	RMB investment banking	RMB corporate banking	FCC
	106 068	18 293	9 191
	96 735	16 729	1 404
	1 329	11	11
	204 132	35 033	10 606

37 FINANCIAL AND INSURANCE RISK continued

Analysis of impaired advances (NPLS)

R million	2016 Total value net of interest in suspense	2016 Security held and expected recoveries	2016 Specific impairment
NPLs by class			
Total FNB	**10 954**	**6 576**	**4 378**
FNB retail	**7 269**	**4 431**	**2 838**
FNB commercial	**1 922**	**988**	**934**
FNB Africa	**1 763**	**1 157**	**606**
WesBank	**6 758**	**4 420**	**2 338**
Total RMB	**3 570**	**3 134**	**436**
RMB investment banking	**3 440**	**3 056**	**384**
RMB corporate banking	**130**	**78**	**52**
Total NPLs	**21 282**	**14 130**	**7 152**
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**	**2 632**	**-**
Long-term loans to group associates and joint ventures	**405**	**137**	**268**
Other	**64**	**34**	**30**
Total NPLs	**21 282**	**14 130**	**7 152**

For asset finance, the total security value 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 the recoveries total.

The NPLs, reflected above, includes the cumulative fair value adjustment applicable to RMB investment banking NPLs of R1 133 million at 30 June 2016 (2015: R1 166 million). The age analysis of advances reflects NPLs net of the cumulative fair value adjustment. Refer to page C194.

37 FINANCIAL AND INSURANCE RISK continued

	2015		
R million	Total value net of interest in suspense	Security held and expected recoveries	Specific impairment
NPLs by class			
Total FNB	8 662	5 351	3 311
FNB retail	6 177	4 061	2 116
FNB commercial	1 466	623	843
FNB Africa	1 019	667	352
WesBank	5 862	3 605	2 257
Total RMB	2 977	2 678	299
RMB investment banking	2 625	2 409	216
RMB corporate banking	352	269	83
Total NPLs	17 501	11 634	5 867
NPLs by category			
Overdrafts and cash management accounts	1 422	506	916
Term loans	1 170	831	339
Card loans	465	122	343
Instalment sales and hire purchase agreements	4 774	3 071	1 703
Lease payments receivable	308	152	156
Property finance	5 213	4 155	1 058
Personal loans	1 783	658	1 125
Investment bank term loans	1 827	1 827	-
Long-term loans to group associates and joint ventures	265	120	145
Other	274	192	82
Total NPLs	17 501	11 634	5 867

37 FINANCIAL AND INSURANCE RISK continued

Other credit assets (excluding advances)

Credit quality of other financial assets (excluding advances) neither past due nor impaired

	2016					
R million	**Debt investment securities***	**Derivatives**	**Cash and short-term funds**	**Reinsurance assets**	**Accounts receivable**	**Total**
AAA to BBB	**138 986**	**33 530**	**52 511**	**36**	**785**	**225 848**
BB+ to B-	**11 068**	**6 996**	**2 987**	**-**	**5 551**	**26 602**
CCC	**456**	**17**	**287**	**-**	**5**	**765**
Unrated	**10**	**8**	**-**	**-**	**154**	**172**
Total	**150 520**	**40 551**	**55 785**	**36**	**6 495**	**253 387**

	2015					
R million	Debt investment securities*	Derivatives	Cash and short-term funds	Reinsurance assets	Accounts receivable	Total
AAA to BBB	116 928	28 077	53 755	388	2 304	201 452
BB+ to B-	7 431	6 383	2 785	-	2 608	19 207
CCC	439	38	248	-	-	725
Unrated	158	2	43	-	206	409
Total	124 956	34 500	56 831	388	5 118	221 793

* *Excluding non-recourse investments.*

37 FINANCIAL AND INSURANCE RISK continued

The age analysis of the financial instruments included in accounts receivable is provided in the table below.

	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**

	2015					
	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	1 572	-	-	-	-	1 572
Interest and commission accrued	118	-	-	-	-	118
Sundry debtors	1 243	46	1	17	12	1 319
Other accounts receivable	2 185	62	22	19	50	2 338
Total financial accounts receivable	5 118	108	23	36	62	5 347

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 within each portfolio. The group's credit portfolio is well diversified, which is achieved through setting maximum exposure guidelines to individual counterparties. The group constantly reviews its concentration levels and sets maximum exposure guidelines to these.

The group seeks to establish a balanced portfolio profile and closely monitors credit concentrations.

37 FINANCIAL AND INSURANCE RISK continued

Geographic concentration of significant credit asset exposure

The following tables provide a breakdown of credit exposure across geographical areas.

	2016							
R million	South Africa	Rest 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	**671 543**	**82 862**	**53 616**	**6 189**	**1 485**	**2 407**	**3 615**	**821 717**
Total value net of ISP	**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)	**121 312**	**12 209**	**612**	**1 080**	**9 424**	**4**	**5 879**	**150 520**
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**

* *Exposure to South America consists of advances of R952 million as at June 2016.*

37 FINANCIAL AND INSURANCE RISK continued

	2015							
R million	South Africa	Rest Africa	United Kingdom	Other Europe	North and South America*	Austra-lasia	Asia	Total
On-balance sheet exposures								
Cash and short-term funds	36 810	5 186	6 383	2 325	5 692	293	142	56 831
Total advances	629 063	78 979	43 279	5 194	1 769	998	3 314	762 596
Total value net of ISP	14 962	1 790	151	90	427	1	80	17 501
Derivatives	18 405	534	12 849	1 888	662	26	136	34 500
Debt investment securities (excluding non-recourse investments)	103 943	10 697	472	107	2 427	-	7 310	124 956
Accounts receivable	6 072	974	437	11	252	138	124	8 008
Reinsurance assets	5	-	383	-	-	-	-	388
Off-balance sheet exposures								
Guarantees, acceptances and letters of credit	33 307	5 184	288	384	97	67	1 678	41 005
Irrevocable commitments	75 803	9 463	339	1 416	27	71	345	87 464

* *Exposure to South America consists of advances of R854 million as at June 2015.*

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 groups' exposure to the various industry sectors for total advances and NPLs.

	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	**97 769**	**92**	**49**	**43**
Building and property development	**33 468**	**1 454**	**1 219**	**235**
Government, Land Bank and public authorities	**18 990**	**13**	**5**	**7**
Individuals	**417 638**	**13 670**	**8 743**	**4 927**
Manufacturing and commerce	**96 920**	**1 554**	**727**	**827**
Mining	**18 101**	**2 024**	**1 869**	**155**
Transport and communication	**20 143**	**288**	**121**	**167**
Other services	**76 043**	**1 568**	**903**	**666**
Gross value of advances	**821 717**	**21 282**	**14 130**	**7 152**
Impairment of advances	**(13 018)**			
Net advances	**808 699**			

	2015			
		NPLs		
R million	Total advances	Total value net of ISP	Security held and expected recoveries	Specific impairment
Sector analysis				
Agriculture	28 617	276	193	83
Banks	16 628	-	-	-
Financial institutions	81 361	99	46	53
Building and property development	30 018	1 589	1 353	236
Government, Land Bank and public authorities	17 684	9	6	3
Individuals	378 529	11 403	7 408	3 995
Manufacturing and commerce	99 862	1 384	688	696
Mining	25 504	1 319	1 204	115
Transport and communication	17 781	185	98	87
Other services	66 612	1 237	638	599
Gross value of advances	762 596	17 501	11 634	5 867
Impairment of advances	(11 230)			
Net advances	751 366			

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 process, 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:

- mortgage and instalment sale finance portfolios in FNB and WesBank are secured by the underlying assets financed;
- personal loans, overdrafts and credit cards exposures are generally unsecured or secured by guarantees and sureties;
- 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;
- working capital facilities in RMB corporate banking are unsecured;
- structured facilities in RMB are secured as part of the structure through financial or other collateral, including guarantees, credit derivative instruments and assets; and
- 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 C208.

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 statistical index models, and physical inspection is performed in the event of default at the beginning of the recovery process.

Concentrations within 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

Collateral held per class of advance

The table below sets out the financial effect of collateral per class of advance.

R million	**2016**	2015
Total FNB	**5 529**	7 720
FNB retail	**4 518**	6 770
FNB commercial	**743**	619
FNB Africa	**268**	331
WesBank	**2 482**	2 058
Total RMB	**2 260**	1 165
RMB investment banking	**1 848**	1 135
RMB corporate banking	**412**	30
Total	**10 271**	10 943

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 in 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 balance sheet impairment for unsecured portfolios.

Where there is no collateral or where collateral is disregarded for provisioning purposes, no financial effect was calculated.

37 FINANCIAL AND INSURANCE RISK continued

Collateral held against derivative positions

The table below sets out the cash collateral held against the net derivative position.

R million	**2016**	2015
Cash collateral held	**5 852**	5 286

Collateral held in structured transactions

Collateral the group holds that it has the ability to sell or repledge in the absence of default by the owner of the collateral.

	2016		2015	
R million	**Fair value**	**Fair value of collateral sold or repledged**	Fair value	Fair value of collateral sold or repledged
Cash and cash equivalents	**7 311**	**-**	6 444	-
Investment securities	**48 364**	**34 232**	49 320	23 369
Total collateral pledged	**55 675**	**34 232**	55 764	23 369

Investment securities exclude securities lending transactions where securities are obtained as collateral for securities lent. This is in line with industry practice.

Collateral taken possession of

The table below sets out the reconciliation of collateral taken possession of and recognised on the statement of financial position.

		Property	
R million	Notes	**2016**	2015
Opening balance		**75**	116
Additions		**1**	3
Disposals and write-offs		**(73)**	(44)
Closing balance	13	**3**	75

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 the risk mitigation.

The group uses 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 on the following page 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	**2016**	2015	**2016**	2015	**2016**	2015
Assets						
Offsetting applied						
Gross amount	**51 404**	42 423	**49 483**	44 890	**300**	2 930
Amount set-off	**(13 949)**	(10 135)	**(11 729)**	(12 400)	**(300)**	(2 771)
Net amount reported on the statement of financial positions	**37 455**	32 288	**37 754**	32 490	**-**	159
Offsetting not applied						
Financial instruments subject to MNA and similar agreements	**(27 569)**	(25 531)	**(4 179)**	(849)	**-**	-
Financial collateral	**(3 698)**	(1 433)	**(33 575)**	(31 641)	**-**	-
Net amount	**6 188**	5 324	**-**	-	**-**	159
Financial instruments not subject to set-off or MNA	**3 096**	2 212	**5 251**	8 363	**765 694**	710 354
Total statement of financial position	**40 551**	34 500	**43 005**	40 853	**765 694**	710 513
Liabilities						
Offsetting applied						
Gross amount	**59 320**	49 129	**46 816**	39 106	**300**	2 993
Amount set-off	**(13 949)**	(10 135)	**(11 729)**	(12 400)	**(300)**	(2 771)
Net amount reported on the statement of financial positions	**45 371**	38 994	**35 087**	26 706	**-**	222
Offsetting not applied	**-**	-	**-**	-	**-**	-
Financial instruments subject to MNA and similar agreements	**(27 569)**	(25 531)	**(4 179)**	(849)	**-**	-
Financial collateral	**(729)**	(136)	**(30 908)**	(25 857)	**-**	-
Net amount	**17 073**	13 327	**-**	-	**-**	222
Financial instruments not subject to set-off or MNA	**5 411**	1 923	**5 507**	8 462	**879 336**	830 131
Total statement of financial position	**50 782**	40 917	**40 594**	35 168	**879 336**	830 353

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 statement of the 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.

	2016			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months
On-balance sheet exposures				
Deposits and current accounts	991 662	633 143	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	16 704	11 455	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 under insurance contracts	1 402	52	200	1 150
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

	2015			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months
On-balance sheet exposures				
Deposits and current accounts	949 608	597 553	130 630	221 425
Short trading positions	5 685	5 685	-	-
Derivative financial instruments	42 165	36 366	567	5 232
Creditors and accruals	17 247	12 069	543	4 635
Tier 2 liabilities	17 411	13	137	17 261
Other liabilities	7 530	1 072	483	5 975
Policyholder liabilities under insurance contracts	542	31	24	487
Off-balance sheet exposures				
Financial and other guarantees	41 005	37 162	2 209	1 634
Operating lease commitments	2 810	240	678	1 892
Other contingencies and commitments	1 358	848	446	64
Facilities not drawn	87 464	87 412	41	11

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.

	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)**	**-**

	2015			
		Term to maturity		
R million	Carrying amount	Call - 3 months	4 - 12 months	> 12 months
Total assets	1 059 266	350 685	99 530	609 051
Total equity and liabilities	1 059 266	656 148	126 423	276 695
Net liquidity gap	-	(305 463)	(26 893)	332 356
Cumulative liquidity gap	-	(305 463)	(332 356)	-

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	**2016**	2015
Cash and cash equivalents	**2 083**	861
Advances	**124**	111
Investment securities - held under repurchase agreements	**21 108**	18 655
Investment securities - other	**949**	1 206
Other	**-**	27
Total assets pledged	**24 264**	20 860

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	**2016**	2015
Short trading positions	**14 263**	5 685
Creditors and accruals	**-**	65
Total deposits	**41 618**	36 250
- Deposits under repurchase agreements	**35 868**	27 323
- Deposits in securities lending transactions	**4 726**	7 845
- Other secured deposits	**1 024**	1 082
Other	**1 704**	1 024
Total liabilities secured	**57 585**	43 024

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	**2016**	2015
Sector analysis		
Deposit current accounts and other loans		
Sovereigns, including central banks	**61 803**	56 265
Public sector entities	**34 927**	29 748
Local authorities	**9 581**	10 847
Banks	**81 085**	71 885
Securities firms	**17 107**	12 792
Corporate customers	**432 672**	439 689
Retail customers	**279 703**	241 578
Other	**3 052**	2 717
Total deposits	**919 930**	865 521
Geographical analysis		
South Africa	**764 435**	719 714
Other Africa	**83 402**	77 562
UK	**48 120**	39 905
Other	**23 973**	28 340
Total deposits	**919 930**	865 521

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

	2016				2015
R million	**Min***	**Max***	**Average**	**Period end**	Period end
Risk type#					
Equities	**0.6**	**18.1**	**6.5**	**2.3**	10.9
Interest rates**	**25.3**	**95.5**	**42.0**	**95.5**	30.3
Foreign exchange	**14.3**	**96.0**	**39.5**	**48.1**	5.0
Commodities	**2.7**	**17.4**	**6.6**	**16.8**	6.0
Traded credit	**1.7**	**29.3**	**9.5**	**12.7**	3.6
Diversification effect	**-**	**-**	**-**	**(108.5)**	(20.8)
Diversified total	**29.5**	**114.2**	**48.1**	**66.9**	35.0

** 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.*
 # This represents FirstRand Bank (SA) and excludes the 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 at 30 June 2016.

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.

	2016								2015	
	VaR				**sVaR**				Period end	
R million	**Min***	**Max***	**Average**	**Period end**	**Min***	**Max***	**Average**	**Period end**	VaR	sVaR
Risk type#										
Equities	**1.5**	**57.6**	**16.9**	**4.9**	**3.9**	**110.4**	**36.1**	**13.6**	49.1	86.5
Interest rates**	**45.8**	**281.3**	**137.0**	**248.1**	**64.4**	**173.5**	**106.6**	**95.3**	76.7	79.0
Foreign exchange	**22.9**	**170.3**	**70.1**	**88.5**	**33.0**	**237.6**	**123.6**	**133.1**	14.7	15.6
Commodities	**4.5**	**43.6**	**15.4**	**24.7**	**6.6**	**53.7**	**26.8**	**32.0**	13.8	42.2
Traded credit	**3.6**	**54.4**	**23.5**	**26.7**	**8.2**	**83.8**	**31.8**	**34.1**	13.0	13.4
Diversification effect	**-**	**-**	**-**	**(245.4)**	**-**	**-**	**-**	**(161.8)**	(79.3)	(170.4)
Diversified total	**47.4**	**170.2**	**85.0**	**147.5**	**74.6**	**221.9**	**145.1**	**146.3**	88.0	66.3

** 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.
#This represents FirstRand Bank (SA) and excludes the 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, assuming a constant balance sheet size and mix. A pass-through assumption is applied in relation to non-maturing deposits, which reprice at management'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 R162.5 billion (2015: R137 billion) for the year.

Projected ZAR NII sensitivity to interest rate movements

	2016		
	Change in projected 12-month NII		
R million	**FirstRand Bank**	**Subsidiaries in the rest of Africa***	**FirstRand**
Downward 200 bps	**(1 821)**	**(498)**	**(2 319)**
Upward 200 bps	**1 475**	**380**	**1 855**

	2015		
	Change in projected 12-month NII		
R million	FirstRand Bank	Subsidiaries in the rest of Africa*	FirstRand
Downward 200 bps	(2 517)	(404)	(2 921)
Upward 200 bps	2 343	318	2 661

** Includes FNB's activities in India.*

Assuming no change in the balance sheet and no management action in response to interest rate movements, an instantaneous, sustained parallel decrease in interest rates of 200 bps would result in a reduction in projected 12 -month NII of R2 319 million (2015: R2 921million). A similar increase in interest rates would result in an increase in projected 12-month NII of R1 855 million (2015: R2 661 million).

37 FINANCIAL AND INSURANCE RISK continued

37.4.1 Interest rate risk in the banking book continued

Economic value of equity

An economic value of equity (EVE) sensitivity measure is used to assess the impact on the total NAV of the bank as a result of a shock to underlying interest rates. Unlike the trading book, where a change in interest rates will impact fair value income and reportable earnings of an entity when a rate change occurs, the realisation 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 transactions. 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, 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;
- reflects a point-in-time view which is dynamically managed and is subject to change over time; and
- excludes the foreign subsidiaries' and foreign branches' banking books, which are separately managed.

Banking book NAV sensitivity to interest rate movements as a percentage of total group capital

%	**2016**	2015
Downward 200 bps	**0.08**	0.52
Upward 200 bps	**(0.05)**	(0.59)

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 ZAR and the pre-tax impact on equity of a 15% change in the exchange rate between ZAR and the relevant functional foreign currencies. There were no significant structural hedging strategies in the current financial year.

Net structural foreign exposures

Functional currency	**Carrying value of net investment 2016**	**Pre-tax impact on equity from 15% currency translation shock**	Carrying value of net investment 2015	Pre-tax impact on equity from 15% currency translation shock
Botswana pula	**3 714**	**557**	3 273	491
United States dollar	**4 016**	**602**	2 301	345
Sterling	**2 308**	**346**	1 975	296
Nigerian naira	**1 131**	**170**	1 135	170
Australian dollar	**1 454**	**218**	987	148
Zambian kwacha	**792**	**119**	890	133
Mozambican metical	**652**	**98**	702	105
Indian rupees	**737**	**111**	720	108
Ghanaian cedi	**493**	**74**	473	71
Tanzanian shilling	**774**	**116**	236	35
Common monetary area (CMA) countries*	**5 345**	**802**	4 505	676
Total	**21 416**	**3 213**	17 197	2 578

**Currently Namibia, Swaziland and Lesotho are part of the CMA. Unless these entities decide to exit, rand volatility will not impact these entities' rand reporting values.*

37 FINANCIAL AND INSURANCE RISK continued

37.5 Equity investment risk

Investment risk exposure and sensitivity of investment risk exposure

R million	**2016**	2015
Listed equity investment risk exposure included in the expected tail loss (ETL) process	**66**	63
ETL on above equity investment risk exposures	**5**	5
Estimated sensitivity of remaining investment balances		
Sensitivity to 10% movement in market value on investment fair value	**367**	378
Cumulative gains realised from sale of positions in the banking book during the year	**1 416**	1 693

The 10% sensitivity movement is calculated on the carrying value of investments excluding investments subject to 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.

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 and may have a significant impact on future financial statements. The group will comply with these from the stated effective date.

Standard	Impact assessment	Effective date
IAS 7 (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 group but 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.	Annual periods commencing on or after 1 January 2016. 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 (Amendments to IFRS 2)** 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 for 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. FirstRand group currently only has cash-settled share-based payment schemes. The first two amendments will be applied retrospectively while the third amendment will be applied prospectively to any modifications made on or after the adoption date. FirstRand does not expect the retrospective amendments to have a material impact on the schemes currently in 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
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: ➢ the 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; ➢ the 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; and ➢ the 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 still in the early stages and subject to validation. It is therefore not possible to provide an accurate indication of what the amount will be.	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 10, IFRS 12 and IAS 28 (amended)	**Investment Entities: Applying the Consolidation Exception** The amendments introduce clarifications to the requirements when applying the consolidation exemption for entities that meet the definition of an investment entity. The amendments will not impact the group as neither the group nor its subsidiaries meet the definition of an investment entity.	Annual periods commencing on or after 1 January 2016
IFRS 11 (amended)	**Accounting for acquisitions of Interests in Joint Operations** The IASB has issued an amendment to IFRS 11 to provide guidance on the accounting for acquisitions of interests in joint operations that constitutes a business. The amendment indicates that the acquirer of an interest in a joint operation, in which the activity constitutes a business in terms of IFRS 3, is required to apply all the principles on business combinations accounting in IFRS 3. The amendment is not expected to have an impact on the group as the group does not presently have any interests in joint operations.	Annual periods commencing on or after 1 January 2016
IFRS 15	**Revenue** 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 group is in the process of assessing the impact that IFRS 15 will have on the financial statements. Until the process has been completed, the group is unable to quantify the expected impact.	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 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 represents those transactions. The group is in the process of assessing the impact that 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
Annual Improvements	**Improvements to IFRS** The IASB issued the Annual Improvements 2012-2014 Cycle. The annual improvements project includes amendments to IFRS 5, IFRS 7, IAS 19 and IAS 34. 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 2016

39 EVENTS AFTER REPORTING PERIOD

Non-adjusting events

Acquisition of insurance policies

FirstRand Insurance Holdings Proprietary Limited, through FNB, has entered into a contract to acquire a portfolio of insurance contracts from MMI Holdings Limited (MMI) during the first half of the 2017 financial year for a consideration of approximately R92 million. This portfolio relates to policies where the group currently earns income in terms of a third party cell arrangement. As the group now has an insurance licence, these policies will be underwritten by the group and the third party cell agreement cancelled.

Acquisition of subsidiaries providing value added and insurance products

The acquisition of Regent's insurance and life business by Hollard and Regent's VAPS by MotoVantage, a WesBank-managed subsidiary of FirstRand Investment Holding Proprietary Limited, is well advanced and should be concluded by 31 December 2016. The total consideration is expected to be R591 million.

Other subsequent events

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

Audited annual financial statements for the year ended 30 June 2016

FirstRand Company

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June

R million	Notes	2016	2015
Interest and similar income	2	**24**	66
Interest expense and similar charges	2	**(5)**	(2)
Net interest income		**19**	64
Non-interest revenue	3	**13 769**	14 742
Income from operations		**13 788**	14 806
Operating expenses	4	**(191)**	(190)
Income before indirect tax		**13 597**	14 616
Indirect tax	5.1	**(2)**	(10)
Profit before income tax		**13 595**	14 606
Income tax expense	5.2	**(24)**	(18)
Profit for the year		**13 571**	14 588
Other comprehensive income		**-**	-
Total comprehensive income for the year		**13 571**	14 588
Attributable to			
Ordinary equityholders		**13 242**	14 278
NCNR preference shareholders		**329**	310
Total comprehensive income for the year		**13 571**	14 588

STATEMENT OF FINANCIAL POSITION

as at 30 June

R million	Notes	2016	2015
ASSETS			
Cash and cash equivalents	7	**69**	61
Accounts receivable	8	**3**	1
Current tax asset		**15**	-
Investments in subsidiaries	9	**58 917**	58 314
Total assets		**59 004**	58 376
EQUITY AND LIABILITIES			
Liabilities			
Creditors and accruals	10	**78**	92
Current tax liability		**-**	3
Employee liabilities	11	**177**	153
Total liabilities		**255**	248
Equity			
Ordinary shares	12	**56**	56
Share premium	12	**8 056**	8 056
Reserves		**46 118**	45 497
Capital and reserves attributable to ordinary equityholders		**54 230**	53 609
NCNR preference shares	12	**4 519**	4 519
Total equity		**58 749**	58 128
Total equity and liabilities		**59 004**	58 376

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 2014		56	7 082	**7 138**
Net proceeds of issue of share capital	12	-	1 611	**1 611**
Proceeds of issue of share capital		-	1 629	**1 629**
Share issue expenses		-	(18)	**(18)**
Buyback of share capital		-	(637)	**(637)**
Movement in other reserves		-	-	**-**
Ordinary dividends		-	-	**-**
Preference dividends		-	-	**-**
Total comprehensive income for the year		-	-	**-**
Vesting of share-based payments		-	-	**-**
Balance as at 30 June 2015		56	8 056	**8 112**
Net proceeds of issue of share capital	12	-	-	**-**
Proceeds of issue of share capital		-	-	**-**
Share issue expenses		-	-	**-**
Buyback of share capital		-	-	**-**
Movement in other reserves		-	-	**-**
Ordinary dividends		-	-	**-**
Preference dividends		-	-	**-**
Total comprehensive income for the year		-	-	**-**
Vesting of share-based payments		-	-	**-**
Balance as at 30 June 2016		56	8 056	**8 112**

	Ordinary share capital and ordinary equityholders' funds					
	Share-based payment reserve	Capital redemption reserve	Retained earnings	**Reserves attributable to ordinary equity-holders**	**NCNR preference shares**	**Total equity**
	2 083	1	42 347	**44 431**	**4 519**	**56 088**
	-	-	-	**-**	**-**	**1 611**
	-	-	-	**-**	**-**	**1 629**
	-	-	-	**-**	**-**	**(18)**
	-	-	-	**-**	**-**	**(637)**
	20	-	-	**20**	**-**	**20**
	-	-	(13 173)	**(13 173)**	**-**	**(13 173)**
	-	-	-	**-**	**(310)**	**(310)**
	-	-	14 278	**14 278**	**310**	**14 588**
	(2 103)	-	2 044	**(59)**	**-**	**(59)**
	-	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**

STATEMENT OF CASH FLOWS

for the year ended 30 June

R million	2016	2015
Cash flows from operating activities		
Interest received	**24**	66
Trading and other income	**48**	31
Interest payments	**(5)**	(2)
Other operating expenses	**(69)**	(78)
Dividends received	**13 720**	14 711
Dividends paid	**(12 950)**	(13 483)
Cash generated from operating activities	**768**	1 245
Movement in operating assets and liabilities		
Accounts receivable	**(2)**	-
Cash paid to employees	**-**	(59)
Employee liabilities	**(97)**	(43)
Creditors and accruals	**(14)**	27
Taxation paid	**(44)**	(30)
Net cash generated from operating activities	**611**	1 140
Cash flows from investing activities		
Increase in investments in subsidiaries	**(647)**	(1 956)
Net decrease/(increase) in loans to subsidiaries	**44**	(152)
Net cash outflow from investing activities	**(603)**	(2 108)
Cash flows from financing activities		
Proceeds from the issue of ordinary shares	**-**	974
- Shares issued	**-**	1 611
- Shares bought back	**-**	(637)
Net cash inflow from financing activities	**-**	974
Net increase in cash and cash equivalents	**8**	6
Cash and cash equivalents at the beginning of the year	**61**	55
Cash and cash equivalents at the end of the year	**69**	61

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 C18 to C64 of the 2016 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 are presented in millions of rands. The company has a policy of rounding up or down in increments of R500 000. Therefore, amounts less than R500 000 will round down to Rnil and are presented as a dash.

2 INTEREST INCOME AND EXPENSE

R million	**2016**	2015
Interest and similar income on amortised cost financial assets		
Cash and cash equivalents	**23**	65
Interest on accounts receivable	**1**	1
Interest and similar income	**24**	66
Interest expense and similar charges on amortised cost financial liabilities		
Borrowed funds	**(5)**	(2)
Interest expense and similar charges	**(5)**	(2)

3 NON-INTEREST REVENUE

R million	2016	2015
Fees from subsidiaries	**45**	28
Other fees on non-financial instruments	**3**	3
Total fee and commission income	**48**	31
Gains less losses from investing activities		
Dividends received from subsidiaries - unlisted shares		
Ordinary dividends	**13 501**	14 344
Preference dividends	**219**	367
Fair value income on listed shares	**1**	-
Total gains less losses from investing activities	**13 721**	14 711
Total non-interest revenue	**13 769**	14 742

4 OPERATING EXPENSES

R million	Notes	2016	2015
Audit fees	10	**-**	1
Fees for other services		**(1)**	-
Directors fees		**(36)**	(28)
Direct staff costs		**(133)**	(139)
- Salaries, wages and allowances		**(52)**	(48)
- Contributions to employee benefit funds		**(3)**	(3)
- Share-based payment expense	11	**(76)**	(87)
- Social security levies		**(2)**	(1)
Travel		**(4)**	(3)
Operating lease charges		**(2)**	(2)
Professional fees		**(1)**	(2)
Registrar fees		**(2)**	(1)
Stock exchange fees		**(1)**	(2)
Corporate memberships		**(2)**	(1)
Other operating expenditure		**(9)**	(13)
Total operating expenses		**(191)**	(190)

5 INDIRECT AND INCOME TAX EXPENSE

	R million	2016	2015
5.1	**Indirect tax**		
	Value added tax (net)	**(2)**	(2)
	Securities transfer tax	**-**	(8)
	Total indirect tax	**(2)**	(10)
5.2	**Income tax expense**		
	South African income tax		
	Normal tax - current year	**(24)**	(18)
	Total income tax expense	**(24)**	(18)

Tax rate reconciliation - South African normal tax

%	2016	2015
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 C18 to C64 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.

R million	Notes	**2016** 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**
Current tax liability		**-**	**-**	**-**
Employee liabilities	11	**-**	**-**	**177**
Total liabilities		**-**	**67**	**188**

R million	Notes	2015 Loans and receivables	Financial liabilities at amortised cost	Non-financial instruments
ASSETS				
Cash and cash equivalents	7	61	-	-
Accounts receivable	8	1	-	-
Current tax asset		-	-	-
Investment in subsidiaries	9	-	-	58 314
Total assets		62	-	58 314
LIABILITIES				
Creditors and accruals	10	-	81	11
Current tax liability		-	-	3
Employee liabilities	11	-	-	153
Total liabilities		-	81	167

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.

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**

2015			
	Total carrying value	Current	Non-current
	61	61	-
	1	1	-
	-	-	-
	58 314	243	58 071
	58 376	305	58 071
	92	92	-
	3	3	-
	153	99	54
	248	194	54

7 CASH AND CASH EQUIVALENTS

R million	**2016**	2015
Money at call and short notice	**69**	61
Cash and cash equivalents	**69**	61

8 ACCOUNTS RECEIVABLE

R million	**2016**	2015
Other accounts receivable	**3**	1
Total accounts receivable	**3**	1

At the reporting date all accounts receivables are considered to be neither past due nor impaired. The carrying value of accounts receivable approximates the fair value.

9 INVESTMENT IN SUBSIDIARIES

	% owner-ship	**% voting rights**	**Nature of business**	**Shares at cost 2016 R million**	Shares at cost 2015 R million
FirstRand EMA Holdings Limited (FREMA)			Financial services		
Ordinary shares	**100**	100		**7 207**	6 788
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					
Ordinary shares	**100**	100	Other activities	**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		**303**	75
Total				**58 301**	57 654
Investment through equity settled share incentive scheme			Equity settled share scheme	**417**	417
Amounts owing by/(to) subsidiaries				**199**	243
Total investments in subsidiaries				**58 917**	58 314

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	**2016**	2015
Unclaimed dividends	**59**	52
Accounts payable and accrued liabilities	**12**	33
Audit fee accrual	**7**	7
Total creditors and accruals	**78**	92

11 EMPLOYEE LIABILITIES

Liability for short-term employee liabilities

R million	**2016**	2015
Opening balance	**38**	36
Additional provisions created	**29**	27
Utilised during the year	**(29)**	(25)
Total liability for short-term employee benefits	**38**	38
Share-based payment liability		
Opening balance	**115**	49
Transfer between legal entities within the group	**16**	-
Share-based payment settlement (cash)	**(68)**	(18)
Charge to profit or loss	**76**	84
Total share-based payment liability	**139**	115
Total employee liabilities	**177**	153
The charge to profit or loss for share-based payments is as follows:		
FirstRand share appreciation right scheme*	**76**	84
Conditional share plan	**-**	3
Amount included in profit or loss	**76**	87

** This scheme was fully vested as at 30 June 2015.*

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

	2 016	2 015
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 NCNR	**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

	2016			2015		
	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**	5 637 941 689	56	7 082
Shares issued	**-**	**-**	**-**	35 420 014	-	1 611
Shares bought back	**-**	**-**	**-**	(63 873 702)	-	(637)
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 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.

Redeemable preference shares

R million	**2016**	2015
Authorised		
100 million cumulative redeemable preference shares with a par value of R0.01 per share	**1**	1

13 DIVIDENDS

R million	**2016**	2015
Ordinary dividends		
A final dividend of 117.00 cents (8 September 2014: 97.00 cents) per share was declared on 9 September 2015 in respect of the six months ended 30 June 2015.	**6 563**	7 956
An interim dividend of 108.00 cents (6 March 2015: 93.00 cents) per share was declared on 7 March 2016 in respect of the six months ended 31 December 2015.	**6 058**	5 217
Total ordinary dividends paid for the year	**12 621**	13 173
B preference shares		
A final dividend of 363.90 cents (23 July 2014: 341.10 cents) per share was declared on 27 July 2015 in respect of the six months ended 30 June 2015.	**164**	153
An interim dividend of 366.50 cents (26 January 2015: 348.50 cents) per share was declared on 2 February 2016 in respect of the six months ended 31 December 2015.	**165**	157
Total preference dividends paid for the year	**329**	310
A final ordinary dividend per share was declared on 7 September 2016 (9 September 2015)	**118.0**	117.0

14 RELATED PARTIES

14.1 Balances and transactions with related parties

R million	**2016** Entities that have significant influence over FirstRand Limited and their subsidiaries	**2016** Subsidiaries
Net interest received	**-**	**18**
Non-interest revenue	**-**	**45**
Dividends received	**-**	**13 720**
Dividends paid	**4 298**	**-**
Amounts due from	**-**	**199**

R million	2015 Entities that have significant influence over FirstRand Limited and their subsidiaries	2015 Subsidiaries
Net interest received	-	63
Non-interest revenue	-	28
Dividends received	-	14 711
Dividends paid	3 630	-
Amounts due from	-	243

Refer to the remuneration committee's report 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

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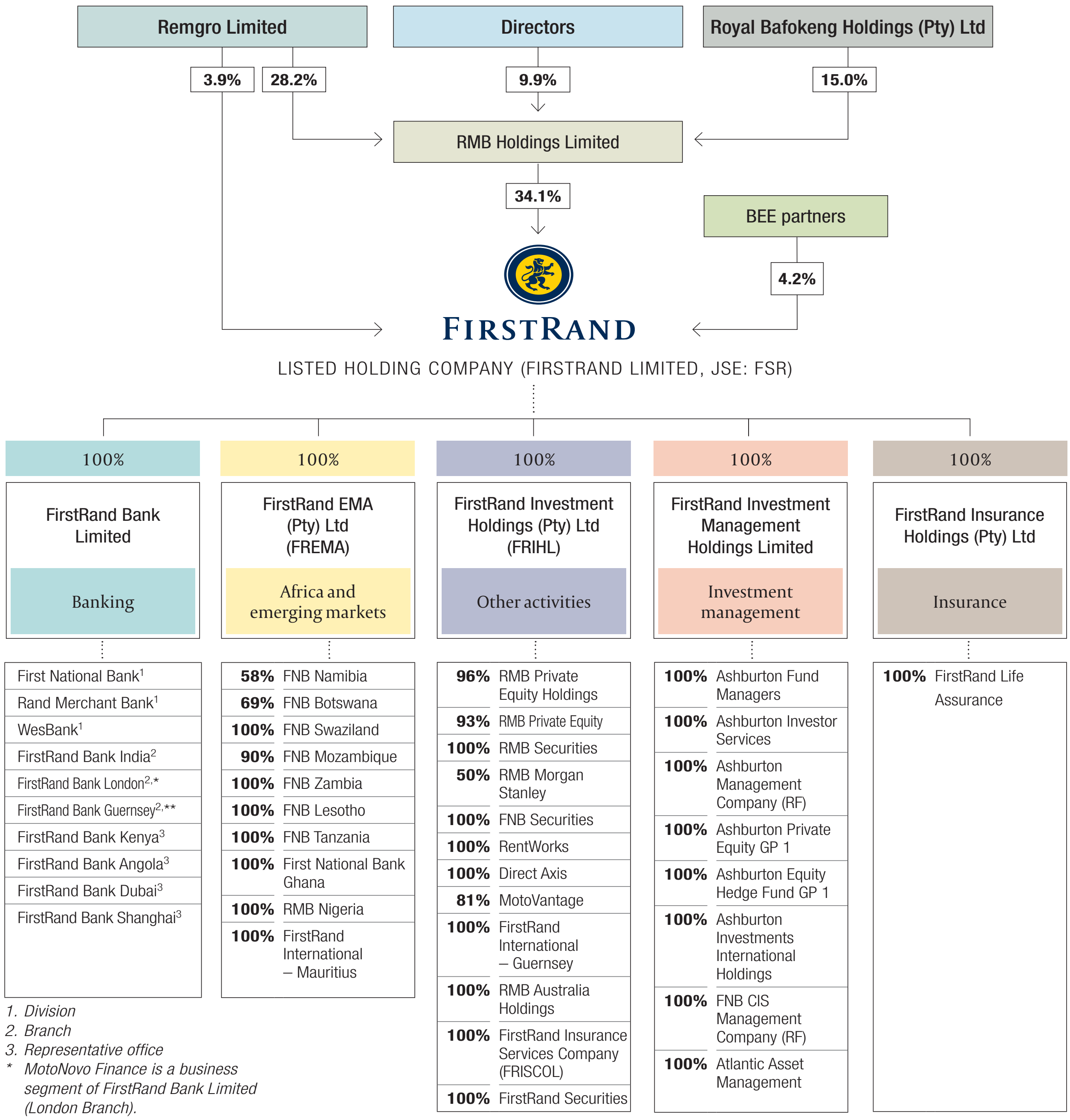
contents

D SHAREHOLDERS' AND SUPPLEMENTARY INFORMATION

SIMPLIFIED GROUP STRUCTURE



1. *Division*
2. *Branch*
3. *Representative office*

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

** *Trading as FNB Channel Islands.*

Structure shows effective consolidated shareholding

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

ANALYSIS OF ORDINARY SHAREHOLDERS

	Number of shareholders	Shares held (thousands)	%
Major shareholders			
RMB Holdings Limited		1 910 433	34.1
Public Investment Corporation		531 464	9.5
BEE partners		235 577	4.2
Financial Securities Ltd (Remgro)		219 828	3.9
Subtotal		2 897 302	51.7
Other		2 712 186	48.3
Total		5 609 488	100.0
Shareholder type			
Corporates (RMB Holdings and Remgro)		2 130 261	38.0
Pension funds		920 343	16.4
Insurance companies and banks		240 380	4.3
Unit trusts		1 114 894	19.9
Individuals		85 815	1.5
BEE partners		235 577	4.2
Staff assistance trust		15 237	0.3
Other		866 981	15.4
Total		5 609 488	100.0
Public and non-public shareholders			
Public	57 388	3 212 397	57.2
Non-public			
– Corporates (RMB Holdings and Remgro)	2	2 130 261	38.0
– Directors and prescribed officers*	12	16 016	0.3
– BEE partners	2	235 577	4.2
– Staff assistance trust	1	15 237	0.3
Total	57 405	5 609 488	100.0
Geographic ownership			
South Africa		3 926 643	70.0
International		1 219 332	21.7
Unknown/unanalysed		463 513	8.3
Total		5 609 488	100.0

* *Reflects direct beneficial ownership.*

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
JSE B preference share code: FSRP ISIN: ZAE000060141
NSX ordinary share code: FST
(FirstRand or the company or FSR)

Notice is hereby given to all holders of ordinary shares in the company (shareholders) that the twentieth annual general meeting of FirstRand will be held in the Auditorium, FNB Conference and Learning Centre, 114 Grayston Drive, Sandton, on Tuesday, 29 November 2016, 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, no. 71 of 2008, as amended (the Act), as read with the JSE Listings Requirements.

RECORD DATE

Record date in order to be eligible to receive the notice of AGM	Friday, 14 October 2016
Posting date	Monday, 24 October 2016
Last day to trade in order to be eligible to attend and vote at the AGM	Tuesday, 15 November 2016
Record date in order to be eligible to attend and vote at the AGM	Friday, 18 November 2016
Proxies due	Friday, 25 November 2016
AGM	Tuesday, 29 November 2016

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 and published in the South African press.

All dates and times indicated above are references to South African dates and times.

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 2016 (available on the group's website, www.firstrand.co.za), and the summarised financial statements, which are included in the 2016 annual integrated report, of which this notice forms part, distributed as required by the Act to shareholders.

2 Social and ethics committee

The FirstRand social and ethics committee report is set out in the annual integrated report, as required in terms of regulation 43 (5) (c) of the Act's Regulations, 2011.

3 Ordinary resolutions number 1.1 to 1.5

Re-election of directors by way of separate resolutions

To re-elect, by way of separate resolutions, the following directors of the company in accordance with the Act and in terms of clauses 25.2 and 25.7.1 of the company's Memorandum of Incorporation (MOI).

1.1 **Mary Sina Bomela**
Non-executive director
Date of appointment: 24 September 2011

Educational qualifications
BCom (Hons), CA(SA), MBA

1.2 **Peter Cooper**
Alternate non-executive director
Date of appointment: 9 July 2013

Educational qualifications
BCom (Hons), HDip Tax, CA(SA)

1.3 **Grant Glenn Gelink**
Independent non-executive director
Date of appointment: 1 January 2013

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

1.4 **Nolulamo Nobambiswano (Lulu) Gwagwa**
Independent non-executive director
Date of appointment: 25 February 2004

Educational qualifications
BA (Fort Hare), MTRP (Natal), MSc (cum laude) (London), PhD (London)

1.5 **Benedict James van der Ross**
Independent non-executive director
Date of appointment: 27 May 1998

Educational qualifications
Dip Law (UCT)

The directors proposed for re-election, retire by rotation in terms of clause 25.7.1 of the MOI, and being eligible and having been recommended by the board, offer themselves for re-election.

Biographical details of these directors are set out in the separate corporate governance booklet available on the group's website, www.firstrand.co.za.

The percentage of voting rights required for each ordinary resolution contained under points 1.1 to 1.5 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on each resolution.

Vacancies filled by the directors during the year

To elect by way of a separate resolution, the following director who was appointed by the board on 24 February 2016, with effect from 1 April 2016, to fill a vacancy in accordance with the Act and in terms of clause 25.2 of the company's MOI and is now recommended by the board for election by shareholders:

1.6 Francois (Faffa) Knoetze

Non-executive director

Date of appointment: 1 April 2016

Educational qualifications

BCom (Hons), Fellow of the Actuarial Society of South Africa

Brief biographical notes

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

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.

Biographical details of this director is set out in the separate corporate governance booklet available on the group's website, www.firstrand.co.za.

The percentage of voting rights required for each ordinary resolution contained under point 1.6 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

Directors retiring by rotation but not available for re-election

- Mr VW Bartlett will be retiring at the conclusion of the 2016 annual general meeting and does not offer himself for re-election.
- Mr D Premnarayen will be retiring at the conclusion of the 2016 annual general meeting and does not offer himself for re-election.

4 Ordinary resolution number 2

Appointment of joint auditors responsible for the audit 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.

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 each ordinary resolution contained under points 2.1 and 2.2 of the notice to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

5 Advisory endorsement of the remuneration policy

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 in the remuneration report contained on pages 88 to 93 of the annual integrated report. In terms of King III, every year, the company's remuneration policy should be tabled for a non-binding advisory vote at the meeting. The essence of this vote is to enable the shareholders to express their views on the remuneration policies adopted and on their implementation. Shareholders are accordingly requested to endorse the company's remuneration policy.

6 Ordinary resolution number 3

Placing the unissued ordinary shares under the control of the directors

Resolved that the authorised but unissued ordinary shares in the capital of the company be and are hereby placed under the control and authority of the directors and that the directors be and are hereby generally authorised and empowered to allot, issue and otherwise dispose of such shares to such person or persons on such terms and conditions and at such times as the directors may from time to time and in their discretion deem fit, subject to the provisions of the Act, the Banks Act, 94 of 1990 as amended (the Banks Act), the MOI and the Listings Requirements of the JSE and the Namibian Stock Exchange (NSX), when applicable. Shareholders are requested to note that the 392 200 449 unissued ordinary share capital of the company represents approximately 6.5% of the entire authorised share capital of the company.

The percentage of voting rights required for ordinary resolution number 3 to be adopted is more than 50% (fifty percent) of the voting rights exercised on the resolution.

7 Ordinary resolution number 4

General authority to issue authorised but unissued ordinary shares

Resolved that subject to the passing of ordinary resolution number 3, the directors be and are hereby authorised by way of a renewable general authority, to issue all or any of the authorised but unissued equity shares in the capital of the company for cash as and when they in their discretion deem fit, subject to 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 must be issued to public shareholders as defined by the Listings Requirements of the JSE and the NSX and not to related parties;
- the equity shares which are the subject of the issue for cash must be of a class already in issue or, where this is not the case, must be limited to such securities or rights that are convertible into a class already in issue;
- in respect of securities which are the subject of the general issue of shares for cash:
  - in the aggregate in any one financial year the ordinary shares may not exceed 5% (280 474 400) of the company's relevant number of equity shares in issue of that class, as at the date of this notice;
  - any equity shares issued under this authority during the period contemplated must be deducted from such number;
  - in the event of a subdivision or consolidation of issued equity shares during the period contemplated, the existing authority must be adjusted to represent the same allocation ratio;
  - the calculation of the listed equity shares is a factual assessment of the listed equity shares as at the date of the notice of the annual general meeting, excluding treasury shares;

a maximum discount at which the ordinary shares may be issued is 10% of the weighted average traded price of the company's ordinary shares measured over 30 business days prior to the date that the price of the issue is determined or agreed by the directors and the party subscribing for the securities;

- any such general issues are subject to exchange control regulations and approval at that point in time; and
- a paid press announcement giving full details, including the impact on net asset value and earnings per share, will be published at the time of any issue representing, on a cumulative basis within one financial year, 5% or more of the number of ordinary shares in issue prior to that issue, in terms of the JSE Listings Requirements.

The above general authority may additionally be used to issue shares required to be issued 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 as contemplated in the Regulations relating to Banks (as amended) 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.

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. The Regulations further require that FirstRand 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 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. It is FirstRand's intention to issue additional Tier 1 and/or Tier 2 capital instruments and the purpose of the above resolution is to give effect to these requirements.

The percentage of voting rights required for ordinary resolution 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

8 Ordinary resolution number 5

Signing authority

Resolve that each director, 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 AGM of the company and set out in this notice.

The percentage of voting rights required for ordinary resolution 5 to be adopted is at least 50% (fifty percent) of the voting rights exercised on the resolution.

Additional Information in respect of ordinary resolution number 5

For the sake of practicality, the directors of the company must be empowered to enforce the resolutions so passed by the shareholders at this annual general meeting, if any.

9 Special resolution number 1

General authority to repurchase ordinary shares

Resolved that the company and/or its subsidiaries 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 subsidiaries 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 group passed the solvency and liquidity test and that since the test was done 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 point in 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 point in time the company shall appoint only one agent to effect any repurchase(s) on its behalf.

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.

Additional information in respect 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 group; and
- special resolution number 1, as required by the JSE Listings Requirements is set out in Annexure 2.

10 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.

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.

Additional information in respect of special resolution 2.1

The company may elect to fund the long-term incentive schemes in which executive directors, prescribed officers and identified staff of the company, and related and interrelated companies participate.

11 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.

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.

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.

12 Special resolution number 3

Remuneration of non-executive directors

Resolved to approve as a special resolution in terms of section 66(9) of the Act that non-executive directors' remuneration (due to applicable directors for services rendered by them in their capacities as such) be paid as follows with effect from 1 December 2016.

	Note	2016 Proposed remuneration for the 12-month period from 1 Dec 2016 to 30 Nov 2017	2016 USD fee for foreign domiciled directors[3]	2015 Remuneration for the 12-month period from 1 Dec 2015 to 29 Nov 2016	2015 USD fee for foreign domiciled directors[3]
Board					
Chairman	1	**5 355 000**		5 100 000	
Director	2	**496 125**	**109 802**	472 500	108 500
Audit committee					
Chairman	4	**708 750**		675 000	
Member	5	**354 375**	**78 430**	337 500	77 500
Risk, capital management and compliance committee					
Chairman	4	**708 750**		675 000	
Member	5	**354 375**	**78 430**	337 500	77 500
Remuneration committee					
Chairman	4	**425 250**		351 000	
Member	7	**212 625**	**45 000**	175 500	40 000
Directors' affairs and governance committee					
Chairman	4	**136 080**		129 600	
Member	6	**68 040**	**15 180**	64 800	15 000
Large exposures committee					
Chairman	4	**500 000**		446 580	
Member	7	**250 000**	**52 800**	223 290	51 000
Social and ethics committee (disbanded with effect from 30 June 2016)					
Chairman		**–**	**–**	259 200	
Member		**–**	**–**	129 600	30 000
Transformation monitoring committee (disbanded with effect from 30 June 2016)					
Chairman		**–**	**–**	194 400	
Member		**–**	**–**	97 200	22 500
Social, ethics and transformation monitoring committee (merged with effect from 1 July 2016)					
Chairman	4	**425 250**		–	–
Member	8	**212 625**	**45 000**	–	–
IT risk governance committee					
Chairman	4	**272 160**		–	–
Member	9	**136 080**	**31 185**	–	–
***Ad hoc* work**					
Special technical	10	**4 342**	**607**	4 135	600
Standard	11	**2 835**	**405**	2 700	400

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 paid to members of the board domiciled outside of South Africa are approximately 2.75 x the standard rate.*
4. *Board chairmen fees for are twice that of committee members fees.*
5. *Due to extensive legislation and compliance requirements, these fees have been adjusted in line with increased workload.*
6. *Directors' affairs and governance committee fees adjusted in line with market norms and workload.*
7. *Remuneration committee and large exposures committee fees have been adjusted to take into consideration the extent of responsibility and commitment required by members in respect of both committees which has significantly increased.*
8. *Social, ethics and transformation monitoring committee fees adjusted in line with market norms and workload expectations.*
9. *IT risk governance committee was established during the course of the year to ensure focus on matters requiring IT specialist skills.*
10. *Special technical rate for highly specialised ad hoc work on an hourly basis at the request of the board.*
11. *Standard ad hoc rate for additional work on an hourly basis at the request of the responsible executive.*

The percentage of voting rights required for this special resolution number 3 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

13 Special resolution number 4

Adoption of new Memorandum of Incorporation (MOI) of the company

Resolved, as a special resolution that the revised MOI, in the form of the draft tabled at this annual general meeting and initialled by the chairman of the meeting for the purposes of identification, be and is hereby adopted in substitution for and to the exclusion of the entire current MOI, subject to obtaining the prior written consent of the company.

Reasons and effects of special resolution number 4

The reasons for special resolution number 4 are as follows:

- to bring the company's incorporation documents into harmony with the provisions of the revised JSE Listing Requirements; and
- to allow for the transmission of dividends or any other amount by electronic funds transfer.

The effect of special resolution number 4 will be to replace the company's existing MOI with the proposed new MOI referred to in special resolution number 4.

The percentage of voting rights required for this special resolution number 4 to be adopted is at least 75% (seventy five percent) of the voting rights exercised on the resolution.

Additional information in respect of special resolution number 4

- Sections 16(1)(c)(ii) and 16(5)(a) of the Companies Act provides that a company's MOI may be amended at any time if a special resolution to amend it is adopted at a shareholders' meeting. The amendment may take the form of a new MOI in substitution for the existing MOI.
- The JSE has revised its requirements for the MOI of a listed company and requires companies to amend their MOI so as to comply with the new requirements.
- To allow for the transmission of dividends or any other amount by electronic funds transfer.
- The amended new MOI has been approved by the board, JSE and the Registrar of Banks, and the board's intention is for the shareholders to pass a special resolution adopting the new MOI in substitution for the existing MOI.
- Special resolution number 4 is proposed to enable the company to adopt a new MOI that will be in line with the requirements of the new JSE Listings Requirements and any applicable legislation as well as to allow for the transmission of dividends or any other amount by electronic funds transfer. The principal changes being proposed in the proposed MOI are summarised in Annexure 1. The proposed MOI will substitute the company's current MOI in its entirety.
- In compliance with Section 65(4) of the Companies Act, an explanatory note identifying the salient differences between the current MOI and the proposed MOI is contained in Annexure 1. As the aforementioned explanatory note is not an exhaustive list of the differences between the current MOI and the proposed MOI, shareholders are advised to review the current MOI and proposed MOI prior to this annual general meeting. Both the current MOI and the proposed MOI will be available for inspection from the date of issue of the notice to the date of the annual general meeting, being Tuesday, 29 November 2016, at both (i) the registered office of the company during office hours, being 4 Merchant Place, Corner Fredman Drive and Rivonia Road, Sandton, 2196 and (ii) on the company's website, being www.firstrand.co.za.
- Please note that the summary referred to above is intended for information purposes only, and is not intended as a substitute for the thorough perusal of the document to which it relates. The entire MOI under consideration of this special resolution is posted on the company's website, www.firstrand.co.za, on its home page.

Important notes regarding attendance at the annual general meeting

General

Shareholders wishing to attend the meeting have to ensure beforehand with the transfer secretaries of the company that their shares are in fact registered in their name.

Certificated shareholders and own name dematerialised shareholders

Shareholders who have not dematerialised their shares or who have dematerialised their shares with own name registration are entitled to attend and vote at the meeting and are entitled to appoint a proxy or proxies to attend, speak and vote in their stead. The person so appointed need not be a shareholder.

Proxy forms are to be forwarded to reach the registered office of the company's transfer secretaries by 09:00 on Friday, 25 November 2016. Before a proxy exercises any rights of a shareholder at the meeting, such form of proxy must be so delivered. Any forms of proxy not lodged by this time must be handed to the chairman of the meeting immediately prior to the meeting.

Dematerialised shareholders other than with own name registration

Shareholders who have dematerialised their shares, other than those members who have dematerialised their shares with own name registration, should contact their Central Securities Depository Participant (CSDP) or broker in the manner and time stipulated in their agreement:

- to furnish them with their voting instructions; and
- in the event that they wish to attend the meeting, to obtain the necessary authority to do so.

Voting

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, kindly note that meeting participants (including proxies) are required to provide reasonably satisfactory identification before being entitled to attend or participate in a shareholders' meeting. 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 form of proxy.

Directions for obtaining a copy of financial statements

The complete financial statements are available for viewing and downloading on FirstRand's website (www.firstrand.co.za) or a copy thereof can be requested in writing from the transfer secretaries, Computershare Investor Services (Pty) Ltd, 70 Marshall Street, Johannesburg, 2001 (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 order of the board

C Low
Company secretary

7 September 2016

Transfer secretaries
Computershare Investor Services (Pty) Ltd
70 Marshall Street
Johannesburg
2001

Registered office address
4 Merchant Place
Corner Fredman Drive and Rivonia Road
Sandton
2196

COMPANY INFORMATION

DIRECTORS

LL Dippenaar (chairman), JP Burger (chief executive officer), AP Pullinger (deputy chief executive officer), HS Kellan (financial director), VW Bartlett, MS Bomela, P Cooper (alternate), JJ Durand, GG Gelink, PM Goss, NN Gwagwa, PK Harris, WR Jardine, F Knoetze, RM Loubser, PJ Makosholo, EG Matenge-Sebesho, AT Nzimande, D Premnarayen (India), 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
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
70 Marshall Street
Johannesburg 2001
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

LISTED FINANCIAL INSTRUMENTS OF THE GROUP AND ITS SUBSIDIARIES

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 of Botswana Limited	FNBB	BW0000000066

LISTED DEBT INSTRUMENTS

Johannesburg Stock Exchange (JSE)

	Issuer	Bond code	ISIN code
Subordinated debt	FirstRand Bank Limited	FRB05	ZAG000031337
	FirstRand Bank Limited	FRB09	ZAG000047804
	FirstRand Bank Limited	FRB10	ZAG000092487
	FirstRand Bank Limited	FRB11	ZAG000102054
	FirstRand Bank Limited	FRB12	ZAG000116278
	FirstRand Bank Limited	FRB13	ZAG000116286
	FirstRand Bank Limited	FRB14	ZAG000116294
	FirstRand Bank Limited	FRB15	ZAG000124199
	FirstRand Bank Limited	FRB16	ZAG000127622
	FirstRand Bank Limited	FRB17	ZAG000127630
	FirstRand Bank Limited	FRB18	ZAG000135229
	FirstRand Bank Limited	FRB19	ZAG000135310
	FirstRand Bank Limited	FRB20	ZAG000135385
	FirstRand Bank Limited	FRBC21	ZAG000052283
	FirstRand Bank Limited	FRBC22	ZAG000052390
Senior unsecured	FirstRand Bank Limited	FRBZ01	ZAG000049255
	FirstRand Bank Limited	FRBZ02	ZAG000072711
	FirstRand Bank Limited	FRBZ03	ZAG000080029
	FirstRand Bank Limited	FRJ16	ZAG000073826
	FirstRand Bank Limited	FRJ17	ZAG000094343
	FirstRand Bank Limited	FRJ18	ZAG000084187
	FirstRand Bank Limited	FRJ19	ZAG000104563

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRJ20	ZAG000109596
	FirstRand Bank Limited	FRJ21	ZAG000115858
	FirstRand Bank Limited	FRJ25	ZAG000124256
	FirstRand Bank Limited	FRS36	ZAG000077397
	FirstRand Bank Limited	FRS37	ZAG000077793
	FirstRand Bank Limited	FRS43	ZAG000078643
	FirstRand Bank Limited	FRS46	ZAG000079807
	FirstRand Bank Limited	FRS49	ZAG000081787
	FirstRand Bank Limited	FRS51	ZAG000086117
	FirstRand Bank Limited	FRS56	ZAG000087271
	FirstRand Bank Limited	FRS59	ZAG000089855
	FirstRand Bank Limited	FRS62	ZAG000090614
	FirstRand Bank Limited	FRS64	ZAG000092529
	FirstRand Bank Limited	FRS81	ZAG000100892
	FirstRand Bank Limited	FRS85	ZAG000104985
	FirstRand Bank Limited	FRS86	ZAG000105008
	FirstRand Bank Limited	FRS87	ZAG000105420
	FirstRand Bank Limited	FRS88	ZAG000106154
	FirstRand Bank Limited	FRS90	ZAG000106410
	FirstRand Bank Limited	FRS94	ZAG000107871
	FirstRand Bank Limited	FRS96	ZAG000108390
	FirstRand Bank Limited	FRS100	ZAG000111634
	FirstRand Bank Limited	FRS101	ZAG000111774
	FirstRand Bank Limited	FRS102	ZAG000111782
	FirstRand Bank Limited	FRS103	ZAG000111840
	FirstRand Bank Limited	FRS104	ZAG000111857
	FirstRand Bank Limited	FRS107	ZAG000112061
	FirstRand Bank Limited	FRS108	ZAG000113515
	FirstRand Bank Limited	FRS109	ZAG000113564
	FirstRand Bank Limited	FRS110	ZAG000113663
	FirstRand Bank Limited	FRS112	ZAG000115395
	FirstRand Bank Limited	FRS113	ZAG000115478
	FirstRand Bank Limited	FRS114	ZAG000116070
	FirstRand Bank Limited	FRS115	ZAG000116740
	FirstRand Bank Limited	FRS117	ZAG000117706
	FirstRand Bank Limited	FRS119	ZAG000118951
	FirstRand Bank Limited	FRS120	ZAG000119298
	FirstRand Bank Limited	FRS121	ZAG000120643
	FirstRand Bank Limited	FRS122	ZAG000121062
	FirstRand Bank Limited	FRS123	ZAG000121328
	FirstRand Bank Limited	FRS124	ZAG000122953
	FirstRand Bank Limited	FRS126	ZAG000125188
	FirstRand Bank Limited	FRS127	ZAG000125394
	FirstRand Bank Limited	FRS129	ZAG000125865
	FirstRand Bank Limited	FRS130	ZAG000125873
	FirstRand Bank Limited	FRS131	ZAG000126186
	FirstRand Bank Limited	FRS132	ZAG000126194
	FirstRand Bank Limited	FRS133	ZAG000126541

LISTED DEBT INSTRUMENTS *continued*

JSE *continued*

	Issuer	Bond code	ISIN code
Senior unsecured	FirstRand Bank Limited	FRS134	ZAG000126574
	FirstRand Bank Limited	FRS135	ZAG000126608
	FirstRand Bank Limited	FRS136	ZAG000126780
	FirstRand Bank Limited	FRS137	ZAG000127549
	FirstRand Bank Limited	FRS138	ZAG000127556
	FirstRand Bank Limited	FRS139	ZAG000128646
	FirstRand Bank Limited	FRS140	ZAG000129842
	FirstRand Bank Limited	FRS141	ZAG000130048
	FirstRand Bank Limited	FRS142	ZAG000130782
	FirstRand Bank Limited	FRS143	ZAG000130790
	FirstRand Bank Limited	FRS144	ZAG000131483
	FirstRand Bank Limited	FRX16	ZAG000084203
	FirstRand Bank Limited	FRX17	ZAG000094376
	FirstRand Bank Limited	FRX18	ZAG000076472
	FirstRand Bank Limited	FRX19	ZAG000073685
	FirstRand Bank Limited	FRX20	ZAG000109604
	FirstRand Bank Limited	FRX23	ZAG000104969
	FirstRand Bank Limited	FRX24	ZAG000073693
	FirstRand Bank Limited	FRX26	ZAG000112160
	FirstRand Bank Limited	FRX30	ZAG000124264
	FirstRand Bank Limited	FRX31	ZAG000084195
	FirstRand Bank Limited	FRX45	ZAG000076480
Inflation-linked bonds	FirstRand Bank Limited	FRBI22	ZAG000079666
	FirstRand Bank Limited	FRBI23	ZAG000076498
	FirstRand Bank Limited	FRBI25	ZAG000109588
	FirstRand Bank Limited	FRBI28	ZAG000079237
	FirstRand Bank Limited	FRBI33	ZAG000079245
Credit-linked notes	FirstRand Bank Limited	FRC46	ZAG000082959
	FirstRand Bank Limited	FRC61	ZAG000087347
	FirstRand Bank Limited	FRC66	ZAG000088485
	FirstRand Bank Limited	FRC67	ZAG000088741
	FirstRand Bank Limited	FRC69	ZAG000088766
	FirstRand Bank Limited	FRC71	ZAG000088923
	FirstRand Bank Limited	FRC72	ZAG000088956
	FirstRand Bank Limited	FRC74	ZAG000089178
	FirstRand Bank Limited	FRC76	ZAG000089574
	FirstRand Bank Limited	FRC78	ZAG000089806
	FirstRand Bank Limited	FRC82	ZAG000090796
	FirstRand Bank Limited	FRC83	ZAG000090952
	FirstRand Bank Limited	FRC84	ZAG000090986
	FirstRand Bank Limited	FRC86	ZAG000091182
	FirstRand Bank Limited	FRC87	ZAG000091570

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC94A	ZAG000106725
	FirstRand Bank Limited	FRC95	ZAG000092792
	FirstRand Bank Limited	FRC96A	ZAG000106733
	FirstRand Bank Limited	FRC98	ZAG000093220
	FirstRand Bank Limited	FRC99	ZAG000093501
	FirstRand Bank Limited	FRC101	ZAG000093576
	FirstRand Bank Limited	FRC105	ZAG000093998
	FirstRand Bank Limited	FRC106	ZAG000093956
	FirstRand Bank Limited	FRC107	ZAG000094574
	FirstRand Bank Limited	FRC108	ZAG000094871
	FirstRand Bank Limited	FRC109	ZAG000094889
	FirstRand Bank Limited	FRC112	ZAG000095621
	FirstRand Bank Limited	FRC113	ZAG000095761
	FirstRand Bank Limited	FRC115	ZAG000095852
	FirstRand Bank Limited	FRC116	ZAG000095860
	FirstRand Bank Limited	FRC117	ZAG000095928
	FirstRand Bank Limited	FRC118	ZAG000096280
	FirstRand Bank Limited	FRC121	ZAG000096314
	FirstRand Bank Limited	FRC122	ZAG000096322
	FirstRand Bank Limited	FRC124	ZAG000096579
	FirstRand Bank Limited	FRC125	ZAG000096678
	FirstRand Bank Limited	FRC128	ZAG000096959
	FirstRand Bank Limited	FRC134	ZAG000097056
	FirstRand Bank Limited	FRC135	ZAG000097122
	FirstRand Bank Limited	FRC144	ZAG000097569
	FirstRand Bank Limited	FRC145	ZAG000097627
	FirstRand Bank Limited	FRC148	ZAG000099466
	FirstRand Bank Limited	FRC150	ZAG000099821
	FirstRand Bank Limited	FRC151	ZAG000099904
	FirstRand Bank Limited	FRC152	ZAG000100330
	FirstRand Bank Limited	FRC153	ZAG000100348
	FirstRand Bank Limited	FRC154	ZAG000100694
	FirstRand Bank Limited	FRC155	ZAG000101643
	FirstRand Bank Limited	FRC161	ZAG000102260
	FirstRand Bank Limited	FRC163	ZAG000102898
	FirstRand Bank Limited	FRC166	ZAG000103573
	FirstRand Bank Limited	FRC167	ZAG000104019
	FirstRand Bank Limited	FRC168	ZAG000104753
	FirstRand Bank Limited	FRC169	ZAG000104852
	FirstRand Bank Limited	FRC170	ZAG000105586
	FirstRand Bank Limited	FRC171	ZAG000105719
	FirstRand Bank Limited	FRC172	ZAG000105818
	FirstRand Bank Limited	FRC173	ZAG000105826

LISTED DEBT INSTRUMENTS *continued*

JSE *continued*

	Issuer	Bond code	ISIN code
Credit-linked notes	FirstRand Bank Limited	FRC174	ZAG000105891
	FirstRand Bank Limited	FRC175	ZAG000106527
	FirstRand Bank Limited	FRC176	ZAG000107178
	FirstRand Bank Limited	FRC177	ZAG000107632
	FirstRand Bank Limited	FRC178	ZAG000107897
	FirstRand Bank Limited	FRC179	ZAG000108168
	FirstRand Bank Limited	FRC180	ZAG000108234
	FirstRand Bank Limited	FRC181	ZAG000108549
	FirstRand Bank Limited	FRC182	ZAG000108713
	FirstRand Bank Limited	FRC183	ZAG000109356
	FirstRand Bank Limited	FRC185	ZAG000111451
	FirstRand Bank Limited	FRC186	ZAG000111576
	FirstRand Bank Limited	FRC188	ZAG000111873
	FirstRand Bank Limited	FRC189	ZAG000112145
	FirstRand Bank Limited	FRC190	ZAG000113994
	FirstRand Bank Limited	FRC191	ZAG000114547
	FirstRand Bank Limited	FRC192	ZAG000114521
	FirstRand Bank Limited	FRC193	ZAG000114620
	FirstRand Bank Limited	FRC194	ZAG000114638
	FirstRand Bank Limited	FRC195	ZAG000114745
	FirstRand Bank Limited	FRC196	ZAG000114729
	FirstRand Bank Limited	FRC197	ZAG000114737
	FirstRand Bank Limited	FRC198	ZAG000114760
	FirstRand Bank Limited	FRC199	ZAG000114844
	FirstRand Bank Limited	FRC200	ZAG000114992
	FirstRand Bank Limited	FRC201	ZAG000115106
	FirstRand Bank Limited	FRC202	ZAG000115114
	FirstRand Bank Limited	FRC203	ZAG000115122
	FirstRand Bank Limited	FRC204	ZAG000115593
	FirstRand Bank Limited	FRC205	ZAG000115619
	FirstRand Bank Limited	FRC206	ZAG000116088
	FirstRand Bank Limited	FRC207	ZAG000117649
	FirstRand Bank Limited	FRC208	ZAG000117656
	FirstRand Bank Limited	FRC209	ZAG000118613
	FirstRand Bank Limited	FRC210	ZAG000120296
	FirstRand Bank Limited	FRC211	ZAG000121013
	FirstRand Bank Limited	FRC212	ZAG000121054
	FirstRand Bank Limited	FRC213	ZAG000121047
	FirstRand Bank Limited	FRC214	ZAG000121039
	FirstRand Bank Limited	FRC215	ZAG000121021
	FirstRand Bank Limited	FRC216	ZAG000121070
	FirstRand Bank Limited	FRC217	ZAG000121088
	FirstRand Bank Limited	FRC218	ZAG000121096
	FirstRand Bank Limited	FRC219	ZAG000121138
	FirstRand Bank Limited	FRC220	ZAG000121146
	FirstRand Bank Limited	FRC221	ZAG000121229
	FirstRand Bank Limited	FRC222	ZAG000121294
	FirstRand Bank Limited	FRC223	ZAG000121302
	FirstRand Bank Limited	FRC224	ZAG000121310
	FirstRand Bank Limited	FRC225	ZAG000121435
	FirstRand Bank Limited	FRC227	ZAG000124363
	FirstRand Bank Limited	FRC228	ZAG000124397
	FirstRand Bank Limited	FRC229	ZAG000124850
	FirstRand Bank Limited	FRC230	ZAG000125006
	FirstRand Bank Limited	FRC231	ZAG000125030
	FirstRand Bank Limited	FRC232	ZAG000127994
	FirstRand Bank Limited	FRC233	ZAG000128752
	FirstRand Bank Limited	FRC234	ZAG000130816
	FirstRand Bank Limited	FRC235	ZAG000132390
	FirstRand Bank Limited	FRD003	ZAG000114067
	FirstRand Bank Limited	FRD013	ZAG000128695
Structured notes	FirstRand Bank Limited	COLRMB	ZAE000155222

NSX

	Issuer	Bond code	ISIN code
Subordinated debt	First National Bank of Namibia Limited	FNBJ22	NA000A1G3AF2
	First National Bank of Namibia Limited	FNBX22	NA000A1G3AG0

London Stock Exchange (LSE)

European medium term note (EMTN) programme

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

SIX Swiss Exchange

	Issuer	ISIN code
Senior unsecured	FirstRand Bank Limited	CH0238315680

CREDIT RATINGS

FIRSTRAND BANK LIMITED

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

FIRSTRAND LIMITED

FirstRand's ratings reflect its status as the non-operational holding company of the group and the entity's consequent structural subordination and reliance on dividends from operating companies to meet its obligations, exposing it to potential regulatory impositions. It is standard practice for a holding company to be rated at least one notch lower than the operating company (in this case, FirstRand Bank). It is important to note that the group issues debt out of the bank, the credit counterparty. No debt is issued from FirstRand.

CREDIT RATINGS AS AT 8 SEPTEMBER 2016

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

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

South Africa sovereign rating

During the current financial year, Moody's Investor Services (Moody's) and S&P Global Ratings (S&P) changed the outlook on the South African sovereign to negative from stable. These rating actions were primarily driven by South Africa's weakening credit profile, and challenging economic and operating environment. Both rating agencies affirmed the sovereign rating in the last quarter of the 2016 financial year. The impact of these rating actions on FirstRand and FirstRand Bank are outlined below.

Moody's

On 17 December 2015, Moody's changed the outlook on FirstRand Bank's ratings to negative from stable. In May 2016, the long- and short-term foreign and local currency deposit ratings were confirmed and the national scale ratings were repositioned to Aaa.za from A1.za following the recalibration of the South African national scale rating.

S&P

On 9 December 2015, S&P revised its outlook for both FirstRand and FirstRand Bank to negative from stable. At the same time, FirstRand Bank's long-term national scale ratings were lowered to zaAA- from zaAA and the short-term national scale rating was affirmed at zaA-1. FirstRand's long- and short-term national scale ratings were also lowered to zaA/zaA-2 from zaA+/zaA-1.
The ratings were affirmed in April 2016.

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)	Total qualifying capital and reserves divided by RWA.
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 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	Common Equity Tier 1 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 regulatory deductions.
TLAC	Total loss absorbing capacity.
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.

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
IAS 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 – Recognition and Measurement
IAS 40	IAS 40 – Investment Property

IFRS Interpretations Committee Interpretations	
IFRIC 17	IFRIC 17 – Distributions of Non-cash Assets to Owners

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